

Tuesday, 17th November, 1931

THE  
LEGISLATIVE ASSEMBLY DEBATES  
(Official Report)

Volume VII, 1931

(4th to 20th November, 1931)

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SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY, 1931



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# Legislative Assembly.

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**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

**RAI BAHADUR D. DUTT.**

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**CAPTAIN NUR AHMAD KHAN, M.C., I.O.M.**

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**RAJA BAHADUR G. KRISHNAMACHARIAR, M.L.A.**

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

# CONTENTS.

PAGES.

VOLUME VII—4th to 20th November, 1931.

## Wednesday, 4th November, 1931—

Members Sworn	...	...	...	...	1533
Questions and Answers	...	...	...	...	1533-70
Unstarred Questions and Answers	...	...	...	...	1571-74
Governor General's Assent to Bills	...	...	...	...	1575
The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1575-1617
<i>contd.</i>	...	...	...	...	

## Thursday, 5th November, 1931—

Questions and Answers	...	...	...	...	1619-25
The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1625-76
<i>contd.</i>	...	...	...	...	

## Friday, 6th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1677-1720
<i>contd.</i>	...	...	...	...	

## Saturday, 7th November, 1931—

Questions and Answers	...	...	...	...	1721-40
Unstarred Questions and Answers	...	...	...	...	1740-51
The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1751-1802
<i>contd.</i>	...	...	...	...	

## Wednesday, 11th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1803-45
<i>contd.</i>	...	...	...	...	

## Thursday, 12th November, 1931—

Questions and Answers	...	...	...	...	1847-56
The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1856-1904
<i>contd.</i>	...	...	...	...	

## Friday, 13th November, 1931—

Questions and Answers	...	...	...	...	1905-17
Unstarred Questions and Answers	...	...	...	...	1917-18
The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1918-59
<i>contd.</i>	...	...	...	...	

## Saturday, 14th November, 1931—

The Indian Finance (Supplementary and Extending) Bill—	...	...	...	...	1961-93
<i>contd.</i>	...	...	...	...	

CONTENTS—*contd.*

	PAGES.
<b>Monday, 16th November, 1931—</b>	
Questions and Answers ... ..	1995-2017
Unstarred Questions and Answers ... ..	2017-19
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i> ... ..	2020-62
<b>Tuesday, 17th November, 1931—</b>	
Member Sworn ... ..	2063
Questions and Answers ... ..	2063-75
Unstarred Questions and Answers ... ..	2076
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i> ... ..	2077-2119
<b>Wednesday, 18th November, 1931—</b>	
Questions and Answers ... ..	2121-27
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i> ... ..	2127-71
<b>Thursday, 19th November, 1931—</b>	
Statement laid on the Table—Members of Retrenchment Committees who have drawn allowances ... ..	2173-74
The Indian Finance (Supplementary and Extending) Bill— <i>contd.</i> ... ..	2175-96
<b>Friday, 20th November, 1931—</b>	
Member Sworn ... ..	2197
The Indian Finance (Supplementary and Extending) Bill— Motion to pass as recommended by the Governor General negatived ... ..	2197-2211

# LEGISLATIVE ASSEMBLY.

*Tuesday, 17th November, 1931.*

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

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## MEMBER SWORN.

Mr. Satyendra Nath Roy, M.L.A. (Government of India: Nominated Official).

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## QUESTIONS AND ANSWERS.

### INCREASE OF WORK AND RETRENCHMENT OF STAFF IN CURRENCY OFFICES.

1336. \*Mr. S. G. Jog: Will Government be pleased to state:

- (a) whether there has been in the Currency Code a standard laid down of the work that can be expected from an employee in the Treasurer's Department of the Currency Offices;
- (b) whether this standard of work has very recently been increased; if so, what is the percentage of such increase;
- (c) whether it is a fact that this increase ranges between 25 to 33 per cent.;
- (d) whether a number of employees have been discharged; if so, what is the total number of employees reduced;
- (e) whether this was made while the Retrenchment Committee was holding its sittings;
- (f) whether the Retrenchment Committee was consulted in the matter;
- (g) if the answer to part (f) above be in the affirmative, the opinion of the Retrenchment Committee on the subject;
- (h) if the answer to part (f) above be in the negative, the reasons for not holding such consultation; and
- (i) whether the service associations of the Currency employees have protested in the matter and the steps that Government intend to take in the matter?

