

Saturday, 28th March, 1931

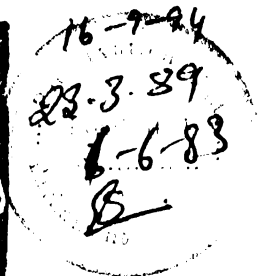
THE  
LEGISLATIVE ASSEMBLY DEBATES  
(Official Report)

Volume IV, 1931

*(26th March to 1st April, 1931)*

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FIRST SESSION  
OF THE  
FOURTH LEGISLATIVE ASSEMBLY,  
1931



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1931

20

# Legislative Assembly.

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

## CONTENTS.

VOLUME IV.—26th March to 1st April, 1931.

PAGES.

**THURSDAY, 26TH MARCH, 1931—**

The Indian Finance Bill—*contd.* .. 2705—21

**FRIDAY, 27TH MARCH, 1931—**

Member Sworn .. .. . 2723  
 Questions and Answers .. .. . 2723—37  
 Unstarred Questions and Answers .. .. . 2737—41  
 Short Notice Question and Answer .. .. . 2741—44  
 The Indian Finance Bill—Recommended Amendment negatived  
 Election of Members to the Standing Finance Committee .. 2744—75  
 Election of Members to the Standing Committee for the Depart-  
 ment of Education, Health and Lands .. .. . 2775  
 Demands for Supplementary Grants .. .. . 2776—83  
 The Indian Income-tax (Second Amendment) Bill—Discussion  
 on the motion to refer the Bill to Select Committee not  
 concluded .. .. . 2783—85

**SATURDAY, 28TH MARCH, 1931—**

Address by His Excellency the Viceroy to Members of the  
 Council of State and the Legislative Assembly .. .. 2787—89  
 Election of Members to the Standing Finance Committee .. 2789  
 The Indian Income-tax (Second Amendment) Bill—Circulated 2790—2802  
 The Indian Factories (Amendment) Bill—Passed .. .. 2803  
 The Salt (Additional Import Duty) Bill—Discussion on the  
 motion to consider, not concluded .. .. . 2803—21

**MONDAY, 30TH MARCH, 1931—**

Members Sworn .. .. . 2823  
 Questions and Answers .. .. . 2823—30  
 Unstarred Questions and Answers .. .. . 2830—33  
 Short Notice Question and Answer .. .. . 2833—34  
 Motion for Adjournment—Communal riot at Cawnpore—Leave  
 granted .. .. . 2834—35  
 Election of Members to the Standing Committee for the Depart-  
 ment of Education, Health and Lands .. .. . 2835  
 The Salt (Additional Import Duty) Bill—Passed .. .. 2835—73  
 The Indian Reserve Forces (Amendment) Bill—Passed .. 2873—74  
 Motion for Adjournment—Communal riot at Cawnpore—  
 Talked out .. .. . 2874—97

**TUESDAY, 31ST MARCH, 1931—**

Member Sworn .. .. . 2899  
 Questions and Answers .. .. . 2899—2900  
 Motion for Adjournment—Failure to preserve Law and Order  
 in the Pegu Division and Toungou District of Burma—  
 Leave refused .. .. . 2900  
 The Wheat (Import Duty) Bill—Passed, as amended .. 2901—56

	PAGES.
<b>WEDNESDAY, 1ST APRIL, 1931—</b>	
Unstarred Questions and Answers .. .. .	2957—60
Short Notice Question and Answer .. .. .	2960—61
Resolution <i>re</i> Additional Payment for Rails to the Tata Iron and Steel Company—Adopted .. .. .	2961—84
Resolution <i>re</i> Draft Convention regulating Hours of Work in Offices, Hotels, etc.—Consideration postponed to the Simla Session .. .. .	2984—3001
Resolution <i>re</i> Distribution of the Proceeds of the Duty on Foreign Salt—Adopted .. .. .	3001—04
Resolution <i>re</i> Appointment of an Advisory Committee on Re- trenchment—Adopted .. .. .	3004—17
Resolution <i>re</i> Appointment of a Committee to advise on the Purchase of the Bengal and North Western and Rohil- kund and Kumaon Railways—Adopted .. .. .	3017—19

# LEGISLATIVE ASSEMBLY.

*Saturday, 28th March, 1931.*

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## ADDRESS BY HIS EXCELLENCY THE VICEROY TO MEMBERS OF THE COUNCIL OF STATE AND THE LEGISLATIVE ASSEMBLY.

**His Excellency the Viceroy** (who was given a great ovation on entering the Chamber): Gentlemen, I have come to take formal farewell of the Members of both Houses of the Central Legislature, and it is not therefore my intention to embark upon matters of controversy. It might however appear discourteous to the House if I were to pass over without remark the difficult position that has developed in connection with the Finance Bill. Before finally deciding upon the action it may be my duty to take, I propose to convene a small conference of Leaders in both Houses with the members of my Government to discuss the situation.

This occasion of farewell for me is of necessity tinged with much regret, for it marks the close of my official connection with these two bodies, whose deliberations I have always watched with the keenest interest, and whose presence in Delhi and Simla has given me the privilege of meeting, and taking counsel with, so many public men from all quarters of India.

This might seem to be the moment to survey the past five years, and to sum up the progress which has been achieved in the various spheres of the national life in which we here, as devotees of the science of politics, are particularly interested. But I know, gentlemen, that you are drawing to the close of an arduous session, and I do not wish to detain you long. Nor is the period of a Viceroyalty necessarily a self-contained era and, though to a Viceroy his five years of office must always appear as an outstanding epoch of his life, the historian of the future will be likely to mark the passage of events by tendencies, rather than by persons who for a period were privileged to play their part upon this great stage.

But before taking leave of you, there are a few things which I should like to say. First of these is to express to you something of the debt in which I and my Government feel you have placed us by your very presence here this session. During the last year the country has passed through dark days. It was the opinion of some that nothing good could come out of participation in the legislative bodies of this country. You, gentlemen, thought otherwise, and, in acting as you did, you acted, many of you, in the face of unpleasantness, risks and bitter reproaches of which I am only too well aware. Had you not had the courage of your convictions, the continuity of Indian parliamentary progress might well have suffered a rude set-back, and therefore it is not only I and my Government, but the whole country, who owe you gratitude for the service you have rendered. In this appreciation of your public spirit I would wish

[H. E. the Viceroy.]

also to include, with grateful recognition, the members of your sister-bodies in the Provinces. We cannot now predict how soon a revised constitution can be framed and brought into being; but I would wish here to assure you, if such assurance is required, that there is not, and never has been, any intention in my mind of putting an earlier term to the life of the present legislature than that which is laid down by the Government of India Act, or may be rendered necessary by the supervention of a new constitution.

At present most of us are absorbed in the problems of the immediate future, and it may be that there are some who feel that, beyond the careful discharge of their duties within the House, there is little that can be done of use outside in their capacity of representatives of the people. But I would venture, not in any spirit of infallible knowledge but as one who has been brought up among politics in a country, where political institutions have flourished for several centuries, and from which therefore there is perhaps something to be learnt, to suggest one direction in which Members of the Legislatures can do much. That work is the political education of their constituents. I am well aware of the difficulties in the way—the wide areas to be covered, in many cases the difficulties of travel, and the lack of education among a large proportion of those to whom they must appeal. But these are difficulties which can be overcome, and I conceive it to be one of the many obligations resting upon the Members of this Legislature, on whom depends in so large a measure the standard of political thought, that they should strive to bring home to their electorates the rights and responsibilities of each elector and thus perform a work of immense benefit in the evolution of the constitutional life of India.

I need not tell you, gentlemen, how earnestly I hope that whatever may be done within these walls, under the present constitution, or under whatever changed conditions the future may have in store, may redound to the benefit and happiness of the people of India. Controversy there must be, for controversy is an inseparable feature—if not the very purpose—of parliamentary institutions. But I trust that, in all the clash of opinion and debate, rancour and bitterness may here find no place, and that, if men must differ as to the method most suited to attain the ultimate object that all seek to serve, they may agree in paying mutual respect to the motives which underlie their actions. I would go further and ask that, whenever Members of these Houses feel constrained to disagree with views advocated by their brother politicians in England, they will at least not lightly be tempted to question their sincerity. I shall be in England, the majority of you will remain in India. Though many miles will separate us, I trust that our association in the objects which we both have so close at heart may not be impaired. In all sincerity I would assure you of my abiding interest in every matter that concerns the political life of India and of the attention with which I shall follow the record of your achievements, both corporate and individual. (Applause.) In bidding you farewell, I earnestly wish that all good fortune may attend you, and that every blessing may rest upon the people of India whom you represent, and among whom it has been my

privilege and happiness to live and work during the last five years.  
(Prolonged applause.)

(His Excellency then expressed a wish to take leave of all the Members personally, and shook hands with all the Members present, who approached the dais in turn for the purpose.)

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The Assembly met in the Assembly Chamber of the Council House at a Quarter Past Twelve of the Clock, Mr. President in the Chair.

**Mr. President:** Honourable Members are aware that in the course of his observations this morning His Excellency the Viceroy intimated that he wished to consult the Leaders of all Parties in the Assembly and in the Council of State in regard to the Finance Bill. In consequence of that intimation the Leaders of Parties in the Assembly are now engaged in consultation with His Excellency the Viceroy. I take it that it is the wish of the House that I should adjourn the meeting now and request Honourable Members to come here after Lunch. I, therefore, adjourn the House till 2-15 P. M.

The Assembly then adjourned till a Quarter Past Two of the Clock.

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The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President in the Chair.

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#### ELECTION OF MEMBERS TO THE STANDING FINANCE COMMITTEE.

**Mr. President:** I have to inform the House that the following Members have been elected to the Standing Finance Committee, namely:

1. Mr. G. Morgan.
2. Mr. B. Sitaramaraju.
3. Rai Sahib Harbilas Sarda.
4. Mr. R. S. Sarma.
5. Mr. Arthur Moore.
6. Nawab Sir Sahibzada Abdul Qaiyum.
7. Rai Bahadur S. C. Mukherjee.
8. Dr. Ziauddin Ahmad.
9. Mr. Muhammad Muazzam Sahib Bahadur.
10. Rao Bahadur S. R. Pandit.
11. Mr. Jagan Nath Aggarwal.
12. Sirdar Harbans Singh Brar.
13. Mr. Gaya Prasad Singh.
14. Mr. S. C. Jog.

## THE INDIAN INCOME-TAX (SECOND AMENDMENT) BILL.

**Mr. C. C. Biswas** (Calcutta: Non-Muhammadan Urban): I beg to move that the Bill to amend the Indian Income-tax Act, 1922, for certain purposes, be circulated for the purpose of eliciting opinion thereon by the 31st July, 1931.

My reasons for doing so are these. There can be no question that this Bill proposes to introduce a new principle in the Indian Income-tax Act. That principle is this. It is suggested for the first time in India that foreign incomes should be taxed, although they do not accrue or arise or are not received in British India. The existing provisions of the law, I presume, are well known to Members of this House. The present law is that it is only income which arises or accrues in British India or is received in British India that is liable to income-tax. There is one exception namely, that in the case of business. If income is derived from business outside British India, it is liable to be taxed, provided, however, such income is remitted to British India within three years. The suggestion that foreign income might be taxed was considered by the Indian Taxation Committee in the course of their inquiries. Later on, Sir Walter Layton in his Report also suggested that this was a source of taxation which ought to be explored, and explored not merely for the purpose of deriving additional revenue, but also for the purpose of checking the flow of capital out of India. This Bill, Sir, is designed to give effect to these objects which had been set out in Sir Walter Layton's Report.

