

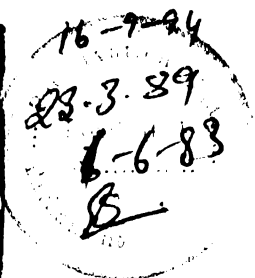
Thursday, 26th March, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume IV, 1931

(26th March to 1st April, 1931)

FIRST SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1931



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1931

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Legislative Assembly.

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Deputy President :

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MAULVI MUHAMMAD YAKUB, M.L.A.

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MIAN MUHAMMAD SHAH NAWAZ, C.I.E., M.L.A.

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LEGISLATIVE ASSEMBLY.

Thursday, 26th March, 1931.

The Assembly met in the Assembly Chamber of the Council House at Ten of the Clock, Mr. President in the Chair.

THE INDIAN FINANCE BILL—*contd.*

Mr. President: The question is:

“That clause 8 stand part of the Bill.”

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I beg to move:

“That for clause 8 the following be substituted:

Excise duty on Kerosene. 8. In section 5 of the Indian Finance Act, 1922:

(a) in the proviso:

- (i) After the words ‘duty on’ the word ‘yellow’ should be inserted.
- (ii) After the word ‘gallon’ the following should be added, namely:

‘and the duty on kerosene other than yellow kerosene should be levied and collected at the rate of two annas and three pies on each imperial gallon.’

(b) after the explanation the following explanation should be added, namely:

‘*Explanation.*—For the purposes of this item ‘yellow Kerosene’ means kerosene which is not lighter in colour than that prescribed by notification by the Governor General in Council from time to time.’”

Sir, I think, even now, if this excise duty were reduced in the case of yellow kerosene, the Burma Oil Company will reduce the price to what it was before the duty was imposed. They have already raised it by six annas per unit, and if this yellow oil were exempted, they will bring down the rate to the original price, and thus it will be a great help to the poorer people. Of course the Leader of the Opposition has stated that it is very difficult to find out what yellow kerosene is and that he would consider the matter and see if it could be differentiated from white kerosene. But since there is this yellow oil on the market for years, I still insist that this concession should be granted in the case of yellow kerosene.

Sir, I move.

The Honourable Sir George Es'ny (Member for Commerce and Railways): Sir, the Honourable the Mover of the amendment has I think inadvertently attributed to the Honourable the Leader of the Opposition a statement which I believe I made. I should be very willing to make over the credit for it to my Honourable friend, but I am not sure that he would thank me for it.

Mr. T. N. Ramakrishna Reddi: I meant the Leader of the House.

The Honourable Sir George Rainy: Sir, I am afraid I can do no more than repeat what I have already said on two different occasions about this particular amendment, namely, that we are prepared to examine it, but we cannot agree to it at present, not only on account of the loss of revenue it would involve, but also because there are various points which require close study and examination in order to enable Government to make sure what the position would be. In particular it would be necessary to make sure that there might not be difficulties about the test. This colour test sounds plausible enough, but we want time to find out how it would work in practice and whether it would not be necessary to supplement it by some test regarding the chemical composition of the oil. Then, in the second place it is also necessary to examine the question how we could be sure of ensuring that the reduction in duty would be accompanied by an actual reduction in the price. These are the main points, Mr. President, which I have already put before the House on two occasions; and I must again emphasise them and explain that I fear it is impossible for Government to accept this amendment.

Diwan Bahadur T. Rangachariar (South Arcot *cum* Chingleput: Non-Muhammadan Rural): Sir, my Honourable friend, Mr. Reddi, recognises that he moves this amendment in conjunction with another and having failed in that he must see that this should fail also. The whole result of this amendment would be, as my Honourable friend would at once see, to put more money into the pockets of the Burmah Oil Company who have not dealt, according to my Honourable friends, fairly with the public, and therefore they are already enjoying the benefit of the difference between the import duty and the excise duty according to the Government proposals, and this will be an additional benefit which my Honourable friend proposes to confer on them. They do not in the least deserve this additional bonus. They have to justify themselves by their conduct in at least restoring the prices of yellow oil to the February level. If they do that, then of course any proposal to give them a bounty in this way may be considered favourably. So long as they do not do that, they must be thankful that the House has not taken away the existing difference. My Honourable friend, the Mover, has brought to the notice of Government that there must be differentiation between yellow oil and white oil if it is possible. And I do not think it is impossible because it is a well-known difference in the market and in fact Government themselves know it. It was in the market before as Victoria Oil and they knew exactly what the people were buying as inferior oil and superior oil. Therefore the Honourable the Leader of the House has exaggerated the difficulties on the part of Government to make this differentiation, because I do urge on them that it will be a great improvement if they can secure a reduction in prices as regards this inferior oil, either by means of a binding arrangement with the Burmah Oil Company, or by means of legislative provision; and having made this, they will be able to enforce it against the company. Sir, I think my Honourable friend has done his duty by drawing the attention of Government to this and it is not necessary for him, if I may say so, to press this to a division.