**The Honourable Sir George Schuster** (a) Yes.

(b), (c) and (e). Yes; the rate of examination of fresh notes was increased by 33 per cent. in September and that of coin by about 25 per cent. in October last.

(d) It is proposed to abolish the following permanent posts in the various Currency Offices:

**Treasurer's Branch—**

Assistant Treasurers	.	.	.	.	.	.	.	.	.	3
Tellers	.	.	.	.	.	.	.	.	.	3
Clerks	.	.	.	.	.	.	.	.	.	40
Shroffs	.	.	.	.	.	.	.	.	.	7

**General Branch—**

Assistant Superintendents	.	.	.	.	.	.	.	.	.	2
Clerks	.	.	.	.	.	.	.	.	.	18

The reduction is being effected by serving notices of discharge in accordance with the principles referred to in the reply to Lala Hari Raj Swarup's question No. 1289 on the 13th instant, after absorbing posts at present vacant or expected to be vacated by retirement in the course of the next few months.

(f) No.

(g) Does not arise.

(h) As the fixing of the rates of work was an administrative matter, it was not considered necessary to consult the Retrenchment Committee.

(i) It is understood that certain representations have been received by the Controller of the Currency from the associations of the Currency employees. These will be dealt with when received through the prescribed channel.

**EMPLOYEES IN GOVERNMENT OF INDIA OFFICES GRANTED PASSAGE AND OTHER CONCESSIONS.**

1337. \***Mr. B. Sitaramaraju:** (a) Will Government be pleased to lay on the table a statement containing the names of Anglo-Indian or European subordinates—clerks, assistants, Superintendents and Assistant Secretaries and others—in the various offices in the Government of India and offices subordinate to them, to whom concessions are given in the shape of passages to Europe and more liberal leave rules and allowances, not admissible to Indians?

(b) Will Government say on what principle these concessions were given and under what authority?

(c) Was it contemplated at the time of the Lee Commission recommendations that concessions like these should be extended to subordinates who were not of pure European parentage and born in Europe and who were not recruited on the understanding that they would get such concessions?

(d) Is it contemplated at a time of deficit like this that such distinctions between Indian and other subordinates should be withdrawn?

(e) If not, are Government prepared to consider the advisability of granting the Indian subordinates the same concessions in the shape of railway fare and more liberal leave rules and allowances on the same scale as for European and Anglo-Indian assistants, etc.?

(f) Will Government say when the concessions referred to in part (a) above were granted and with effect from what year?

(g) What have the concessions cost the Indian exchequer so far and what is their estimated cost per year?

**The Honourable Sir James Orerar:** (a) and (b). The passage concessions were given not on the basis of race but of domicile, and neither Anglo-Indians nor Europeans domiciled in India are eligible for them. The principle on which they were granted is the same in their case as in the case of members of the superior services, *viz.*, to enable them to visit their native country occasionally during service and retire there at the end of their service. It will be seen from paragraph 3 of the Home Department Memorandum No. F.10/4/30-Establishments, dated the 6th August, 1930, a copy of which will be found in the Library, that passage concessions are admissible to existing members of non-superior services who are of non-Asiatic domicile only if they satisfy certain conditions. For the special leave rules the basis is also domicile, and the principle on which officers have been admitted to them is the same as stated above. I regret I am unable to undertake to collect the names or the numbers of persons admitted to these privileges as the labour involved would be incommensurate with the results obtained.

(c) The Lee Commission was not concerned with services other than superior services.

(d) and (e). Officers of non-Asiatic domicile are entitled to passages from a port in India to a port outside Asia, but are not granted any railway fares for inland journeys either in India or the country of destination.

(f) The special leave rules were made applicable to subordinates of non-Asiatic domicile with effect from the 24th July, 1923. The passage concessions for non-superior officers were introduced from 1st April, 1930.

(g) The amount of expenditure incurred so far is not likely to be large because the criteria for determining eligibility for passages are strict and were only decided in January, 1931. The cost of the concessions depends on the number of officers admitted to them, their length of service or age on the date of admission and the number and ages of members of their families. As claims are still coming in, I regret it is not possible to supply information about the cost per year.

#### COST OF MILITARY MOTOR TRANSPORT.

1338. \*Sirdar Harbans Singh Brar (on behalf of Sardar Sant Singh):

(a) What is the total cost incurred by the military on motor transport during the year 1930-31?

(b) What was the recurring expenditure of running these motor vehicles during 1930-31?