My first grievance in connection with this Bill is this, that it has been brought before us without giving an opportunity to the persons concerned to express their opinions upon it. It is an innovation. There can be no question about it. In the Statement of Objects and Reasons it is explained that it is proposed in this Bill to follow the lines of the English law on the subject, but I believe I am not incorrect in stating that, except in England, this principle of taxation of foreign incomes does not obtain in any other part of the British Empire. The implications of this are very serious. So far as additional revenue is concerned, the Indian Taxation Enquiry Committee came to the conclusion that the loss of revenue was not very much. As regards the other object, namely, the prevention of capital going out of India, it might no doubt achieve that purpose to some extent, but I submit that that object should have been achieved and could have been achieved in a much more effective manner by other means. Some of these means had been suggested by my Honourable friend, Mr. Chetty, in the course of the Budget discussion, namely the utilisation of the Debt Redemption Fund for open market operations, in purchasing Government securities both here and in England as and when their prices sagged. I will not go into that question. The Finance Member in his reply to Mr. Chetty touched upon that, but I submit that he did not give any effective reply to the arguments which had been brought forward by Mr. Chetty. The Finance Member was obliged to admit that the psychological effect of such open market operations would be tremendous, but he thought it would be a drop in the ocean. I am not satisfied that it would be a drop in the ocean,—that it would not have much larger and more beneficial effects. That remains to be seen. The



experiment has yet to be tried. However, Sir, I will confine myself to the present Bill. There is in it not merely the principle of taxing income accruing abroad, but more than that, there is another principle lurking behind the apparently innocuous provisions of it which ought to be taken serious notice of. I refer to the principle which is embodied in clause 4 of the Bill. That principle is one of differentiation between two classes of persons whose foreign income it is proposed to subject to taxation for the first time. If you look at that clause, you will find item (a) of sub-clause (1) thereof refers to income which accrues or arises to a person in British India during the year, and so far as that is concerned, there is not much to say about it, but when you come to the next two items, there is a dangerous differentiation to which I take very strong exception. These deal with foreign income. Clause (b) deals with income which accrues or arises to a person without British India, where that person is both resident and domiciled in British India, whereas clause (c) deals with income which accrues or arises to a person without British India, where that person is merely resident in British India, but not domiciled there. In the case of a person who is both resident and domiciled, the Bill suggests that the tax should be levied on that income during the year in question, whether that income is brought back into India or not; whereas in the other case, where you are dealing with a person who is resident in India but has not an Indian domicile, it is provided that the tax will be assessed only in so far as the income is brought into, or is received in, British India. I submit, Sir, no explanation has been offered in the Statement of Objects and Reasons to justify such a discrimination. Let us consider for one moment what it means. It means, in effect, discrimination between Indians and those who are not Indians, mainly, my British and European friends. If an Indian has any investments abroad, he will have to pay Indian income-tax upon such investments, because an Indian would be a person who has not merely his residence, but also his domicile here; but in the case of an Englishman, ordinarily he will not be a person with an Indian domicile. The Englishman who comes out to India for business or for any profession does not generally renounce his English domicile. No doubt it is open to him to do so, but ordinarily, in ninety-nine cases out of a hundred, or even more, almost in cent. per cent. cases, the Englishman who comes out to India retains his English domicile. Therefore, Sir, whereas an Englishman who has his investments abroad would be ordinarily exempt from the proposed new taxation, because he would be a person who is resident, but not domiciled, in India,—and it is only when that income is brought to India that it will be taxed, it would be otherwise with an Indian. No doubt the proposed law goes to some extent beyond what we find in the present Indian Income-tax Act. The present Act provides, as I have already pointed out, in section 4, sub-section (1), that it is only where there is a business abroad and the income derived from it is brought or remitted to British India within 3 years of the end of the year in which the income accrued, that it is assessed to income-tax. If it is not received in or brought into British India within three years, it is not taxed. This limitation is now done away with, so also the other limitation, that it must be income derived from business. All the same, Sir, I do not find that any case has been made out for drawing any such distinction as has been done between clauses (b) and (c). What happens now-a-days is this. We know in Calcutta, for instance, our High Court Judges go on leave, and their

[Mr. C. C. Biswas.]

leave salaries they draw not here but in England. What happens? The leave salaries are exempt from Indian taxation, and they are exempt from English taxation as well. In passing, I may add that this encourages the habit of non-Indian servants of the Crown prolonging their stay in England as much as they can, with the result that India loses the benefit of their services to that extent, services for which India has got to pay. All this will remain as it is wholly unaffected by the Bill, except that if it is an Indian going to England on leave, he will have to pay the tax. So, Sir, I consider that this is a dangerous principle which is being laid down in this Bill, and one reason why I am not prepared to accept the suggestion which was made by the Honourable the Finance Member yesterday that we might agree to a Select Committee now and then leave it to the executive to obtain opinions for circulation, is this,—because it might commit the House to an acceptance of this very mischievous and obnoxious principle. I do not know if the Honourable the Finance Member would be willing to leave this question open also.

**Sir Hari Singh Gour** (Central Provinces Hindi Divisions: Non-Muham-  
madan): That cannot be done under the Standing Orders and Rules, even with the consent of the House.

**Mr. C. C. Biswas:** My Honourable friend, Sir Hari Singh Gour, points out that under the Standing Orders and Rules, even with the consent of the House, this cannot be left open; so in that view, I must oppose reference to a Select Committee. I am anxious, Sir, that this question must be thoroughly gone into; and it is not, in my opinion, sufficient justification to say that in England the practice is to tax income arising or accruing abroad. The conditions there and the conditions here are not the same. They are not faced there with any such question of racial discrimination, as we are in India. In effect, Sir, this amounts to racial discrimination; and I for one would not be a party to any legislation which embodies such discrimination in favour of persons resident but not domiciled in India. If you want to tax incomes arising abroad, well, let that taxation apply to all equally. Make residence the test of liability, if you will, but make that test uniform in all cases. Sir, I do not know who is responsible for drawing up the Statement of Objects and Reasons, but with all respect I must say, the Statement is very disingenuous. The Statement says this:

“Under the Indian Income-tax Act of 1922 (Act XI of 1922), while liability to tax is in certain circumstances affected by the residence of the person concerned, it depends mainly on the ‘origin’ of the income (that is to say, the place where it accrued or arose) and the place where it is received.”

That is to say, it depends on whether the income was received in British India or not; and then, Sir, later on, it says:

“It is therefore considered desirable to amend the law, following the lines of the law in force in the United Kingdom, so as to make residence the *main* basis of liability, while still retaining origin and remittance into British India as bases of liability in certain circumstances.”

Now, why should that be so? Why should residence be made the “main” basis, and why should residence be the main basis only in cases of Indians, that is to say, of persons *resident and domiciled*, whereas origin

or remittance to British India should still be left as the criterion in other cases? The Statement says:

“while still retaining origin and remittance into British India as bases of liability in certain circumstances.”

Why should there be such “*certain circumstances*”? That, Sir, I object to, and object to very strongly. I am sure none of my friends here will for one moment be prepared to admit any such unfair discrimination against Indians.

Apart from this, Sir, there are other difficulties, which do not appear to have been adequately considered or provided for. Sir, this will inevitably lead to questions of double taxation or treble taxation or quadruple taxation or multiple taxation. How is it proposed to meet those difficulties? I do not find any provisions anywhere to meet that aspect of the matter. Section 49 of the Indian Income-tax Act now deals with the question of double taxation only in respect of the United Kingdom, and provides some relief. It is working in a satisfactory manner from the Indian point of view. The major part of the cost of relief falls on the British exchequer, and from that point of view, it is welcome, but, Sir, if you have this Bill, the United Kingdom is not the only country which you have got to deal with; there will be other countries as well. What arrangements are you going to make in order to avoid multiple taxation? That is a very important question, Sir, and it would not do merely to afford relief in the case of the United Kingdom: you must be fair and square, and that is a very very difficult matter. Take a concrete case, by way of example. Suppose, a person, resident in India, has his domicile in England and holds certain railway securities, and suppose these securities are in a safe deposit vault in France; the railway itself has its head office in Germany, and its track may be traversing a number of countries in the Continent. Where and how is the income derived from those securities to be taxed? It will not be fair to subject a man to taxation in respect of the same income in more than one place. So, such questions of conflict of jurisdiction are bound to arise. And if they arise, they will have to be dealt with and provided for. There is no provision in this Bill for that purpose. It will not do to say that the Government of India will frame rules in that behalf. It is not a matter which can be left to be disposed of in that way. You do not dispose of a matter of that kind, so far as the United Kingdom is concerned, by means of rules. You have a specific section (Section 49) inserted in the Act itself, and it will not be so simple in the case of other countries as it is in the case of the United Kingdom. These reciprocal arrangements have got to be made, and they have got to be provided for. And that, I submit, does require more adequate consideration than seems to have been bestowed on this aspect of the question.

Sir, as I have said, this identical proposal, which is now before us, had been put forward in Sir Walter Layton's Report, and it passes my understanding what prevented the Government from inviting public opinion on that proposal, if it was their intention to bring forward a Bill on the lines of that suggestion. It is not fair to come up here nearly at the fag-end of the session with a Bill of this kind, and then to move that the matter be referred to a Select Committee and be passed forthwith. That is not a fair way of doing it.

[Mr. C. C. Biswas.]

Then there is another question to be considered. We are on the eve of constitutional changes, and we have before us the promise or the prospect of a Federation. The Indian States may come into that Federation. Well, Sir, we shall have to consider the question as between British India and the Indian States. How are you going to adjust the income-tax as between British India and the Indian States? Sir, if there is a Federation, then you have got to consider the question whether the income-tax will be a local tax, a State tax or a Federal tax. As we are working against time, I do not wish to go into that question, but I had been studying this matter and in Seligman's book, a very interesting book, I find that a whole chapter is devoted to the consideration of this question as to whether the income-tax should be a Federal tax or a State tax; and the difficulties involved in the solution of this question are fully explained therein. If in the new constitution income-tax is to be something on Federal lines, then all these difficulties will have to be met and provided for. Although it is proposed to introduce a new principle for the first time, I do not find any indication in this Bill that all these aspects of the question have received any consideration at all or any provision has been made for them. On these grounds, I submit, I have made out a case that the Bill should be circulated for eliciting public opinion thereon. Sir, there are other questions also which require looking into, but I do not wish to touch on them at this stage.

I move my amendment.

**Mr. President:** Amendment moved:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st July, 1931."

**Sir Hari Singh Gour:** Sir, Honourable Members of this House must realise one fact and that fact is that, though this tax may fall upon a small number of members of the community, it is one of those taxes which may be distributed over the whole population. I raised this question last year in connection with the income-tax and I then pointed out that the income-tax, like all taxes, is eventually distributed over the whole population. I now read to the House the views of eminent authorities on that subject. Lord Mansfield says:

"I hold it to be true that a tax laid in any place is like a pebble falling into and making a circle in a lake, till one circle produces and gives motion to another, and the whole circumference is agitated from the centre."

Then it is pointed out:

"for taxes, like the various streams which form a general inundation, by whatever channels they separately find admission, unite at last and overwhelm the whole."

The above are the quotations from pages 153 and 154 of Seligman's book on "The Shifting and Incidence of Taxation". Honourable Members must not, therefore dismiss this question as if it were a question which only concerns a few of them or a few members of the outside community. It is a question which raises the vital principle, a principle which will affect the people of India at large.