Mr. T. N. Ramakrishna Reddi: Sir, before withdrawing this amendment, I wish to bring up the fact that the Honourable the Leader of the Opposition was not correct in saying that this difference will go to the pockets of

the Burmah Oil Company. The other day the Honourable Member, Mr. Heathcote

Mr. President: The Honourable Member cannot make a speech in withdrawing the amendment.

Mr. T. N. Ramakrishna Reddi: No, Sir, I am not making a speech. I was saying that the Honourable Member, Mr. Heathcote, said the other day that he would promise to give the difference to the consumers in case yellow oil is exempted from increased duty. It is on that assurance that I moved this amendment. However, as the Leader of the House has given an assurance that he will consider this question favourably, I beg leave to withdraw this amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President: The question is:

"That clause 8 stand part of the Bill."

The motion was adopted.

Clause 8 was added to the Bill.

Clauses 9 and 10 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir George Souter (Finance Member): I do not at this stage propose to move that the Bill be passed. I have a Message to deliver. (Hands the Message to Mr. President.)

Mr. President: I have received a Message from His Excellency the Viceroy which I propose to read out to the House.

(The Assembly received the Message standing.)

"I have given most anxious consideration to the position created by the acceptance in the Legislative Assembly of an amendment to the Finance Bill which is estimated will reduce the expected revenue from income-tax for next year by about 240 lakhs of rupees.

I fully recognise that the burden of new taxation which the Legislature has been asked to accept can be justified only by most exceptional circumstances of which indeed the Honourable Members are well aware. I appreciate sincerely the co-operation of Honourable Members in having already accepted clauses imposing new and onerous taxation. I also recognise the desire of Honourable Members, in discharge of their duty to those to whom they are responsible, to ensure in these times the utmost measure of economy in the field of administration. But that the Budget of the Government of India for the coming year should be truly and securely balanced in the widest interests of the credit of India will, I am confident, be accepted as essential by the Legislative Assembly not less readily than by myself. The only question therefore at issue is how far it is possible with immediate effect, that is, so as in fact to be operative during the next year, to effect economies which will meet the reduction that has been

[Mr. President.]

made. After careful re-examination of all material items, I have satisfied myself that the maximum reduction which can be at once effected, mainly by the postponement for a year of important schemes for military re-equipment, is one crore of rupees. To make a larger reduction than this would be to leave in effect an unbalanced Budget and to take risks which I cannot regard as other than dangerous to the essential interests of the country. I therefore feel it my duty to recommend to Honourable Members the acceptance of an amendment which will make a reduction of one crore and which, while leaving a securely balanced Budget, will meet what I feel to be the genuine demand of the House, on the one hand for the enforcement of economy and on the other for the mitigation of the burden of taxation upon the poorest classes of income-tax payers.

In making this recommendation to the House I have sought to reconcile to the best of my ability the necessities of the public service with the expressed desires of Honourable Members, whose earnest attention I accordingly invite to the revised proposal of my Government."

The Recommendation reads as follows:

"In pursuance of the provisions of sub-section (1) of section 67B of the Government of India Act, I, Edward Frederick Lindley Wood, Baron Irwin, do recommend to the Legislative Assembly that it do pass the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to vary the excise duty on motor spirit leviable under the Motor Spirit (Duties) Act, 1917, to fix rates of income-tax and super-tax, to vary the excise duty on kerosene leviable under the Indian Finance Act, 1922, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, in the form hereto annexed".

The Honourable the Finance Member will move the amendment recommended.

The Honourable Sir George Schuster: Sir, I move:

"That for Part I of Schedule IV to the Bill the following be substituted:

'Rates of Income-tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—

	Rate.
(1) When the total income is less than Rs. 2,000	Nil.
(2) When the total income is Rs. 2,000 or upwards but is less than Rs. 5,000.	Six pias in the rupee.
(3) When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000.	Nine pias in the rupee.
(4) When the total income is Rs. 10,000 or upwards but is less than Rs. 15,000.	One anna in the rupee."

—and thereafter the rates remaining the same as in the original proposals, namely,—

	Rate.
(5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000.	One anna and four pies in the rupee.
(6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000.	One anna and seven pies in the rupee.
(7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000.	One anna and eleven pies in the rupee.
(8) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000.	Two annas and one pie in the rupee.
(9) When the total income is Rs. 1,00,000 or upwards.	Two annas and two pies in the rupee.
B. In the case of every company and registered firm, whatever its total income.	Two annas and two pies in the rupee.

In moving this amendment, I am very anxious to explain most clearly to the House what exactly is the effect and significance of our proposals and our reasons for making them. Our proposals in fact amount to a reduction as compared with our original proposals of three pies on the lowest grade, two pies on the next grade and two pies on the next grade, and then from Rs. 15,000 and upwards we propose that the original rates should be retained.

Sir, yesterday the House passed an amendment involving a loss of something like 235 lakhs . . .

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): On a point of order, Sir. May I ask if the amendment can be taken up without proper notice? It has been sprung upon the House, and we should like to have the usual notice to consider the effect of the amendment.

Mr. President: The Chair will consider the objection after the amendment is actually moved.

The Honourable Sir George Schuster: I was intending to deal fairly fully with the amendment and its merits. I take it it is your wish that I should proceed.