(c) What was the cost incurred in transporting troops and their families from the plains to the hills by military motor vehicles and also on contract? Which is the cheaper method of the two? Is it a fact that military motor vehicles cost much more in petrol, mobile oil and wear and tear? If so, do Government intend to take steps to reduce this expenditure by getting this work done on contracts?

**Mr. G. M. Young:** (a) About Rs. 127½ lakhs. This includes cost of establishment, vehicles issued to units, initial stocks of petrol, etc., and running charges.

(b) About Rs. 15 lakhs.

(c) Exact figures in answer to the first part of the question are not available and could not be collected without an inordinate expenditure of time and labour. It is safe to say, however, that the use of existing Government mechanical transport is far more economical than the employment of hired transport.

#### APPOINTMENT OF AGRICULTURAL ASSISTANTS IN THE NORTH-WEST FRONTIER PROVINCE.

1339. **\*Mr. Lalchand Navalrai** (on behalf of Bhai Parma Nand): Will Government be pleased to state:

(a) if it is a fact that some posts of agricultural assistants have been advertised by the North-West Frontier Province authority? If so, how many appointments are to be made?

(b) whether in the matter of selection, priority of claims of qualified persons belonging to the province would be recognised by Government?

(c) whether in the case of these appointments, any communal considerations are going to prevail?

**Sir Frank Noyce** (a) Yes; nine posts have been advertised.

(b) Yes.

(c) Only to the extent that the greatly predominating interest of Muslims in agriculture in the North-West Frontier Province must receive due consideration.

#### PASSENGER FARES ON INDIAN RAILWAYS.

1340. **\*Mr. Gaya Prasad Singh:** (a) Will Government kindly lay a statement on the table, showing separately the passenger fares of 1st, 2nd, intermediate and 3rd classes, per mile, on Indian Railways, as they existed before and after the recent enhancement?

(b) Has there been any enhancement in freights also recently? If so, on what Railways?

**Mr. A. A. L. Parsons:** (a) I am placing on the table a statement showing the changes in passenger fares on the principal railways and for those classes in which changes have been made since 1st April, 1931.

(b) Yes. Rates for parcels by passenger train were enhanced on all railways from 1st May, 1931, and for certain commodities by goods train on most principal railways.



Statement showing changes made in passenger fares on principal railways from April to November, 1931.

Class.	Railway.	Date of revision.	Basis for charge.				Remarks.
			Prior to revision.		Revised.		
			Miles.	Pies per mile.	Miles.	Pies per mile.	
First	East Indian	1-10-1931	1-100	24	1-100	24	
			101-300	18	101-300	20	
			Above 300	12	Above 300	13	
	Great Indian Peninsula.	1-10-1931	All distances	18	1-150	24	
					Above 150	18	
	North Western	1-10-1931	1-300	18	1-150	24	
Above 300			12	Above 150	18		
Second	East Indian	1-10-1931	1-100	12	1-100	12	
			101-300	9	101-300	10	
			Above 300	6	Above 300	6½	
	Great Indian Peninsula.	1-10-1931	All distances	9	1-150	12	
					Above 150	9	
	North Western	1-10-1931	1-300	9	1-150	12	
Above 300			6	Above 150	9		
Inter.	Bengal Nagpur	1-4-1931	1-300	7	1-300	7	} By mail and express trains only.
			Above 300	3½	Above 300	5	
	East Indian	1-10-1931	1-300		1-300	5½	
			Above 300	3½	Above 300	8½	
	Great Indian Peninsula.	1-10-1931	All distances	6	1-300	7½	
					Above 300	6	
Madras & Southern Mahratta.	1-4-1931	All distances	5	All distances	6		
Third	Bengal Nagpur	1-4-1931	1-300	4½	1-300	4½	} By mail and express trains only.
			301-600	3½	Above 300	3½	
			Above 600	3			
	Bombay, Baroda & Central India.	1-4-1931	1-150	3½	1-300	3½	} By ordinary trains only.
			151-300	3	Above 300	2½	
			Above 300	2½			
East Indian	1-10-1931	1-50	3½	1-50	2½		
		51-300	2½	51-300	2½		
		Above 300	2½	Above 300	2½		

*Statement showing changes made in passenger fares on principal railways from April to November, 1931—contd.*