Now, Sir, what is the principle of this Bill? The Honourable the Finance Member, in his Statement of Objects and Reasons appended to this Bill, has made it abundantly clear that, so far as the persons domiciled in this country are concerned, he will tax them upon all incomes from whatever place derived, whether in British India or outside British India. But so far as the residents in British India are concerned, they will be exempted from the tax in respect of their outside investments. The Honourable the Mover of this amendment, Mr. Biswas, in his able and eloquent speech, for which I congratulate him, has pointed out that this obnoxious distinction between persons who are residents and persons who are domiciled in this country raises a thorny question upon which I have not the slightest doubt my Honourable friends occupying the European Benches will agree that they probably protest as much as we do upon this discrimination. I submit that if the tax is to be levied at all, it must be leviable from all persons who are residents in this country for a period of, say, six months or more. But to make a distinction in favour of residents and against those people who are domiciled in this country, is, I submit, re-introducing a racial discrimination regarding the incidence of this taxation.

Now, Sir, the point that I wish to make in connection with this Bill is that this Bill would not prevent the flying out from this country of capital to which the Honourable the Finance Member refers. The House knows very well that there is such a thing as free trading in investments. The other day when Sir Basil Blackett addressed this House, he said that he was looking forward to the day when the people of India would invest in securities overseas and when India would become a capitalist country. He said that it was his idea towards which he was working. I too join with him that it will be a good day for the people of India when they invest their money in securities outside and thus create world connection. The Honourable the Finance Member may say that you might invest your money outside India, but you shall pay income-tax in this country. Some Honourable Members, the other day, said that there was no distinction between income-tax and land tax. I was surprised to hear my Honourable friend, Maulvi Muhammad Yakub, discoursing upon the non-existence of any distinction between agricultural income and other incomes. I find that in this book a whole chapter is devoted to the determination of the question as to whether the rent payable by agricultural holders is rent or tax, and the economists are almost evenly divided upon the question whether it can be regarded as tax or is really a rent for the use and occupation of the land. That being the case, I submit the case of the income-tax payer in this country is very different to an occupant of land. He pays a tax to the State for the protection he receives both in respect of his person and property, but what protection does the State give him as regards his outside investments? Does the State guarantee return of his capital or of his interest? Is the State prepared to go to war if the investor in a foreign security loses his money and the foreign State refuses to pay him? Is there such protection vouchsafed by the State to an investor in India? I submit not. He takes the risk. He invests his money outside because he feels or perhaps he finds that he is able to invest his money to greater advantage than what he is able to obtain upon his investment in this country. The taxes in this country are high, leaping up higher and higher every year, and I feel that every Indian has got the right to

[Sir Hari Singh Gour.]

take his money outside the country if he finds he can make better use of it. Why should you prevent a man going out of India and selling his brain to the highest bidder? If you cannot prevent a man from going out of India and selling his brain to the highest bidder, how can you prevent him from taking his money outside for a profitable investment? Sir, the Finance Member complains of the flight of capital from this country. But who is responsible for it? Are not the crushing taxations driving capital out of the country and how will it prevent the flight of capital from the country? That, I submit, is a question which Honourable Members of this House must carefully consider, and they should not allow this Bill to go through unless they are satisfied that the imposition of a tax upon investments abroad would be for the benefit of this country and would not be harmful to the investor concerned. (Hear, hear.)

The Honourable the Mover of this amendment has pointed out that this Bill makes one clean sweep of all investors in foreign securities, forgetting that in foreign countries such investments may be liable to local income-tax. There are countries in which an investor has to pay a tax. Does this Act give any relief to such an investor, if he has already paid a foreign tax? No provision is made for it. There are a very large number of people doing business in this country who have got their shops in the Indian States and who carry on a very large business in the Indian States. If this Bill becomes law, such business men will be liable to pay income-tax in respect of business which they carry on in the Indian States, whatever may be the local taxation to which they may be otherwise subject. I therefore submit that, so far from agreeing to the principle of this Bill, this House must circulate it with its strong expression of opinion that it is a Bill of doubtful utility and that, unless it receives a consensus of support from the mercantile and other business communities, it should not be pushed through. Sir, I support the motion for circulation.

**Sir Hugh Cocke** (Bombay: European): Sir, I also support the motion for circulation, having a similar motion on the paper myself. The motion was put down some time ago at a time when we expected the Bill to be introduced, or rather to be discussed, much earlier than what has proved to be the case. We thoroughly admit that this Bill is somewhat involved in its provisions. The essence of the Bill perhaps is a comparatively simple matter and it is explained in clause 4, but I think in practice it will be found that there are clauses which present rather involved circumstances in connection with Indian States and so on, which in themselves justify the circulation of this Bill. It has always been the practice, I think, for Income-tax Bills of any importance to be circulated for opinion, and I do not think that that healthy course should be departed from in this particular case. As regards the suggestion that the Bill could be circulated after it has been tackled by a Select Committee, or after it has been passed, that is a very unusual course and it does not appeal to me at all. In the first place the Select Committee named on the Order Paper will not necessarily be the Select Committee which will be suitable for Simla, because that Select Committee was constituted on the basis that the Bill would be discussed in a Select Committee in Delhi, and I, for my part, should not, I fear, be able to serve on that Committee in Simla.

Therefore, I should prefer that this Bill should be circulated and on receipt of opinions, I should like a new Select Committee appointed in Simla to discuss the Bill. I think the speeches already made show that this Bill is not entirely understood. I said just now that in essence it is a simple measure and I repeat that, because, it only seeks to do what the income-tax law in England does, and as one income-tax legislation is based for the most part on the English law, it is not perhaps out of keeping that we should introduce provisions in our law which follow that law. There is nothing extraordinary in the suggestions made although Sri Hari Singh Gour stated that in his opinion this Bill is a new departure. The whole point is that a foreigner in this country, some one from overseas who is temporarily resident in India, is going to be treated exactly in the same way as the resident from overseas is treated in Great Britain. Today a permanent resident in Great Britain has to pay income-tax on interest and dividends from his foreign investments, even though they are not remitted. It is proposed the same thing should be done in India and that thereby the flow of capital out of India, which undoubtedly goes on at present to reduce income-tax and super-tax, will be stayed. It is perfectly natural, if you get a man on the borderline of super-tax, for him to allow his foreign investments to mount up and thereby keep his Indian income-tax below the super-tax limit. That is done frequently and it is a deliberate and perfectly reasonable avoidance, so that I just want to point out to Sir Hari Singh Gour that the general underlying principle of this Bill is the well-known principle which applies under the English law and which is stated in para. 4 of the Statement of Objects and Reasons which runs as follows:

"It is therefore considered desirable to amend the law, following the lines of the law in force in the United Kingdom, so as to make residence the *main* basis of liability, while still retaining origin and remittance into British India as bases of liability in certain circumstances."

That, I say, is merely copying the British law. We, on these Benches, have no desire that this matter should be rushed through the House. The House should have every opportunity of considering whether it wants to follow the British law or whether it does not. On the argument of the flow of capital, I think Sir Hari Singh Gour was rather inclined to contest the efficacy of this Bill to prevent that. But I think he is on weak ground there. I think there is no question whatever that the passing of a Bill of this sort will make many people hesitate to send money abroad for foreign investment where they do it now with the deliberate object of keeping down their income-tax, preventing the amount, perhaps, being assessed on a higher grade or, still more, preventing their income from rising into the super-tax grade. And as long as any one in this country can, by investing in America or anywhere else, keep down the income which he has to return to the Indian authorities and thereby keep down his income-tax and super-tax and possibly avoid super-tax, so long it is obvious that you are going rather to encourage than to resist the flow of capital out of India. There have been attempts at Geneva, I believe, to get provisions of income-tax laws which will be more or less suitable and reciprocal to all countries. Sir Hari Singh Gour mentioned that while there was income-tax relief in the Dominions as between India and Great Britain or Great Britain and Canada, there was no relief in double taxation as

[Sir Hugh Cocke.]

between India and France; and therefore if he invests some of his hard-earned wealth in France, he will have to pay income-tax there, whatever it may be, and he will again have to pay income-tax in India, whatever it may be. There is in that case undoubtedly double taxation just as today there is double taxation when any one who lives in Great Britain, has invested in dollar securities and has to bear the income-tax in America in addition to the British income-tax. There is no relief. So there is nothing new in this matter.

That, Sir, is all I have to say at this stage. I have not attempted to go into all the details of the Bill to the extent one would do before going into Select Committee, because it seemed all along that this Bill was not going to be reached, and, if reached, the motions for circulation would not be opposed; and therefore I do not profess to have studied all the details of the Bill. But I repeat that on general principles this Bill seeks to do nothing new in so far as the income-tax law and practice in Great Britain is concerned.

**Mr. B. Das** (Orissa Division: Non-Muhammadian): Sir, I was surprised the other day when I found the Honourable the Finance Member shelving this Bill till the next session of the Assembly. His previous speeches led me to think that this Bill would be passed in this session and some more revenue would come in for the State. It seems some powerful influence has been exercised and the Honourable the Finance Member can not persuade himself to see the Bill through. I suggest to him that he should hold a sitting of the Select Committee in this session and discuss the various points that have been raised from the three points of view by the Honourable speakers who spoke before me, and thereafter if the Select Committee comes to the conclusion that commercial and public opinion should be consulted, they may be consulted. Sir, I found my Honourable friend, Mr. Biswas, challenging Government that a discriminating policy has been introduced in the Bill, and from the incidents he cited, it appears that there may be discrimination. I understand certain Government officials, when they go home, take advantage of their leave and evade payment of income-tax to the Indian exchequer, at the same time evading payment to the British exchequer.

**Sir Hugh Cocke:** That is not evasion. It is laid down in the rules.

**Mr. B. Das:** My friend, Sir Hugh Cocke, is an expert in these things and he will no doubt assist the Select Committee in this matter.

**3 P. M.** My Honourable friend, Sir Hari Singh Gour, wanted that there should be no assessment of income-tax on capital invested in foreign countries. I am not a lawyer but a practical business man, but I think that the State has certainly a right to tax any money that the people of the State derive. It is well known that many people in British India and the Indian States put their money in French and German banks for their own pleasure or for security, which we do not know. And when money is invested in foreign countries and a certain income is derived, I think the paramount State has a right to tax that money invested outside. As to the view which my Honourable friend, Sir Hugh Cocke, expressed that the principle of this Bill is in line with the principles by which income-tax rules in Great Britain are governed, I will agree with



him, but I do not know why he wanted a postponement of this piece of legislation to the next session. If the Government derives about 40 or 50 lakhs, as my Honourable friend, the Finance Member, said the other day, by this method of taxation, the taxation will come from the richest people. Why should they not pay the tax, and why should we fight on the floor of the House to tax the poorer classes of the people? Of course until my Honourable friend, Mr. Biswas, spoke, I never knew that this Bill would raise any controversy such as racial acrimony on the floor of this House. As I found that the Finance Member had already anticipated some opposition, he probably had some private talk in the lobbies with those who want postponement of this Bill and want it to be circulated. I strongly press upon the Finance Member that he should hold a meeting of the Select Committee before this session expires, and then embody the recommendations of the Select Committee when circulating the Bill for the opinion of the different Chambers of Commerce and also of the Press.