Mr. President: Certainly.

The Honourable Sir George Schuster: I think the amendment is a very simple one. If I might repeat it again, it is a reduction of 3 pies on the lowest class and 2 pies on the next two classes, and it therefore effects a very substantial relief to income-tax payers up to Rs. 15,000. Sir, yesterday the House passed an amendment involving a loss of something between 235 and 240 lakhs; that is to say, a gross loss of 254 lakhs, less an allowance for refunds. I would like to make some digression at this point to explain the position about refunds, and I would take this occasion to ask any Honourable Members who ever wish to obtain any information to apply to me for that information. It puts me, I think every one will recognise, in a rather difficult position if information is obtained from my office and if I myself have no knowledge of that fact. Now, in the present case it has led to a certain amount of confusion. The position as regards refunds is a very complicated one. The refunds with which we are concerned are those under section 48, refunds in the case of small incomes, and those under section 49, refunds for double income-tax relief. Now, the refunds in the case of small incomes are mainly refunds in respect of the deduction of income-tax from dividends where income-tax has been

[Sir George Schuster.]

deducted at the source at the maximum rate and the receiver of the dividend is either not liable at all or liable only to a lower rate. The question of double income-tax relief arises in the case of those income-tax payers who pay income-tax both in the United Kingdom and India. The largest item under section 48—Refunds at the maximum rate—consists of people who are not liable at all. The next two largest contributions are in the second and third grades in the bottom of the scale. Double income-tax refunds amount to over double the small refunds and occur only in the higher grades of assesseees. Now, it is clear that if the rates of income-tax on small incomes are reduced, and if the rates of tax on the higher incomes are increased or not reduced, the amount that we have to allow for refunds is larger than if the rates on the higher tax were reduced; that is to say, if my Honourable friend Sir Cowasji Jehangir's amendment were to stand—according to which he has proposed substantial reductions in the higher grades—while those rates are down by two pies, and if the lower rates also go down by 2 pies, then of course the difference between the higher grades and the lowest grades remains about the same, and the refunds might not be affected. But if we leave the higher rates unchanged and reduce the lower rates, then the reduction of the lower rates is not, as my Honourable friend, Mr. Moore, seemed to suppose, likely to reduce the amount of refunds, but it puts us really in a worse position—it is not only not likely to reduce the amount of the refunds but to increase it, and therefore it puts us in a worse position. That, Sir, I think explains my difficulty in agreeing with my friend's figures yesterday. His figures might have been perfectly all right if the amendment was taken as a whole, but if you take it slab by slab, you cannot tell exactly what the effect of refunds in the case of each slab is going to be unless you know what the rate of tax in the highest grades is going to be. Therefore, as a matter of fact in the case of the proposals which I am now putting forward, which mean a reduction in the lowest grades and leave the higher rates untouched, the amount that we shall have to allow for refunds is rather larger than the amount that we allowed in my original proposals, and therefore although in the statement from His Excellency the Governor General the figure of total loss of revenue is given at something like one crore, actually to be exact, I think I ought to allow something like 115 lakhs. However, it is very difficult to argue with exactitude when you get down to amounts of a few lakhs, and I propose in the course of my remarks today to treat the cost of these amendments that we are proposing as coming to something like 105 lakhs. I am really taking a risk to the extent of about 10 lakhs in doing so.

Now, Sir, to revert to the amendment which was passed by the House yesterday

Diwan Bahadur T. Rangachariar: On a point of order, Sir. The Honourable Member has sufficiently explained to us the scope of the amendment. I wish, Sir, now to take formal objection under Standing Order No. 46. It says this:

"(1) If notice of a proposed amendment has not been given two clear days before the day on which the Bill is to be considered, any member may object to the moving of the amendment, and such objection shall prevail, unless the President, in the exercise of his power to suspend this standing order, allows the amendment to be moved.

(2) The Secretary shall, if time permits, cause every notice of a proposed amendment to be printed, and a copy thereof to be made available for the use of every member."

Sir, this amendment has just been sprung upon us, and it is a very important amendment. We feel that we should consider this amendment at a party meeting before we can finally offer our opinion thereon, otherwise it will lead to very serious consequences. And, Sir, I think it is not fair to the House that the Government Member should spring on us an important amendment like this without giving us sufficient notice beforehand. So, Sir, I object, under Standing Order No. 46, to this amendment being taken up for consideration without the notice of at least one day as required by the Standing Orders.

Mr. President: When the Chair has explained the position, the House will probably be satisfied. The Chair will allow this point to be raised immediately after the Honourable Member has put his amendment before the House. Honourable Members know that this is a recommended amendment, and as such the House should become fully possessed of it before points of order can be raised. When points of order are raised at the proper time, the Chair will give best consideration to them, and will see that Honourable Members have no real cause of complaint. The Chair will see that Honourable Members get sufficient time to consider the matter consistently with the requirements of public interest. The Chair will give Honourable Members an opportunity to raise this point as soon as the House becomes possessed of the amendment. That will be when the Chair intimates to the House that the amendment has been moved.