**Mr. Muhammad Yamin Khan** (Agra Division: Muhammadan Rural): Sir, I am afraid I cannot endorse the view in favour of circulation of this Bill. I know that when a Bill is circulated for eliciting public opinion, it means that the general public is interested in a particular measure, and when millions of people are affected, it is necessary to obtain their views on a particular Bill. The Bill which is now before us is not of a nature which is going to affect a large portion of the public, and I do not know what will be gained by circulating this Bill to obtain the opinion of a handful of people who are really interested in this matter. When the general public come to know about this, they will probably not care even to express their opinion in a matter which does not concern them; and it will really be a waste of time and money and waste of energy if this Bill is circulated for eliciting public opinion. I know, Sir, that the people who are interested, or their representatives, are present in this House. They can speak for themselves; they can amend the Bill as they like. But to send this Bill to a handful of people and take their opinion is from my point of view absolutely uncalled for.

I know, Sir, that there are some people who are sending their money outside India, and they are doing this with the obvious object of gaining a benefit by avoiding the super-tax, by bringing down their taxable income in this country to the lowest limit, so that they can escape the super-tax. But may I ask the Honourable Member, is it for the benefit of India or is it against the interests of India? My Honourable and learned friend, Sir Hari Singh Gour, says that he wants to see India as a capitalist country and he wants to see people sending their money outside in order to gain simply the certificate that our country may be called a capitalist country. I do not see any good for the country in his arguments. It may be for the good of a few individuals who have got big incomes, who think that, instead of profiting their country by investing their money inside the country, they should send the money outside. In my opinion they are doing a very unpatriotic thing. When we have to pay a high rate of interest to the people from outside who have invested capital in India, they get out of us a lot of money in the shape of interest; and our unpatriotic gentlemen see their way to invest their money outside India. My friend, Sir Hari Singh Gour, wants the benefit or support to be given to those gentlemen who are pleased to ignore their own country and invest

[Mr. Muhammad Yamin Khan.]

their money outside their country. (Interruption.) I fail to see any reasoning or any support for getting any certificate of that kind. What I feel is this, that we will be losing doubly: first of all, the capital which ought to be invested in India will not be invested in India, and in its place the public exchequer will be losing the income which ought to be derived from those gentlemen. In the second place, the loss in the shape of interest going outside India will be a big one. If these gentlemen had invested their money inside the country, then all this money in the shape of interest would have gone into their pockets and remained inside the country and India would have been much richer if they had seen their way to utilise their capital for the benefit of their country. Therefore, I do not see any reason for circulation of this Bill and I think all the requirements of the situation and all the defects in the Bill can be easily remedied in the Select Committee.

I quite see the point of my Honourable friend, Sir Hugh Cocke, that it will not be possible for him to go to Simla and sit on the Select Committee. I appreciate his difficulties, because when he gave his consent, he thought that the Select Committee would sit in Delhi during this session. If it is not possible for him to go to Simla, I think he could easily get some gentleman of his group to sit and give sound advice on this matter. With a little reshuffling in the Select Committee, the very same object can be gained, and I think, if already my friend, Sir Hari Singh Gour, is not there in the Committee, he could be taken in the Committee with great advantage, and he will give us all his legal help. But to say that this Bill should be circulated and this may die a natural death, will be losing a great amount of revenue which we want to find out at the present time when we find that there have been so many difficulties about the Finance Bill on account of the reduction in the revenue and India cannot afford to pay it as *baksheesh* to those people who seek to avoid and escape the super-tax and gain over this. I oppose this amendment for circulation and support the motion for Select Committee.

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): I rise, Sir, to support the motion before the House that this Bill be circulated. From the speech we have just heard, it is quite evident to me that the Honourable Member has not understood the full significance of the Bill. If it had been drafted and placed before us in a simple form to enable Government to tax all incomes of all people in India accruing outside India, it might easily have been sent to a Select Committee and made law without circulation for public opinion; but it appears that Honourable Members do not seem to realise that the whole basis of liability for income-tax is changed under clause 4 of this Bill. When you are changing the whole principle under which you have been collecting taxes for years, surely you desire to have public opinion as to how and in what way you should change the basis of taxation. Clause 4 of this Bill makes a radical change in the Income-tax Act. I agree with Mr. Biswas when he says that the Statement of Objects and Reasons of this Bill does not clearly place before us the inward significance of many of the clauses in the Bill. There is an important distinction made between residence and domicile. I do not desire to weary the House by making

a long speech as to the distinction between the two; nor do I desire to raise very controversial questions for more than one reason. Firstly, beyond mentioning it, it is not necessary to go into details, and secondly, the Round Table Conference is seized of this question, and what surprises me is that so important a constitutional issue should have been brought into this Bill when the position of the European community in India is under the serious consideration of both the Governments in England and in India. My Honourable friend who spoke last did not direct his mind to this aspect of the case. I would not be doing a service either to Government or to my friends on the European Benches if I went into details. This is not the time to settle this controversial issue. It can be done, if not in India, in England. I would be the last to do them unintentional injury, and I regret that Government should have included in this Bill issues of such importance, without having mentioned them in the Statement of Objects and Reasons.

Then there are very important clauses in this Bill—clauses 6, 7 and 8 relating to salaries—clauses with far-reaching effects. My reading of these clauses is that if I was in the position of employing a European, I could so manœuvre as to employ him at a lower rate of pay by getting him exempted from the income-tax. Did my Honourable friend realise that when he spoke about the simple nature of this Bill? I wish he had read the Bill before he spoke. At any rate, clauses 6, 7 and 8 appear to me to be quite unnecessary for the object for which this Bill was introduced. Under those circumstances are we not justified in asking Government to straightaway agree to the circulation of this Bill? I am not prepared to commit myself to the principles underlying this Bill at this stage, and that is why I also object to this Bill going to a Select Committee. I understand that Government are not in a position to give us the assurance that the House is not bound down to every principle enunciated in this Bill, even if they desire to do so before they send it to the Select Committee. If that be the constitutional position in this House,—I was not aware of it; we may have been wrong in the Provincial Legislatures, when we did such things. I am not here to discuss the constitutional point as to whether committing a Bill to a Select Committee, even deprives the Government of the power of freeing the Members of this House from being committed to the principle of the Bill,—if it is not in the power of the Government to free Members from committing themselves to the principles of the Bill, then we cannot, I trust everybody will agree, allow this Bill to go to a Select Committee, and it must go for circulation. Besides that the position of all Englishmen in India is gravely affected by certain clauses in the Bill. It will be a question of deciding what is "residence" for Europeans. There has already been, I am informed by lawyers, any amount of litigation in England on this question. We shall have to go through all this litigation in this country if this Bill is passed in its present form, and that is not my own opinion. I may tell the House that it is the opinion I have received from one of the best known lawyers in India who sent it to me free and gratis. It is this opinion that has alarmed me to a very great extent. I do not desire to say more. I warn this Honourable House that if they do not send this Bill for circulation, they will be getting into a position which will be most dangerous for both Europeans and Indians.

**The Honourable Sir George Schuster** (Finance Member): Sir, my Honourable friend, who has just spoken with a good deal of emphasis, has in a sense been knocking at an open door, for I made it clear, when I first introduced this Bill, that we intended to be guided by the opinion of the House as to whether this Bill should be . . . .

**Sir Gwasaji Jehangir:** I was afraid that you might be guided by Mr. Yamin Khan's opinion. That was the only reason that made me rise to my feet; otherwise, I had no desire to speak.

**The Honourable Sir George Schuster:** I now fully understand my Honourable friend's emphasis. I ventured to suggest the other day a somewhat unusual procedure which was that a Select Committee should be appointed now, and that the Bill should be circulated by executive order for opinion so that the Select Committee might be able to meet before the Simla Session, deal with the opinions that we should have received, and present the House with its Report at the beginning of the Session. But it has since been suggested that even that modified procedure, and even consenting to the appointment of a Select Committee on that understanding, would in a sense commit the House to the principle of the Bill, and I understand that it is felt at least in certain quarters, that it would be better to follow the normal procedure, and that we should at once accept an ordinary motion for circulation. I have heard that opinion expressed by prominent Members on the front Bench of the Nationalist Party, of the Independent Party, and of the European Group, and therefore, in spite of my own very warm sympathy for the arguments used by my friend, Mr. Yamin Khan, I am afraid, in virtue of the pledges which I gave when I first introduced the Bill, I must take it that there has been an expression of opinion in this House from very influential quarters that the Bill ought to be circulated. In those circumstances, Sir, I on behalf of the Government have no hesitation in accepting the motion for circulation. (Applause.)

There is, however, just one thing which I would like to say, which to some extent meets my own objections to delaying this Bill, and that is, that if it should be passed into law at Simla and come into effect from the 1st April, 1932, then we shall be entitled to recover income-tax on all foreign income which falls within the scope of the Act, on all foreign income accruing during the current year, because our basis of income-tax assessment is such that it refers back to the preceding year. Therefore, if there are any people,—not in this House, I hesitate to make any suggestion of that kind,—but if there are any people to whom my words could go abroad, I would warn them that if this Bill becomes law, their foreign income of this year will actually be liable to tax. Sir, with these words I repeat that I accept the motion for circulation.

**Mr. President:** The question is:

"That the Bill to amend the Indian Income-tax Act, 1922, for certain purposes, be circulated for the purpose of eliciting opinion thereon by the 31st July, 1931."

The motion was adopted.

## THE INDIAN FACTORIES (AMENDMENT) BILL.

**Mr. J. A. Shillidy** (Secretary: Industries and Labour Department):  
Sir, I move:

"That the Bill further to amend the Indian Factories Act, 1911, for a certain purpose be taken into consideration."

Sir, when I asked for leave to introduce this Bill, I explained that it was a very simple Bill, and the full justification for it will be found in the Statement of Objects and Reasons. Its origin lay in certain fires which broke out in certain match factories, and when the law was examined to see what steps could be taken to prevent a recurrence of such fires in factories, it was found that there was no specific provision empowering Local Governments to frame rules to provide for the prevention of fires in factories. The object of this Bill, therefore, is to give Local Governments that power. Sir, I move.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**Mr. J. A. Shillidy**: Sir, I move that the Bill be passed.

The motion was adopted.

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## THE SALT (ADDITIONAL IMPORT DUTY) BILL.

**The Honourable Sir George Schuster** (Finance Member): Sir, I move:

"That the Bill to impose a temporary additional duty of customs on foreign salt be taken into consideration."

I do not propose to make a long explanatory speech on this measure for a very special reason. The Government's attitude towards the measure is, as I explained when I originally introduced the Bill, an attitude which attempts to embody a spirit of responsiveness. We felt that there was a strong public demand for action on these lines, and we took the rather unusual course of submitting a Tariff Board Report to a special Committee of this House. That Committee has reported fully and has recommended a simple and definite scheme. A strong majority of the Committee were on the side of the scheme recommended, and a minority have put in dissenting minutes. I felt myself fully justified in giving my support to the majority of the Committee, but in doing so, I was largely influenced by the fact that they were the majority, and that I took as representing the views of this House. In these circumstances I think that it would be of advantage if the discussion developed and if I were to listen to the views expressed by other speakers before going very fully myself into the position. Therefore, with only that brief explanation, I move the motion which I have just read out.

**Mr. C. C. Biswas** (Calcutta: Non-Muhammadan Urban): I beg to move:

“That the Bill be circulated for the purpose of eliciting opinion thereon by the 31st July, 1931.”

Sir, in doing so, the one fact which I desire to bring to the notice of the House at once is this, that this is a measure which is likely to hit Bengal very hard, and Bengal with one voice has recorded its protest against it.

The specific proposals which are embodied in this Bill are, no doubt, the outcome of the recommendations of a special Committee of this House, but these specific proposals had never been placed before the country. The persons who would be affected thereby had been given no opportunity of expressing their opinions thereupon, and if this House decides to pass this measure, it would be tantamount to injuring Bengal behind her back.

I ask for the indulgence of the House when I place the facts a little fully before them, because it is my fear that Honourable Members have not had time to acquaint themselves with the full history of this case. If they had taken that trouble, I am quite sure that not even the Members of the Assembly Committee would have ventured to put forward any such measure as this. To my misfortune—I should rather say it was my fault—I was not able to be present at two meetings of the Committee when this question was being considered by them. For unavoidable reasons I was detained at Calcutta, and at the time I had left for Calcutta I had no notice of the dates when these meetings were going to be called. When I came back I got a copy of the draft Report placed in my hands. I at once wrote back to say that I should like to have a further meeting of the Committee to give me a chance of explaining my point of view. I asked for that opportunity. I do not blame anybody, but the fact remains that that opportunity was denied to me, and what I was told was that I might put in my views in a minute of dissent.

**The Honourable Sir George Schuster:** Does my Honourable friend suggest that he was not present at a meeting of the Committee before the Report was signed?

**Mr. C. C. Biswas:** No, I did not suggest that; all that I said was that I was not present at the first two meetings.

**Mr. R. K. Shanmukham Ohetty** (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): The Honourable Member was present at a meeting when the draft Report was discussed.

**Mr. C. C. Biswas:** I do not deny that. I said that I was not present at the two meetings of the Committee at which this question was considered. When I came back from Calcutta I got a copy of the draft Report placed in my hands. Then I wrote to say that I wanted a meeting to be convened in order that that Report might be considered, and I suggested that I might be given a chance at that meeting.

**The Honourable Sir George Schuster:** I think my Honourable friend might correct his statement. He certainly led the House to understand that he requested a meeting to be summoned, but that a meeting was not summoned, and that he had no opportunity to express his views to the Committee until he actually had to put in a dissenting minute. I may

say that my Honourable friend was present at a meeting when the draft Report was discussed and he had an opportunity of expressing his views, of which he took the fullest possible advantage. Therefore, I think that my Honourable friend ought to withdraw the suggestion that he was confronted with a *fait accompli*, and that all that he could do was to put in a minute of dissent, and that he had no chance of arguing the case with the members of the Committee before the Report was signed.

**Mr. O. C. Biswas:** What I did suggest and what I did state was this, that at the first two meetings of the Committee . . . .

**Sir Hari Singh Gour** (Central Provinces Hindi Divisions: Non-Muhamadan): I rise to a point of order. It has been held for a long time that reference should not be made to discussions or matters discussed in Select Committee. (*An Honourable Member:* "This was not a Select Committee.") The Honourable Member is discussing matters that transpired in the Select Committee.

**Mr. O. C. Biswas:** I am not.

**Mr. President:** The Honourable Member (Mr. Biswas) is quite in order in pointing out what his share in the deliberations of the Committee was. The Honourable Member is not placing before the House the arguments for and against why a certain decision was reached.

**Mr. O. C. Biswas:** I began my speech by saying that it was my fault that I was not present at the two meetings of the Committee at which this question was considered. When I came back from Calcutta, I got a copy of the draft Report, and when I got it, I wrote back to say that there should be a meeting to consider the draft Report. That meeting was held and at that meeting I was present. I never suggested that I was not present at that meeting.

**Mr. President:** That is sufficient. Will the Honourable Member please go on with his remarks?

**Mr. O. C. Biswas:** I was merely referring to this for the purpose of explaining why my point of view was not adequately placed before the Committee in the earlier stages, because I feel that if the Bengal point of view had been fully placed before my colleagues on the Committee, they would probably have come to a different conclusion. I shall endeavour now, therefore, at some length to place the facts before the House in order that I may induce my Honourable friends here to come round to my views.

(At this stage Mr. President vacated the Chair, which was taken by Mr. Deputy President.)

As Honourable Members must be aware, this question of helping the salt industry in India was considered by the Indian Taxation Enquiry Committee, and in their Report they made the suggestion that the question as to what steps might be taken to make India self-supporting in the matter of salt supply should be referred to the Tariff Board. That was in 1926. The Government, on receipt of that Report, considered whether they should make the reference to the Tariff Board, and for that purpose they consulted the Central Board of Revenue. The Central Board of Revenue after an inquiry into this

[Mr. C. C. Biswas.]

matter, came to certain conclusions. Those conclusions were mainly three. First, they said that the problem of making the main land of India, as distinguished from Burma, self-supporting in the matter of salt supply resolved itself into that of capturing for Indian salt the market for fine white crushed salt in Bengal, since no attempt could reasonably be made to compel the consumer in Bengal to take the ordinary Madras or Bombay salt. Sir, I wish to emphasise this, because the whole of the present controversy is really one of capturing the Bengal market, which is at present supplied from abroad mainly, and to a certain extent from Aden. Bengal consumes 500,000 tons of fine white crushed salt. Of this 180 thousand tons come from Aden, and the rest from abroad. The second conclusion of the Central Board of Revenue was this. The cost of transporting salt to Bengal from those places in India at which salt suitable for that market could be produced, and the extent to which such transport could be made available, were, they said, factors of the greatest importance. Lastly, they said this. The probable limitations upon the output of sources in India which could produce the required quantity of salt were such that, on the evidence available, a reasonable probability that India could be made self-supporting in this respect could not be regarded as established. The Central Board of Revenue, therefore, reported that there was no *prima facie* case for reference to the Tariff Board. That was the opinion expressed by the Central Board of Revenue. This opinion came to be considered in due course by the Government of India, and at one stage the Government of India concurred in these conclusions. Therefore, they took no further action and made no reference to the Tariff Board. Subsequently, early in 1929, I suppose, the question of making India self-supporting in the matter of the supply of salt was raised in the course of the discussion on a token cut in connection with the Budget, and dealing with that motion for a cut which was made by Mr. Kelkar, the Government then announced that on further consideration, while adhering still to the first two conclusions which had been arrived at by the Central Board of Revenue, they thought that the third matter could probably be reopened, and that, although the reference to the Tariff Board might have been premature at the time it had been suggested, there was a case for a reference to them now. Thereupon a reference was made to the Tariff Board, and what were the terms of that reference? The Tariff Board was asked to report, "whether, having regard to all relevant considerations, it is desirable in the national interest that steps should be taken to encourage the production of salt in India suitable for consumption in those markets which are at present largely supplied from abroad". The question, then, which was referred to the Tariff Board was this: whether steps should be taken to encourage the production of salt of that quality which was being consumed in Bengal. It was not a question as to whether Bengal could be supplied, or could be called upon to consume, an inferior quality of salt. That was not the question. The question was whether Bengal could be supplied from Indian sources with the salt of the quality to which Bengal had been accustomed. On that the Tariff Board made an exhaustive inquiry, and they submitted their Report. In that Report they went in some detail into the question as to how the salt industry in India could be encouraged. Before I proceed to deal with the recommendations of the Tariff Board, I should like just to pause at this stage to remind the House that the question of Aden had been considered by the Central Board of Revenue—whether Aden could be



regarded as part of India for the purpose of making India self-supporting in the matter of salt supply. The Central Board of Revenue came to certain definite conclusions, as they said that Aden could not be regarded as part of India for that purpose.

**The Honourable Sir George Schuster:** Will the Honourable Member give me the reference from which he is quoting?

**Mr. C. C. Biswas:** I am sorry my friend should have put me that question. That only suggests that my Honourable friend has not perused the Report of the Tariff Board with that care which we have a right to expect of him. If he will refer to pages 30 and 31 of the Tariff Board's Report, he will find the question is fully dealt with. I will read that passage, because I find there is a mass of ignorance even in official circles on this question, which ought to be dispelled. This is what the Report says:

"The results of our examination of this subject are set forth in Chapter V and in the light of these conclusions we are unable to accept the view that the long railway lead is necessarily decisive against utilising the Northern India sources for the Bengal market"—*I should rather begin with the next sentence*—"In estimating the total quantity of Indian salt available for the Bengal market, we have provisionally taken into account the output of the salt works at Aden. The Central Board of Revenue, on the other hand, excluded Aden from their estimates of production on the ground that in considering the question of rendering India self-supporting, the inclusion of any salt works situated outside the continent of India and Burma would be far-fetched. Our reasons for including Aden are explained in Chapter VI."

I quite admit that the Tariff Board have come to a different conclusion on that subject, a conclusion which has since been endorsed by the special Committee of this House by a majority.

**The Honourable Sir George Schuster:** The reason why I interrupted my Honourable friend was—I possibly may have misunderstood him again as I did the first time—that I thought he was suggesting that the Central Board of Revenue had adopted the view that, on its merits, Aden was in no circumstances to be treated as part of India. Now, when the reference to the Tariff Board was made, the Central Board of Revenue specially put that question to the Tariff Board and indicated that they had an entirely open mind on the subject. My Honourable friend has now quoted from papers in which, merely for purpose of making certain calculations, the Central Board of Revenue did not include Aden in Indian sources of supply; but that has nothing whatever to do with the merits of the case, and the Central Board of Revenue had never adopted the view on behalf of the Government of India that Aden could not be treated as part of India. Their view on that matter was an entirely open one.

**Mr. C. C. Biswas:** I confess I do not possess the subtlety of my Honourable friend. My friend will pardon me if I have been unable to follow him in the distinction he was making. I take my stand upon the actual words which are embodied in this Report, and I say that when you are considering the question as to whether India can be made self-supporting in the matter of salt supply, Aden was excluded by the Central Board of Revenue from their calculations. In other words, the quantity of salt which Aden was supplying or was in a position to supply was left out of account altogether. The question to which the Central Board of Revenue confined themselves was as to whether or not the sources of

[Mr. C. C. Biswas.]

supply in India proper could be so developed or extended that the output from these sources would be sufficient to displace the foreign salt which was coming into Bengal. Sir, as I am on this question now, it is just as well that I should refer to the view taken by the Tariff Board. In Chapter IV of their Report the Tariff Board explain their reasons for including Aden in their calculations for this purpose, and this is what they say in paragraph 69 :

“Before considering these points it is desirable to determine the position which must be assigned to Aden in relation to the salt supply of India. There appear to be no strong grounds for differentiating between Aden and Okha or Karachi manufacturers. The Aden Administration on the civil side is subordinate to the Government of Bombay, and in a sense therefore can claim to be a part of British India.”

On the military side, I may add, it is the Royal Air Force which has taken the responsibility for the defence of Aden, and India has nothing to do with the foreign affairs of Aden. Then they proceed :

“Of the four Companies operating in Aden, three are owned by Indians. The non-Indian labour employed in superior posts in Aden is inconsiderable. The Aden manufacturers are liable to Indian income-tax and pay ground-rent and royalty to the Government of Bombay. Transport, whether from Aden, Karachi or Okha, is at present almost entirely in non-Indian hands, while all three sources of supply are equally liable in war time to have their communications interrupted or to suffer from shortage of shipping. From the national point of view, therefore, there appears little to be gained by substituting Karachi or Okha salt for Aden salt.”

Therefore, Sir, Aden is regarded by the Tariff Board as part of India in this connection. Now, Sir, I want to deal a little more fully with the salt works which are at Aden. It is pointed out that there are four salt works at Aden, of which three are Indian and one is non-Indian, and that non-Indian is a Italian concern—that of Signor Burgeralla. The Aden Salt Works were started in 1903 or 1904. The other three salt works which are Indian are—the Indo-Aden Works (proprietors, Abdoolabhoy and Joomabhoy Lalljee), the Hajeebhoy Salt Works (proprietor Hajeebhoy Lalljee), and the Aden Salt Works (proprietors, Pallonjee and Brothers). Now, Sir, of these four, you will find that the Italian concern is the biggest of them all; it is big enough to swallow up the other three. As a matter of fact, the output of the Italian concern is greater by several thousand tons than the total output of the three Indian concerns put together.