Diwan Bahadur T. Rangachariar: May I point out to the Chair that the Honourable Member is now disgressing and refers to what happened yesterday as to the proposals

Mr. President: May I point out to the Honourable Member that the Mover is explaining the reasons why this recommended amendment should be accepted by the House. I hope Honourable Members will not mind a few minutes more when they will become possessed of the amendment.

Diwan Bahadur T. Rangachariar: Under the Standing Orders we have to object to the moving of the amendment. If you will kindly look at the Standing Orders, it says that we have to object to the moving of the amendment, and not after it is moved.

Mr. President: I understood the Honourable Member to say that if reasonable time was given to the House there would be no objection to considering the amendment. I do not think that the Honourable Member desires that the amendment should be moved now. If that is his view

Diwan Bahadur T. Rangachariar: That is my objection.

Mr. President: If that is his objection, I should like to invite his attention to the procedure which has been constantly followed in this House, namely, that unless public interest is in any way vitally affected, amendments are allowed to be moved even without notice. There have been repeated instances of that kind. I desire that the amendment should be moved, and after that to consider the wishes of Honourable non-official Members in regard to what would be sufficient time to consider it.

Diwan Banadur T. Rangachariar: I would certainly bow to the view of the Chair, but unfortunately, as it happens, you take the consent of the House for adjourning or not, or for adjourning consideration. That places us in an awkward position. If you, as President in charge of the Debates, will promise us sufficient time to consider this most important amendment, then I will not take the formal objection; otherwise, I am bound to take exception which I am entitled to under the law.

Mr. President: I hope the Honourable Member realises that under the law discretion vests in the President to allow an amendment or not. When I am asking the views of the House, I am clearly aware of the provisions of the law. I have recognised that, in the public interest, Honourable Members should get sufficient time, and I propose to give them sufficient time, which in my opinion is fair and reasonable for the consideration of the amendment.

The Honourable Sir George Schuster: I should be very grateful if you would allow me to make a suggestion in this case

Mr. President: I have already assured Honourable Members that I propose to give them reasonable time to be able to discuss this question.

The Honourable Sir George Schuster: I only intended to place before you a consideration from my side which really agrees with the wishes of Honourable Members opposite. From my own point of view, I had intended to deal very fully with the merits of this proposal, and I should personally prefer to be able to deal with the merits as a preliminary to the discussion of the proposal

Mr. President: I have decided to allow the Honourable Member to place his amendment before the House. After the amendment has been moved, I will consider what further procedure should be followed, and on that question I will allow a very limited number of Honourable Members to express their views.

The Honourable Sir George Schuster: May I take it that you would allow me to make certain remarks afterwards after the point of order has been discussed?

Mr. President: As to when this amendment should be considered. At present I should like the Honourable Member to place his amendment as a whole before the House.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): On a point of procedure, Sir, may I suggest for the convenience of my Honourable friends,—the Honourable the Finance Member is now making a speech in support of the amendment, and you have very kindly told the House that, after this amendment has been moved, you will give Honourable Members reasonable time to consider the amendment before it is discussed. But, Sir, in the sudden shock, as it were, that has been caused by the springing of this amendment on the House, I think that I am not in a position to follow the speech of the Honourable Member, and that is the state of mind of many other Honourable colleagues of mine. Therefore, what I would respectfully

suggest is this. If you think that you should allow the Honourable Member to move his amendment and dispense with the period of notice, I suggest that he may be allowed to move the amendment, and then you may give us what you consider to be reasonable time for consideration. Later on, when we meet, it will be the proper time for the Honourable Member to explain his amendment, because we will be in a position then to rivet our attention on his speech.

The Honourable Sir George Rainy: I think that the suggestion made by my Honourable friend, Mr. Shanmukham Chetty, is one well worth consideration. I think that it would be for the convenience both of my Honourable colleague, the Finance Member, and of the House if the detailed explanation of the amendment were given after Honourable Members had had time to study it, and thereafter the discussion would follow immediately upon the explanation.

Mr. President: I take it that it is suggested that there should be a special procedure on the present occasion, namely, that the Honourable the Finance Member should be asked to formally move the amendment without any speech. In that event, the Honourable Member will have the right of giving full explanation afterwards, when the House meets again to consider it. (*Several Honourable Members:* "All right.") I take it that the House desires that the Honourable Member should be requested to place his amendment formally before the House and to reserve his remarks for the time when it is decided that the House should discuss it. In that case, the Honourable Member will not be barred from giving all his reasons in favour of the amendment. I take it that that is the view generally held in the House.

Diwan Bahadur T. Rangachariar: We are considering.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): The other view that might be taken on this side of the House is this. The Honourable the Finance Member may complete his statement, and after that statement is completed, we shall retire and consider his whole amendment coupled with the reasons which he gives for the amendment. Then we shall be in a better position to discuss and dispose of that amendment than if the Honourable the Finance Member divided his whole amendment coupled with the reasons which he gives for the afterwards. We should like to hear the whole speech and see what his reasons are, and then we shall retire and consider this question.

Mr. President: There seems to be considerable difference of opinion among the Leaders of the Nationalist Party. (Laughter.)