**An Honourable Member:** Twenty times more.

**Mr. C. C. Biswas:** I shall have occasion to point out that the result of the import duty, which is now going to be levied, will be to put about Rs. 35 lakhs into the pockets of this Italian firm at Aden. Sir, at this stage I may just as well point out that, although the Tariff Board in their Report regarded Aden as part of India, still they realized the discrimination they were making in favour of a non-Indian concern, and they were anxious, therefore, to provide certain safeguards and conditions before they were in a position to advise that the same treatment should be accorded to this non-Indian firm as to the other Indian firms at Aden.

They said this—and I will quote the reference lest my Honourable friend, the Finance Member, should complain again—at page 80:

“Of the four salt factories at Aden, three are the property of Indians and the fourth is a private company of which Messrs. Burgeralla, an Italian firm, are the proprietors. Sig. Burgeralla was the pioneer of salt manufacture at Aden, and it is owing to his experience and enterprise that this industry has now established itself on a firm footing. The Aden Salt Works, of which Messrs. Burgeralla are the proprietors, were established in 1904, some 7 or 8 years before any of the other firms commenced operations. Under the terms of the agreement with Government, the Aden Salt Works are debarred from selling their salt locally;”

This probably explains the tender solicitude shown for this firm; this agreement between them and the Government:

“Under the terms of the agreement with Government, the Aden Salt Works are debarred from selling their salt locally and depend entirely on the Indian market. In these circumstances, any discrimination against this Company in favour of Indian Companies, such as has been suggested to us by some of the applicant Companies, would manifestly be unfair.” “At the same time,” *they go on to add* :

“we feel that our recommendations must be in conformity with the general policy which governs the conditions on which public assistance is granted to industries. We have recommended that Government should purchase salt, subject to its conforming to certain definite specifications, from all Indian companies at a fixed price. We recommend that the same guarantee should extend to the Aden Salt Works provided”,—*mark, Sir, these conditions—* “provided that the Company is formed and registered under the Indian Companies Act, 1913, that it has a share capital the amount of which is registered in the Memorandum of Association in rupees, and such proportion of the Directors as the Governor General in Council has by general or special order prescribed in this behalf consists of Indians.”

I would ask my friends who constituted the majority of the Assembly Committee, were they aware of these conditions which the Tariff Board themselves had laid down, conditions precedent before making any concession in favour of this Company? No, Sir, I do not think so. They accepted the Tariff Board's proposals to include Aden as part of India, and while, therefore, as an emergency measure they suggested that a duty of four annas and six pies should be imposed on foreign salt, they proposed Aden should be exempted. But did they require anything to be done to secure compliance with these conditions on the part of this Italian firm? (Hear, hear.) Sir, that is how things have been done in the Assembly Committee—without adequate consideration, without any proper investigation of the facts. Sir, to resume the story. The Tariff Board made their proposals. In dealing with the question as to how far India could be made self-supporting, the Tariff Board would naturally consider how far this could be done without at the same time imposing an undue burden on the consumer. They proceeded specifically to consider the question of protection in connection with the salt industry. I would refer Honourable Members of this House to chapter VI of the Report, where this question is dealt with exhaustively as to how far protection is justifiable or ought to be imposed. The Tariff Board, Sir, came definitely to the conclusion that no case whatsoever had been made out for giving protection to the salt industry. They considered this proposal and rejected it outright; and referring to the Aden Salt Works, they said that Aden had faced competition unaided for years, and there was absolutely no justification for protecting Aden. Sir, my friends on

[Mr. C. C. Biswas.]

the Assembly Committee have apparently brushed aside those opinions. They have brushed aside those opinions, without however doing the Tariff Board the ordinary courtesy of meeting their arguments. They seem to justify their proposal on the ground that an emergency had arisen and therefore emergency legislation was called for, and because of this emergency, they had no hesitation in suggesting that there should be a protective duty for one year and one year only. I might just pause at this stage and ask: have you ever heard of any protective duty being imposed for the limited period of one year only? Could protection for one year be at all effective in the case of any industry? Sir, if you will look at the Reports of the Tariff Board which have been submitted from time to time in connection with other industries, you will find that in every case they have recommended protection for a definite period of time, and in this matter they have acted in accordance with the recommendations of the Indian Fiscal Commission. Whenever they have recommended protection, they have always said what should be the period for which the protection is to be given. In the case of sugar, for instance, we find that they have suggested a certain measure of protection at a certain rate for the first seven years, and at a different rate for a further period thereafter. Now, in view of the fact that the Tariff Board came to the conclusion that no protection was called for in the case of salt, they were not called upon to consider the question of the period for which protection ought to be given. But my wise friends of the Special Committee—they were wiser than everybody else—straightaway said: "Impose a duty for one year", as if one year's duty would be enough, if they really wanted to give protection. First of all, they do not say why they have rejected the views of the Tariff Board that there should be no protection, and, secondly, they do not explain why it should be limited to one year only. I find from the amendment of one of my Honourable friends, with which I shall have occasion to deal later on, that he wishes to substitute "March, 1936" in place of "March, 1932" in sub-clause (3) of clause 1. In other words, if that amendment is accepted, he wants the House to commit itself at this stage, without consideration, not only that the industry requires protection, but that the protection should be continued for a definite period.

(At this stage Mr. President resumed the Chair.)

Sir, I have never heard of any proposal of that kind being put forward from any responsible quarter without an adequate examination of the question, and in this particular case not only is it a fact that there has been no adequate examination but I maintain that the recommendations of this Committee run counter to and are diametrically opposite to the recommendations of the Tariff Board, recommendations which had been arrived at after much more careful consideration than had been bestowed on this subject by the Special Committee. Sir, I will read to the House certain portions from the Report of the Tariff Board, Chapter VI. But before I do so, I may just remind the House that the Indian Fiscal Commission laid down discriminating protection as the policy which the country ought to follow. They laid down certain conditions which should be fulfilled before any industry could be given protection in that sense. The Tariff Board naturally proceed to consider how far the salt industry

fulfils these conditions, and they come to the conclusion that none of these conditions is satisfied. This is what they say :

"The following are the points which require consideration in this connection :—(1) the possibility of affording increased employment for Indian labour, (2) the possibility of retaining profits in the country, and (3) the possibility of ensuring against a shortage of white salt in war time."

And then, Sir, they go on to consider the matter in these three aspects. In this connection, I would just inform my Honourable friends of a distinction which exists between the sources of supply. Salt comes from some of these sources by sea and from other sources it comes by rail. Now, the case of sea-borne salt stands on a different footing from rail-borne salt. The Tariff Board, when they speak of sea-borne salt, refer to salt which comes from Aden, Karachi and Okha. No doubt it is possible to transport salt from Karachi or Okha by rail to Bengal, but as the railway freight is very much higher, this is not done. Therefore, the normal method of transport of salt from these sources is by sea, in order that it may be sold at the cheapest rate. When the Tariff Board speak of rail-borne salt, they refer, on the other hand, to salt which mainly comes from Khewra and Rajputana, the Northern India and Central India sources. Having said this, let me now point out what the Tariff Board say with regard to the first point I have referred to above, namely, the possibility of affording increased employment for Indian labour. They hold that the additional employment afforded would be extremely limited, and on this ground they say that protection is not justified. I do not wish to weary the House with long extracts, and I will therefore read out their conclusions only :

"From the economic point of view there is no case for protection in the proper sense of the term so far as Indian sea-borne salt is concerned. The salt works at Aden have for many years faced foreign competition unaided and since we have found that these works form part of the Indian industry, no claim for protection of the industry as a whole can be substantiated. Further, even if the works at Aden are excluded from consideration, and salt manufactured at Karachi and Okha is regarded as a nascent industry, assistance on strictly economic grounds cannot be justified."

There is the favourite argument, the nascent industry argument in support of protection, but even on that ground protection is not justified :

"These works on the whole, possess no advantage over works situated on the Red Sea coast in respect of natural facilities for the production of salt including freight, and in consequence no economies may ultimately be expected in the cost of salt to the consumer in Bengal such as would justify a case for protection on ordinary economic grounds."

My friends here possibly wish to advance extra-ordinary uneconomic grounds in support of their proposal :

"Moreover, it has not been proved to our satisfaction that they could ever face competition unaided save in respect of a small proportion of the possible output. Consequently, the position contemplated by the Fiscal Commission, in which internal competition will eventually so reduce the price below the level of imported salt as to compensate the consumer over the sacrifices incurred during the period of protection, is not likely to be established."

I was looking for the Report of the Fiscal Commission, where the Fiscal Commission lay down three conditions as conditions pre-requisite before you can give protection. This is what they say :

"The Tariff Board in dealing with claims for protection should satisfy itself, first, that the industry possesses natural advantages."

[Mr. C. C. Biswas.]

On that point, Sir, in this case the finding is against protection. Natural facilities, the salt works in India do not enjoy; they do not enjoy as much natural facilities as are enjoyed by the other foreign works. The second condition which the Fiscal Commission laid down was this:

"That without the help of protection, it is not likely to develop at all or not so rapidly as is desirable."

The finding is that without protection the Aden industry has developed and is capable of developing fully and that it does not require protection. The third condition is that the industry will eventually be able to face world competition without protection. On that point also, the Tariff Board say that the industry is not such that we can visualise a time when, without it, it will be able to stand on its own legs in competition with foreign trade. Therefore, Sir, none of the conditions which the Fiscal Commission suggest must be fulfilled before you can give protection is present in this particular case according to the findings of the Tariff Board. The Tariff Board then suggest that possibly it might be said that the present conditions were exceptional, because at the date that they were writing their Report, the price of imported salt in Bengal had fallen to Rs. 58 per hundred maunds *ex-ship*, and these prices, I may add, have since dropped to a lower level, *viz.*, Rs. 35 to Rs. 40 per hundred maunds. Having regard to this, it might be argued that some steps ought to be taken in the national interest by way of anti-dumping measures, as such prices could not be regarded as economic and could only be justified on the assumption that losses would be recouped at a later date when competition had been eliminated. Well, the Tariff Board go on to consider this question. What they say is this:

"It must be borne in mind in considering the possibility of adopting any of the recognised methods of protection that it is our opinion that it would not be in the national interest to encourage the manufacture of salt in India when that salt must normally be conveyed to Calcutta by sea, if thereby any considerable burden is imposed upon the consumer."

They make a distinction between sea-borne and rail-borne salt. As regards sea-borne salt, that is salt coming from Karachi, Aden and Okha, they are quite definite that it will not help the national interest to encourage the manufacture of salt in India when that salt must normally be conveyed to Calcutta by sea, if thereby any considerable burden is imposed upon the consumer. That the present levy will impose a very heavy burden on the consumer goes without saying. At a time when my Honourable friend the Finance Member is faced with a huge deficit of 14 or 15 crores, he dare not touch salt. It is sacrosanct! Whether for political reasons or for other reasons he would not touch salt, but he would have no hesitation in taxing the consumer in Bengal, even at this juncture, regardless of the political consequences, which his action may bring about. I may inform the House that among the numerous telegrams which I have received in this connection, one is, I believe, from the President of the Civil Disobedience Council in Bengal, and if I read that telegram aright, it suggests that if this duty is imposed, it might mean the revival of the civil disobedience campaign, as regards salt in Bengal. (Hear, hear.) So I desire to warn my Honourable friends who are so anxious in the name of protection to inflict this

cruel wrong on Bengal to ponder deeply over the possible consequences of their action. It was Madame Roland who cried out, "Liberty, liberty, what crimes are not committed in thy name". "Protection, protection," I say, "what cruel wrongs are not being perpetrated in thy name." Sir, Nationalist India has been protesting against the imposition of salt duty, and demanding its total repeal. Apparently, Sir, in the opinion of some of my friends, it is only when the proceeds are to go into the public revenues that the protest is justified. When, however, salt is taxed and taxed heavily for the benefit of a few capitalists, in the name of protection, the protest vanishes into the thin air! Sir, you are treating Bengal most unjustly. You have deprived Bengal of her export duty on jute, an export duty which means 3 or 4 crores of rupees. You have left Bengal with barely 12 crores for her 50 million inhabitants, and you are now going to impose this burden on Bengal. I know there is a suggestion in the Committee's Report that the proceeds of this duty will be made over, to whom, it does not say, that they will be applied for the benefit of those on whom the burden will fall. Mark, Sir, the language used in that Report. They say that there is "a strong equitable case" for application of the proceeds for the benefit of such persons. I ask my Honourable friend the Finance Member and his colleagues on the Treasury Benches to say, what that means. What does that euphemistic expression, "a strong equitable case", mean? Does it mean that the money will go into the coffers of Bengal? When I speak of Bengal, I am referring not merely to Bengal proper, but to adjacent areas which are in the same predicament as Bengal. I have left out Burma, and it is just as well I should refer to it. Burma is situate in the same way as Bengal in the matter of salt supply. But the Tariff Board had excluded Burma from their consideration. They say that Burma should form the subject of separate consideration hereafter. All the same, Sir, the proposed duty is going to be imposed not merely on Bengal but upon Burma as well, although Burma has not had a moment's consideration at the hands of anybody. Such is the levity with which we are proceeding in this matter. I did not want to use that expression, but I am forced to use it, such is the levity, I say, with which we are proceeding that we are prepared in the name of protection to sacrifice one province after another, all in the interests of a few capitalists.

Sir, as one of the trade journals in Calcutta puts it, I ask, how long is this process of Bengal blood transfusion to go on?

**An Honourable Member:** Bengal is a milch cow.

**Mr. C. C. Biswas:** That is not the correct figure. Bengal is being bled and bled white for the purpose of making rich the blood of capitalists in other provinces.

Such is the position at the present day. Dealing with the suggestion that to meet this emergency, anti-dumping measures might be introduced, the Tariff Board, as I have already submitted, after saying that in their opinion it will not be in the national interest to encourage the manufacture of salt in India when that salt must normally be conveyed to Calcutta by sea, if thereby any considerable burden is imposed on the consumer, say that, "This finding in itself rules out the possibility of any protective duty". Further on, they state that, "The proposal clearly supposes some measure of stability in the price of imported salt". I will come to that question later on. The apparent justification for the present proposals

[Mr. C. C. Biswas.]

is that they are going to stabilise the price in Calcutta. That is all moonshine, as I shall show presently. The Tariff Board point out:

"As we have shown in Chapter I, price variations are so frequent and violent that the amount of protection is likely at one time to be excessive and at another time inadequate."

Ordinarily when you are determining the incidence of a protective duty, what happens? What do you do? You calculate the cost of the foreign article, and you calculate the cost of the home product, and you take these two factors into consideration for the purpose of deciding what the duty should be. I do not for a moment suggest that it is the difference between the two that must always fix the standard of your duty. But surely these are the two material factors that must be taken into consideration. You must know not only the cost of home production, but you must also know the cost of production abroad. Now, Sir, so far as the cost of production abroad is concerned, the Tariff Board definitely say this in paragraph 15 of the Report on page 14:

"In existing circumstances therefore any attempt to determine a normal price of imported salt would manifestly be fruitless."

They point out that there are several factors which contribute to this uncertainty, and these factors are trade variations, the operation of rings and combines and speculation. Therefore, Sir, because they were unable to come to any finding as to what it costs to produce salt for shipment to India from abroad, they give up this attempt. Therefore they say:

"As we have shown in Chapter I, price variations are so frequent and violent that the amount of protection is likely at one time to be excessive and at another time inadequate."

Now, Sir, let me put the case in a concrete form. The duty is 4½ annas per maund and the executive have taken power to raise the duty by one anna. Suppose in spite of that, even when the duty is 5½ annas, the foreign importer or the foreign manufacturer is in a position to ship salt to India for the Bengal market at a price which will defeat your protective duty, what happens? At the time the Tariff Board wrote their Report it was Rs. 53, and it has now gone down to Rs. 36. Suppose it drops down by another five rupees and goes down to Rs. 30, what happens? Then, in spite of all that you are doing you cannot keep out foreign salt. Your duty becomes ineffective and meaningless, and the only effect is to hit the poor consumer who has got to pay through his nose. Therefore without a finding as to whether the price which is being charged by the foreign importer is an economic price or not, without adequate means to control the different factors which make for instability, how can you come to any certain conclusions regarding this matter? Say the Tariff Board:

"It is idle for us to attempt to put any limit to the extent to which prices may decline, specially if a situation arises in which rival producers are determined to retain their market at any price."

And they go on to refer to the fact that on the Red Sea coast new factories are springing up, there is keen competition, and therefore the chances are that the prices would be still falling. As a matter of fact their anticipations have been more than realised, and we are not yet sure that we have reached the rockbottom price in foreign salt.



**An Honourable Member:** How much longer are you going to take?

**Mr. C. C. Biswas:** I will take at least an hour more.

**Diwan Bahadur T. Rangachariar** (South Arcot *cum* Chingleput: Non-Muhammadan Rural): In that case, Sir, may I ask that the House be adjourned?

**Mr. President:** The House has so much business still to go through that I do not propose to adjourn the House now.

**Mr. C. C. Biswas:** The Tariff Board then proceed to refer to a possible suggestion for an off-setting duty.

"In the face of such intensive competition and in the case of an industry in which under normal conditions no stability of import prices can be assumed, it would appear that some provision for off-setting duties is essential."

Well, they deal with this suggestion and their definite conclusion is that such off-setting duties cannot be justified. I will read out a few extracts:

"It is doubtful, however, whether any such scheme would be effective. Prompt action would be required and it appears unlikely that such machinery, as the Government of India might accept for the imposition of off-setting duties, would admit of the immediate relief which the Indian industry would require. Further, very frequent changes in the off-setting duties would be necessary. This in itself would give rise to speculation, and it is not improbable that the actual additional cost to the consumer would be considerably in excess of the duty imposed. Past experience has shown that whenever Government has contemplated an increase in the salt duties the market has been unsettled for considerable periods and the normal flow of supply and demand has been impeded. The effect on the market would be the same even when the additional duty is imposed, as in the case of off-setting duties, for the purpose of counteracting a decline in import prices."

And then they say:

"We cannot also ignore political considerations."

The conclusion is:

"From a practical point of view we cannot avoid the conclusion that the position of the industry would be far from secure, if it were to depend on the imposition of off-setting duties."

Then, the next paragraph is:

"On economic grounds the case for the imposition of a protective duty cannot be sustained. Following the usual methods of this Board, the level of the protective duty is determined by the difference between the fair selling prices and the import prices."

Thus it is that the Board have come to some conclusions as to what the fair selling prices in India may be, but not as to the import prices. They then proceed:

"Admittedly Aden salt which has for years held an established position on the Calcutta market does not require protection."

Mark these words,—at page 59. Then they say:

"The proposal, therefore, amounts to this: the Bengal consumer is to be burdened with an annual payment of 20 lakhs,"

—and this is now 35 lakhs owing to a further fall in prices,—

"in order to allow port Okha and Karachi,"

[Mr. C. C. Biswas.]

—i.e., the two centres other than Aden from which seaborne salt is supplied,—

“to place on the Calcutta market an output which today does not exceed 15,000 tons, but may in the future amount to 147,000 tons. Taking the value of the salt according to present import prices at approximately Rs. 15 per ton ex-ship, the annual additional payment by the Bengal consumer will far exceed the value of the Indian salt likely to be produced at Okha and Karachi for many years.”

Sir, I may point out that the additional price which Bengal will have to pay will be more than enough to buy out some of these concerns :

“Considering the limited extent to which the national interest would be served by the establishment of the salt industry at Okha or Karachi it would be entirely unreasonable to expect the consumer in Bengal to shoulder a burden of this magnitude.”

I make a present of this to my friends who constitute the majority of the Special Committee :

“A different conclusion might be reached if a reasonable prospect existed that stability of price would be secured and that over a long period the consumer would obtain his salt at a fair price. But in view of the price fluctuations and the speculation in the market no stable price would thereby be secured under present conditions.”

My friends hope to stabilise prices in a very simple way. All that they have got to do is to put this duty on and say, “Look here; the Tariff Board have fixed a fair selling price at Rs. 63-10; if you people at any time sell above that figure, we shall buy up all your stocks”. Hold that threat out and everything will be perfectly smooth. No further speculation; prices will stabilise themselves, and so on. Sir, remember that this is going to be done as a temporary measure for one year only. I ask, is there any justification, then, for saying that you can stabilise the price? You merely compel the Bengal consumer to pay an additional price for nothing. As a matter of fact, the chances are that the prices will not go up; rather they will go down. Is there a real danger that in the next few months the prices of foreign salt will go up? If there was an upward tendency, then I could have understood the effect of a recommendation like that; it would help to check an upward rise. But all the indications are that the prices will go down; they are going down, and for the purpose of protecting Bengal against a purely imaginary danger, imaginary at any rate so far as the next few months are concerned, Bengal is called upon to pay this additional taxation. That is neither fair nor just.

Then, the Tariff Board go on to consider the question of bounties and they turn that down. I may inform this House at this stage that among the various representations which, I believe, have been sent to Government—copies have been sent to me—a suggestion has been made that if you want to protect the salt industry in India, do not do so at the cost of Bengal alone. Let the whole of India come forward. If you say that these industries are going to die out, give them subsidies, give them bounties, but let the bounties in that case be found by the whole of India. I know, the Finance Member is very hard up for money, and he cannot think of allowing a bigger hole to be made in his pocket—which is already not entirely hole-proof. Well, then, as I have stated, the Tariff Board considered this question of bounty, and it is negatived. My grievance against the Committee is this, that these alternative proposals, which had been

carefully considered by the Tariff Board and turned down, were not examined with that care to which they were entitled, and the Report is wholly silent as to the reasons which led them to depart from those recommendations. The only point I can see is this; there is an emergency; they get panicky, and it is a panicky measure they bring forward. "Fire", "fire", they cry out, but in trying to extinguish the fire in one place, they are setting fire to another. They forget that all the time they were running, they were carrying lighted torches behind them, and in their hurry they forgot to put out those torches.

**Mr. B. Das:** What about paragraph 12 of their Report?

**Mr. C. C. Biswas:** My friend interrupts me, and I welcome the interruption. Paragraph 12 to which my friend calls attention is this:

"We consider that this Committee should remain in existence and that the whole position should be reviewed by us as early as possible in the light of the experience in the working of the import duty, and the results of the increase which we have recommended."