Mr. C. C. Biswas (Calcutta: Non-Muhammadan Urban): And also among the rank and file.

Sir Hari Singh Gour: So far as the Leaders are concerned, we are now agreed upon this procedure which I have suggested.

Mr. President: I should like to hear what Sir Abdur Rahim has to say as Leader of the Independent Party.

Sir Abdur Rahim (Calcutta and Suburbs: Muhammadan Urban): So far as our position is concerned, I must say this. As my Honourable friend, Mr. Chetty, has pointed out, we all have been taken by surprise,

[Sir Abdur Rahim.]

and it has really been in the nature of a shock. There can be no doubt about that. As regards the procedure to be observed, what I should suggest is this. If the Honourable the Finance Member wishes to explain the position fully, then there ought to be no more speech afterwards by him on this subject.

Mr. President: That is so, of course. That is what I have suggested.

Sir Abdur Rahim: But if he only wishes to explain what the general effect of the amendment would be in a formal way, that is another matter, I think he is entitled to do that, and he ought to do that—formally point out what the general effect of the amendment would be,—but if he makes any speech now, then he ought not to be allowed to make a second speech.

Mr. President: That is what I have suggested.

Sir Abdur Rahim: There is another thing which I must point out. We must have sufficient time. Some of the Honourable Members thought that the most important business of the session was really finished by yesterday's debate and division and have actually started for their homes and we are in a very false position indeed. It would be very difficult for us to discharge our duties to the public unless we have sufficient time and I would suggest for your consideration and of the Treasury Benches whether it should not be postponed in that case to, say, next Monday, when we can get all our Members together.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): I think the procedure which you suggested in the beginning was more reasonable—that the Honourable the Finance Member may place his views fully before the House, so that we may be able to judge how far circumstances allow us to modify the views which had been expressed yesterday. If the Finance Member places his views fully before the House, then the House will be in a position to judge what are the real difficulties which we have to meet and we shall be able to come to a decision. It would not be right for him to move his amendment simply and then make a second speech which may not be properly understood or appreciated.

Mr. President: I am not yet quite clear on the subject. Do Honourable Members desire that the Finance Member should be requested to place his amendment with his observations in full or do they desire that he should merely formally move it and make his speech afterwards.

D'wan Bahadur T. Rangachariar: He is already half way through. Let him finish.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): On this important question . . .

Mr. President: I want an answer only on that one issue. I do not want anything more.

Sir Cowasji Jehangir: Before we can answer that question, we want answers to other questions. The question I desire to ask is, what is the procedure Government intended to adopt on this occasion? If we know what they intended to do, then we can make a suggestion to alter it. All we know is that the Finance Member is on his feet moving an amendment.

What does he propose to do after he has moved it and explained it? I am not sufficiently familiar with the rules of this Honourable House as to be acquainted with an unprecedented procedure of this sort. Under what rule is he moving it? Secondly, what are our privileges? Can an amendment be moved to his amendment, and thirdly, how much time do Government desire to give us to consider the amendment. If we have answers on these points, we can immediately decide whether the Honourable Member should proceed with his speech just now and give us his full explanation and let us know what is exactly in his mind. If he moves the amendment and then comes forward and says that we must go on with the work in 2 or 5 or 6 hours, then we shall have to consider the position. We want to know what Government intended to do.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Before any further discussion takes place, I beg to enter my emphatic protest

Mr. President: This is not the stage for that. The Leaders of Parties have already expressed their views in regard to the one point of procedure about which I have consulted the House. Sir Cowasji Jehangir wants to get certain information. The Act, the Rules and Standing Orders are quite clear on the subject. When this recommended amendment is moved, the House is entitled to reject it or to pass it.

Sir Cowasji Jehangir: When?

Mr. President: When the amendment is placed before them for consideration. If the House rejects the amendment, then the Chair certifies that the recommended amendment has been rejected. These questions do not arise on the present occasion. I am merely consulting the House as to which of two alternatives should be adopted. The issue is whether the Finance Member should now complete his observations or reserve them till a later stage. The Chair will then consider how much time is required for Honourable Members to consider it. I think it is a very simple point and I am inclined to think.

Sir Abdur Rahim: We have not got an answer to one question which is for you to decide. Can we move an amendment to the recommended amendment?

Mr. President: That is a point of procedure which would arise later. His Excellency the Viceroy has recommended the amendment and the House has got to consider it. I take it that it is the general view that the Honourable Member should be allowed to have his full say now and then time should be given to Honourable Members to consider not only the amendment but the observations which the Honourable the Finance Member may make. I will allow the Honourable Member to have his full say.

Mr. R. K. Shanmukham Chetty: Do we take it then that the objection that was raised formally under the Standing Order has been over-ruled by you and that you have waived the provision of two days' notice in the case of this amendment.

Mr. President: This is a special case. I have allowed the Honourable the Finance Member to move his amendment and then in consideration of the fact that no notice has been given, I propose to give Honourable Members reasonable time to consider the question.