Sir, the patient is suffering; he is taken to the hospital; he is laid on the operation table; the operation is performed; the surgeon applies the knife, and the patient ultimately dies, but the surgeon survives. Was not the operation successful all the same, because the patient died only a few minutes after the operation? It is like that. My friend's Committee will be in existence. I do not have much faith in this Committee. I wish this Committee should go out of existence at once (Hear, hear) . . . .

**Mr. B. S. Sarma (Nominated Non-Official):** By being absorbed in other committees?

**Mr. C. C. Biswas:** If committees are to function in this way, it is just as well that they should not function at all. I should have much preferred that the Government of India accepted responsibility for this themselves. The appointment of this Committee has only made it possible for my friend the Finance Member to claim that he has shown a degree of responsiveness. I wish that we on this side had not made it possible for him to make that claim. When it is a question of levying a duty, and the Finance Member gets a few of his colleagues on this side to agree with him, he is of course delighted, and he is effusive about being responsive. No wonder. I only wish we on this side were more careful. This levy of an additional tax is no solution. It is poor comfort to the Bengal consumer, who will have to pay for it, to be told that the Committee is existing for Honourable Members to come and make up their minds—without probably reading their papers!

Then, another objection to a scheme of protection based on the levy of protective duties or the payment of bounty is how it will affect the question of quality. In my opening remarks I had laid stress on that aspect of the matter. The reference to the Tariff Board was, whether India could not be made self-supporting in the matter of supply of salt to Bengal of the quality to which Bengal had been accustomed. In other words, nothing was to be done which would lead to a deterioration in the quality of that salt. The Tariff Board come to the conclusion that the result of any scheme of protection would be to deteriorate the quality. That is a conclusion which may be right or which may be wrong, but my grievance is this; that the Committee have not carefully examined these arguments and

[Mr. C. C. Biswas.]

given any reasons why they come to a different conclusion. In the name of protection, it does not serve the national interests to foster inefficient industries.

After considering a few other suggestions, they record their conclusion in these final words on page 62:

"Our conclusion, therefore, is that it is not in the national interest to encourage the production of Indian sea-borne salt unless it can be manufactured and transported to Calcutta at a cost not exceeding on an average Rs. 66 per hundred maunds and that the only method of encouragement which we can recommend is stabilisation of prices over a long period."

And they proceed to consider how this is to be achieved in a different chapter, where they suggest a method of control. Then they come to consider the question of rail-borne salt, and in this connection they consider how far it is possible to expand and develop the existing sources of supply in Northern India and in Rajputana and other places, in order to put an increased output from these sources in the Bengal market. Of course they had not had time to undertake this duty themselves very thoroughly, and therefore they suggested that Government should undertake a thorough survey of the possible sources with a view to determine the extent to which the Bengal market might be supplied by rail with fine white crushed salt:

"Until this survey has been completed" they said, "an attempt to assess with any precision the extent of the economic advantages which would accrue from the substitution of Indian for foreign salt would manifestly be premature."

At this stage I may just refer to the Committee which Sir Chunilal Mehta presided over. That Committee was appointed in pursuance of a recommendation of the Tariff Board for exploring the possibilities of finding sources of supply of rail-borne salt. It is just as well that I should pause here for one second to clear up a misapprehension which has arisen out of a passage occurring in my note of dissent to which the Finance Member was pleased to refer the other day. I owe it to Sir Chunilal Mehta, to myself and to the House to make the position quite clear, and although the Honourable the Finance Member no doubt had made that statement, still I think it is only fair that I should take this opportunity to say a few words. After my note of dissent was published, I received a letter from Sir Chunilal Mehta. What I had stated in my minute of dissent was this. "I did not know what led Government to select Sir Chunilal Mehta for this inquiry; if I may say so, he was coming to the work with pre-conceived ideas. As Chairman of the Conference of Salt Producers held in Bombay on the 23rd September last he had sent a telegram to the Government of India, urging emergency action on the lines of the recommendations of the Tariff Board in the interests of the Aden manufacturers among others. It would have been much better if this inquiry had been entrusted to some one who was not committed in advance to an acceptance of the Tariff Board's proposals." Sir, I am free to confess that at the time that I wrote that, I was not aware that Sir Chunilal Mehta had been already appointed Chairman of this Committee before he was asked to preside over the meeting of Salt Producers. I came to know it for the first time from the letter which I received from Sir Chunilal Mehta. On being approached to preside over the Conference he at once wrote to the Government of India to inquire what he should do. If I may say so, in doing so he was perfectly in order. I do not, Sir, in my minute of dissent

suggest that Sir Chunilal Mehta was guilty of any impropriety in accepting the presidentship of that Conference. Although I was not aware at that time that he had already been appointed Chairman of this Committee by the Government, still I say I had made no suggestion of impropriety, and if my remarks have led anybody to think that any such imputation was in my mind, I wish to make it perfectly clear that it is not so, and I am sincerely sorry for any pain I might have caused to Sir Chunilal Mehta by my remarks. But, Sir, my objection against the Government remains, because Government allowed him to preside over this Conference. I think Government would have acted better if they had not done so. Presiding at that Conference means identifying oneself with the salt producers. As a matter of fact, I might tell the House that I have taken some pains to examine the representations made on behalf of that Conference of which Sir Chunilal was the Chairman, and I find that they were pleading for more protection for the salt industry at Aden, and they were strongly opposing anything being done for the protection of salt at Khewra or other places from which rail-borne salt is derived. The Tariff Board in their Report suggest that although there is no case for protection, so far as sea-borne salt is concerned, there might with some plausible justification be put forward a claim for some protection in regard to rail-borne salt. In other words, they thought that at Khewra and other places the possibility of extending and developing salt production ought to be considered. Here on the other hand you find this Conference putting itself strongly against the interests of these sources in India proper. Therefore, I say that in order that the Report of a Committee of such vital importance might command public confidence, it would have been much better if Sir Chunilal Mehta had not been allowed to preside over this Conference. However, that is only by the way. But although the Tariff Board did not make the inquiry as to the possibilities of extending and developing the sources of salt in Northern India, they say this:

"For the purpose of this report it must be assumed that salt manufactured in India is capable of such development that in course of time a considerable portion of the 500,000 tons of salt now imported into Calcutta by sea will be manufactured in India and supplied direct by rail to the consuming centres."

This shows they were contemplating that it would be possible to obtain the full quantity of 500,000 tons for Bengal from Khewra and other places in Northern India. But even then the Tariff Board go on to say that although that is a consummation that is very desirable, there is no chance of that consummation being achieved in the near future, and whatever we might do, for many a long year Bengal will have to depend upon sea-borne salt from abroad. This is what they write:

"It must not however be supposed that this result even in the most favourable circumstances could be brought about within any measurable period. Indeed as regards Chittagong and the area in its immediate vicinity, it is probable that the supply of sea-borne salt will always be cheaper. For many years, therefore, it is likely that the import of salt, whether Indian or foreign, by sea will continue."

Then, referring to the sources of rail-borne salt, they say this:

"The manufacturer would have no guarantee of the extent or permanency of his market, since at any moment this is liable to be seriously affected by a reduction in the price of foreign salt."

So they say that the ordinary methods of securing stability in prices by imposing an import duty, and secondly, as regards rail-borne salt by giving protection would be inadequate, and therefore they say that until the

[Mr. C. C. Biswas.]

price of imported salt is stabilised, it will be impossible to undertake the supply of Indian salt by rail to the Calcutta market. Then they consider the question how to stabilise the prices of salt, and they suggest that the one and only way of doing it was for Government to control the purchase as well as the distribution of salt. Their proposal mainly amounts to this. They do not think that a departmental agency of Government would be adequate for that purpose, and therefore they suggest the constitution of what may be called a Marketing Board, which should assume the control and supply of salt. Although, Sir, I will not discuss that question, whether they are right or wrong, suffice it for me to say that the proposals they have put forward for the constitution of a Marketing Board have not found favour even with the Government of India themselves. They were not quite impressed with this suggestion, and I believe the Government of Bengal also had expressed their doubts as to the soundness of this scheme, but it does not follow that because the only scheme which the Tariff Board could think of as necessary for the purpose of securing the desired object was unsound, therefore the other schemes which they had considered and rejected automatically become sound propositions! The Marketing Board may or may not be good, but that does not mean that protection thereby becomes so very desirable.

After having suggested a Marketing Board, they say that it will take a long time to bring it into operation and in the meantime some emergency action seems to be called for. Now that statement that some emergency action seems to be called for has supplied the excuse to my friends on the Committee to put forward their extraordinary proposals. Let us see what the Tariff Board say. At page 78, paragraph 101, they say:

"We do not suggest that such a Board can be constituted immediately or that if constituted its machinery can be organized save after a lapse of considerable time. Further, the full advantages of such control might not be realised for some years. . . . On the whole, however, we consider that with proper supervision and control a system of distribution of this nature, if it could be established, is the only means of reducing the price of salt generally throughout northern India, . . . ."

—Note, Sir, their whole object was to reduce the price of salt and not to protect, as my Honourable friends have said—

" . . . though, as we have seen, important advantages can be secured in the Bengal market by a system of Government control. In the meantime, we are impressed by the fact that before such a Board can be constituted and while Government's survey of the possibilities of extending the sources of supply of railborne salt is in progress, a real danger exists that the salt works at Karachi, Okha and perhaps even the smaller works at Aden may be crushed out of existence by the pressure of foreign competition."

That is the danger which they apprehended, that those smaller works at Aden might be crushed out of existence. But what do they suggest?

"We have found that the retention of these sources is justifiable provided no heavy burden is thrown on the country since they afford some additional employment to Indian labour and serve to retain in the country some profit which would otherwise accrue to foreign manufacturers. Moreover, some portions of the Bengal market must, we consider, be always supplied more economically by sea than by railborne salt. It is therefore desirable to assist these undertakings if this can be effected at *no great cost to the country.*" (*This is the most important portion,—at no great cost to the country.*) "By introducing control into the Bengal market we believe that not only can an economic price be assured to Indian manufacturers but also the consumers' interests will be safeguarded, and prices averaged over a considerable period will decrease."

This scheme of provisional control which they suggest as an emergency measure has been turned down by the Committee, because they say that it is just as complicated as the main scheme:

"We propose, therefore, as much in the interests of the consumer as of the Indian industry that Government should at once assume control of imported salt and should also standardise the qualities of common crushed and superfine salt. Foreign salt should be purchased at the lowest price obtainable to the extent to which the requirements of the market cannot be met from Indian sources."

That is what they say. All that is brushed aside. I find that the House is getting tired. Sir, I will not say very much more, but I do appeal with all the earnestness that I can command to all sections of the House to remember the interests of the Bengal consumer. You must not sacrifice Bengal in the interests of Aden; it amounts to that. When you are told that you will by this measure be reviving or encouraging or keeping alive the salt industry in India, I say you are not doing anything of that kind whatsoever. All that you are doing is to hand over the profits to the Aden concerns. Aden is now selling salt at Rs. 35 per ton in spite of competition from the foreign manufacturer. The result of this has been that Aden has been enabled to put up prices cent. per cent. at once. Aden is selling free of duty. That country is not getting the benefit of that. Aden puts up the price cent. per cent. and is pocketing all that money. Is that fair? Whereas Khewra, Pachbadra, Sambhar, etc.,—where are they? They are just the same as before, languishing as ever. And if they will be killed, they will be killed not by the Red Sea salt, but they will be killed because of Aden salt whom you are now encouraging with all the step-motherly affection you are capable of.

Sir, I move.

The Assembly then adjourned till Eleven of the Clock on Monday, the 30th March, 1931.