The Honourable Sir George Schuster: I was on the point of explaining that the loss of revenue involved in the amendment which was passed yesterday was something like 235 or 240 lakhs. I will take for the purposes of my present statement the lower figure of 235 lakhs. Of this sum of 235 lakhs, 145 falls on incomes up to Rs. 15,000 and 90 on incomes of Rs. 15,000 and over and of that 90, at least one half is from incomes of one lakh and over. I mention the figures, because I want the Assembly to appreciate exactly what was the effect of the amendment passed yesterday. Now, I made the point yesterday that it would be a very strange result—and a result which would create a most regrettable impression outside—if this Assembly, having passed the customs proposals which do hit the poorer classes, were to effect relief only for income-tax payers, including as an important part of that relief, the richest classes. That in effect is what was done by the amendment passed yesterday. Now, Sir, this is more than a mere debating point, for it goes to the very root of our whole proposals in this year's Budget. At one stage in the debate one speaker, my Honourable friend, Mr. Heathcote, criticized my Budget proposals because of their very simplicity, and he said that they looked as if I had only thought about them an hour before making my Budget speech. That was a very untrue statement of the position: the proposals which I put before this House represented a complete plan, a very carefully thought-out plan, a plan which aimed at balancing the burden, as far as possible, in an equitable way, leaving no class wholly unaffected and including, I have to say with regret, the very poorest classes, but justifying that feature by the fact that a very much heavier burden, measured according to its just proportion, had been imposed upon the well-to-do, and especially upon the richer classes. Now that balance has been rudely upset by the amendment passed yesterday, and we cannot regard that upsetting of the balance as anything but wrong. But, so far as possible, even if we think it wrong, we must bow to the expression of public opinion in this House. That is our position. We cannot, under the present constitution, appeal to the country, and I would ask Honourable Members to appreciate the fact that the present constitutional position, which they feel to be very unsatisfactory, cuts both ways.

Sir Cowasji Jehangir: You should appeal to the country. You would get your answer very soon.

The Honourable Sir George Schuster: The Honourable Member knows, that we have at present no means of divesting ourselves of responsibility; and unfortunately there is no provision at present by which my Honourable friend can come across and take responsibility for the effect of the proposals which he has made. I do not defend that position; I am merely pointing out to Honourable Members that it cuts both ways and puts us in a difficulty as much as them. We have to try to meet the expression of public opinion as given to us by Honourable Members opposite as far as possible, and that is what we have done. What we propose now—for we have felt that the main point made—the essence of the argument—was that the burden on the lower classes was too heavy—what we have done now is to go as far as we possibly can—and I think myself beyond the limits of what real caution would have dictated—to relieve the burden on the lowest classes. What we now propose is to reduce the increase of the tax on incomes up to Rs. 5,000 from four pies to one pie only, that

is to say to reduce it to one-quarter of our original proposals, and then to reduce the increases on the next classes from Rs. 5,000 to Rs. 10,000 and from Rs. 10,000 to Rs. 15,000 from five pies to three pies. Beyond that, as I have said, we cannot go. The general effect of our proposals is—if I calculate accurately—I think to lose something like 115 lakhs to 120 lakhs, making allowance for the very difficult factor of refunds; but, as I have said, I propose to be a bit more optimistic and to take the reduction only as 105 lakhs net. That means that we have given effect to 70 per cent. of the proposal passed yesterday as regards the three lowest classes, but that we cannot sacrifice 90 lakhs to relieve income-tax payers of Rs. 15,000 and over; and recognizing as I do the feelings of Honourable Members opposite in being asked to reconsider their proposals, I still would ask them to reconsider their proposals and to consider really whether, at this very difficult time and taking into account the whole of our scheme of taxation and the burden which it places elsewhere, it is really right and just that at this time we should sacrifice 90 lakhs to help income-tax payers who have incomes of Rs. 15,000 and over. Coming down now to the particular effect, take the class of a man who has an income of Rs. 2,000. He has to face an increase of one pie only. That means that on his income the extra charge per annum is only Rs. 10-6-0. In the next class, from Rs. 5,000 to Rs. 15,000, as I have said, the increase is three pies. If you take a man about half-way up, a man who has an income of Rs. 8,000, the extra amount which he has to pay is only Rs. 125, and extra 1½ per cent. on his income. This surely cannot be regarded as excessive; for it must be remembered that all these classes do or will get some advantage out of the reduction of prices which must express itself in a reduction in the cost of living, and that a fall in prices which benefits them does nothing but damage the interests of the agricultural producers.

The Honourable Khan Bahadur Mian Sir Fazl-i-Hussain: Hear, hear.

The Honourable Sir George Schuster: I do think, Sir, that that aspect of the matter ought to be taken into account. Now turning to the effect on Government expenditure, if I take the loss at 105 lakhs, we have to make that up by taking 60 lakhs from the Army, trying to save 15 lakhs from civil expenditure, and absorbing the whole of our 30 lakhs surplus. Now I think that these results are definitely bad; but, in order to meet the wishes that have been expressed, we have got to face them. As to the Army, whatever may be said on the question whether the Army is too large, or whether His Majesty's Government ought to pay a contribution, Honourable Members know perfectly well that those are questions which cannot be tackled now; and I believe Honourable Members will agree that whatever army is maintained here ought, in the interests of the country, to be maintained properly equipped. Now the effect of these proposals will be to delay, perhaps postpone for ever, the proper equipment of the Army. On the civil side, if we cut 15 lakhs, that will leave us in a desperately tight position. I shall have to wait and see how things go during the year, to keep a very close hand on expenditure, and even so, until we see how things are going, we cannot release the full amounts necessary for the full programme of many things, even including that apparently popular item of Civil Aviation. We shall have to go slow there and wait and see how things are going. I dare not respond to the suggestion that was made yesterday by my Honour-

11 A.M.

[Sir George Schuster.]

able friend Sir Hari Singh Gour to be unsoundly optimistic in the estimates. If things go well, then I should propose to discuss the situation again at Simla, but at present I dare not take greater risks than we shall be taking by the amendment which we are now proposing. Therefore, I make no secret of it that I think the Assembly have done wrong in forcing us to accept a substantial reduction now. But, having accepted it, we must accept it with a good grace, and I would personally pledge myself to do my utmost not only to see that the accounts are balanced this year with this reduced provision but that every possible further economy will be effected. I would appeal to the Honourable Members opposite to do their utmost to help me in the retrenchment inquiries which we propose to set on foot. I do not think that Honourable Members can complain of the way in which I have dealt with their wishes in that respect. Everything that they have asked for, every test to which they have put me, to test whether I was genuine in my intention and whether the Government meant business or not,—to every test I have responded. And I think they know that we do mean business and that we look to them to help us in this search for economy. But, however genuine we are, we cannot work miracles, and until I can see my way to balance the Budget, I should be absolutely failing in my duty if I did not put the position clearly before the House and tell them that in seeking to make the cut which they made yesterday, they are really asking the Government to do something which is impossible. Therefore, Sir, just on those grounds I would appeal to Honourable Members not to take their stand on the formal ground that in the exercise of emergency powers, we are trampling on their rights.

Sir, in the course of this debate I have at all stages tried to put the facts as fully, as frankly and as truly as I could before this House. I have not resorted to any of the artifices of parliamentary manoeuvres. I have no doubt that it might have been possible so to arrange things that we might perhaps have got a slight majority. But I have dealt with everything on the floor of this House. No doubt yesterday, if we had liked to take advantage of the formalities of procedure, we might have put Honourable Members opposite into a difficult position. We did not take that opportunity. I was only anxious to see that we should have a genuine discussion and that whatever the formalities might be and whatever difficulties the observance of those formalities might create, they should not be utilised to embarrass Honourable Members opposite in discussing the measure before us in exactly the manner which suited them. I think Honourable Members might recognise that and I would ask them to look upon this as an opportunity to reconsider their decision and to pass a Bill which really does, in effect, achieve what they want, that is to say, the relief of the poorest classes of the income-tax payers. They should not force the Government into an unsound financial position merely for the sake of maintaining their original position or for the underlying cause of relieving a certain class of taxpayers who, however hardly they may be hit, have shoulders broad enough to bear the burden.

Sir Cowasji Jehangir: The Honourable Member is completely wrong in making his allegation. He has not improved his position and I absolutely deny the allegation and I am ready to prove it.

The Honourable Sir George Schuster: Sir, I have concluded my speech and my Honourable friend will have plenty of opportunity of saying what he wants to say afterwards.

Mr. President: Recommended amendment moved:

“That for Part I of Schedule IV to the Bill the following be substituted :

‘Rates of Income-tax.

	Rate.
A.—In the case of every individual, Hindu undivided family, unregistered firm, and other association of individuals not being a registered firm or a company :	
	<i>Nil.</i>
(1) When the total income is less than Rs. 2,000	
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000.	Six pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000.	Nine pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 15,000.	One anna in the rupee.
(5) When the total income is Rs. 15,000 or upwards, but is less than Rs. 20,000.	One anna and four pies in the rupee.
(6) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000.	One anna and seven pies in the rupee.
(7) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000.	One anna and eleven pies in the rupee.
(8) When the total income is Rs. 40,000 or upwards, but is less than Rs. 1,00,000.	Two annas and one pie in the rupee.
(9) When the total income is Rs. 1,00,000 or upwards.	Two annas and two pies in the rupee.
B. In the case of every company and registered firm, whatever its total income.	Two annas and two pies in the rupee.”

In order to help Honourable Members, I have asked my office to prepare a statement showing on one sheet in the first column the rate of income-tax originally proposed in the Bill, in the second column the rate which the Assembly sanctioned yesterday under Sir Cowasji Jehangir's amendment, and in the third column the rate which Government now propose in the recommended amendment. This statement will enable Honourable Members to see at a glance the exact position in regard to income-tax. That statement will be handed over to Honourable Members immediately. I should like to know how much time Honourable Members desire they should have to consider it and to make up their minds as to the attitude they will adopt. I may again inform Honourable Members, that the House is entitled to reject the amendment proposed, and, if they have the power to reject it, they have necessarily the power to amend it. Any amendments which Honourable Members may wish to send in will be admitted by the Chair for discussion. I trust that they will be sent in as early as possible.

The only question that remains to be decided is how much time Honourable Members should have to consider it in their party meetings and to form their views as regards the attitude they will adopt in connection with it. The Chair has given best consideration to the matter. At one

[Mr. President.]

time, I thought that if I adjourned the House now till after lunch, it would provide enough time for the purpose. On further consideration it has occurred to me that if I adjourn the House now till tomorrow morning, it will give Honourable Members ample time. I want Honourable Members, both on the Government Benches and on the Opposition Benches, to tell me what they think of that suggestion.

The Honourable Sir George Rainy: I would merely say this, that for reasons which have already been sufficiently explained, it is necessary that this Bill should become law by Monday evening if serious loss of revenue is to be avoided. That being so, it is necessary that the Bill should be placed on the table of the Council of State at least by Saturday. Subject to that, it is our wish that Honourable Members of the other side of the House should be given reasonable time to consider the proposals now placed before them.

Diwan Bahadur T. Rangachariar: Sir, we were hitherto quite willing to accede to the wishes of the Government Benches to expedite the passing of this Bill so as not to forfeit the additional revenue which has been collected during this month. We were very anxious to help Government to carry the Bill through and in fact we decided in our party meetings that we should help Government, as far as possible. Now, the situation has considerably altered, very seriously altered. So that, speaking on the spur of the moment, I may say that there is no longer any such desire to help the Government to rush through this most important measure as they want to do. If the Bill does not pass through this House in time, the blame is on the Government and Government alone. (Hear, hear.) They are dealing with a House which consists of a majority of elected Members and they, after listening most patiently to the elaborate considerations placed before the House by the Honourable the Finance Member, came to the conclusion they did yesterday. Nothing which the Honourable the Finance Member has said today is new. Everything he had to say had been said on several occasions by the Honourable the Finance Member assisted as he was by the Honourable the Member for Education, Health and Lands. Both of them put all points of view before the House, and I do submit that the question has assumed a different form. We are now, Sir, in your hands. You have decided to exercise your prerogative of allowing this amendment to be moved and if I move a formal motion that the consideration of the Bill be adjourned for two days, my Honourable friend, Sir Lancelot Graham, will at once jump up and say this is a dilatory motion and it is not permitted for recommended Bills. If that is so, we are more so at your mercy and therefore your discretion is to be exercised with due regard to public interest. It is a serious matter for us to consider. Our Benches have been depleted because people never expected this extraordinary course to be resorted to having regard to the fact that a reasonable man like Sir Cowasji Jehangir, a gentleman who has borne the burden of responsibility of the Government of a local Province, a gentleman for whom all sections of the House have the greatest regard, that he, Sir, who is himself a financier, has examined the proposals and come forward with modest proposals which were accepted by the House. Sir, that being the state of the case, I do not think that the time you propose is sufficient for the consideration of this important question. Not only have we to have

party meetings, but we have to have joint party meetings, because it is a serious step if we really refuse or reject the recommended Bill. We owe a great responsibility to His Excellency the Governor General. We do not want to treat his recommendation in a light-hearted fashion. We want to give serious consideration to all the reasons which he has stated. Sir, it is a matter which we do not want to decide in haste and anger, for a great deal of anger has been roused . . .

Mr. President: The Honourable Member is making a long speech. I only wanted his opinion regarding the amount of time that should be given for considering the proposal.

Diwan Bahadur T. Rangachariar: These are the considerations which I ask you to consider, because we are at your mercy and we ask you to consider these points in considering what time should be allowed. These are all serious matters to be considered. Therefore, I suggest the Bill may be taken into consideration day after tomorrow.

Sir Cowasji Jehangir: I desire to have as much time as possible, without making matters impossible and there are two reasons for the same. One is the Honourable the Finance Member's speech both yesterday and to-day have not improved matters. They have caused a considerable amount of excitement and irritation. We want time to get over that. The speeches that we have heard from the Government Benches have done Government no good. The second reason is that a large number of Members have left Delhi. It is not fair on our part to take action in their absence. These are the two reasons for which I honestly and sincerely hope Government will do their best to give us more time, especially for the first reason that there should be time for all Members to get over this very irritable spirit caused by the words of the Honourable the Finance Member.

Sir Hugh Oocke (Bombay: European): Sir, on the actual merits of the difference in rates, the time for consideration or reconsideration does not seem to require a great period because we have been discussing these various rates amongst ourselves for many days. But, of course, on the point of principle, the House has every right to ask for a reasonable time to discuss these matters, and therefore, it is not for us to object to what is a reasonable time, but I do suggest that a reasonable time will be that this Bill should be completed tomorrow.

Mr. President: Only one remark the Chair wishes to make in regard to the suggestion that fell from the Leader of the Opposition. The Honourable Member himself admitted that there cannot be any dilatory amendment on this occasion and still his suggestion comes to the same thing. The Chair thinks that Honourable Members will have sufficient time to consider and decide their attitude in regard to the present amendment, if the House is adjourned now till tomorrow.

I will therefore adjourn the House till 11 o'clock tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Friday, the 27th March, 1931.