Class.	Railway.	Date of revision.	Basis for charge.				Remarks.	
			Prior to revision.		Revised.			
			Miles.	Pies per mile.	Miles.	Pies per mile.		
Third	Eastern Bengal	1-10-1931	1—150	3½	1—300	3½	} By mail and express trains only.	
			151—300	2½	Above 300	2		
			Above 300	1½				
	Great Indian Peninsula.	1-10-1931	1—50	4	1—50	5		} By mail and express trains only.
			51—150	3½	51—150	4½		
			151—300	3	151—300	3		
			Above 300	2½	Above 300	2½		
	North Western	1-10-1931	1—50	3½	1—50	3½		}
			51—300	2½	51—300	3		
			Above 300	1½	Above 300	2		
	Madras and Southern Mahratta.	1-4-1931	1—100	4	1—300	4		} By mail trains.
			101—300	3½	Above 300	3½		
			Above 300	2½				
			1—50	3½	1—150	3½		} By ordinary trains.
			51—150	3	151—300	3		
			151—300	2½	Above 300	2½		
			Above 300	2				
	South Indian	1-6-1931	1—100	4	1—300	4		} By mail (Nos. 5 and 6 trains).
			101—300	3½	Above 300	3½		
			Above 300	2½				
			1—50	3½	1—150	3½		} By ordinary trains.
			51—300	2½	151—300	3		
Above 300			2	Above 300	2½			

### THE SUGAR INDUSTRY PROTECTION BILL.

1941. \*Sirdar Harbans Singh Brar (on behalf of Lala Hari Raj Swarup): In view of the assurance given in the last Delhi Session, will Government be pleased to state when they propose to bring the Sugar Industry Protection Bill before the Legislature?

The Honourable Sir George Rainy: Government hope to place before the House their conclusions on the Tariff Board's Report regarding the sugar industry next session.

EXCHANGE COMPENSATION ALLOWANCE.

1342. **\*Lala Hari Raj Swarup:** Will Government be pleased to state the names of departments, sections of Government servants and the purposes in connection with which exchange compensation allowance is granted under the head of military expenditure together with the amount of money so spent under that head?

**Mr. G. M. Young:** Exchange compensation allowance is not now admissible to any personnel paid from Military Estimates.

FACILITIES FOR REMITTANCE OF FUNDS FOR OFFICERS AND SOLDIERS.

1343. **\*Lala Hari Raj Swarup:** (a) Will Government be pleased to state if there are any military or some other banks that help the officers and soldiers in the remittance of funds from England to India and *vice versa*?

(b) Are any such institutions maintained or subsidised by Government?

(c) Is there any system under which a payment of Rs. 15 is made to military employees for every £1 tendered in India? If so, what?

**The Honourable Sir George Schuster:** (a) Government do not know of any banks which give officers and soldiers special remittance facilities.

(b) No.

(c) Government are not aware of any such system.

BANK FAILURES FOLLOWING ENFORCED HOLIDAYS DURING THE FINANCIAL CRISIS.

1344. **\*Lala Hari Raj Swarup:** (a) Is it a fact that as a result of the bank holidays declared by Government on the 21st, 22nd and 23rd of September, there was a heavy rush on banks when they reopened on the 24th?

(b) Is it also a fact that on account of this rush there was a number of bank failures? If so, will Government be pleased to give a list of such banks?

(c) In view of the assurance contained in the statement of the Honourable the Finance Member that the Imperial Bank would come to the rescue of any bank which was threatened with failure on account of a rush for withdrawals, will Government be pleased to state what help the Imperial Bank gave to the various banks in the crisis?

**The Honourable Sir George Schuster:** (a) Generally speaking the amount withdrawn from banks when business reopened on September 24 was not more than was to be expected in view of the accumulated demand of the three previous days during which the banks were closed. All banks whose position before the holidays was normal were able to meet the situation without difficulty.

(b) Two banks in the Punjab, the People's Bank of Northern India and the Punjab Kashmir Bank, suspended payment shortly after the holidays, but there were special factors operating in their case, and the result was not brought about by the situation produced by the three bank holidays.

(c) The Imperial Bank throughout acted in the spirit indicated in my statements, but it would not be in public interests or in the interests of the banks concerned to give the information required by the Honourable Member.

**Mr. Lalchand Navalrai:** Will the Honourable Member be pleased to say what is the policy of the Government in helping private banks when they are on the verge of failure or require assistance?

**The Honourable Sir George Schuster:** As a matter of general policy the Government's attitude would be that it is not for the Government to intervene to help private interests. Government would generally act as they acted in this case, by asking the Imperial Bank to enquire into the position and, if help was justified, to do what they could to prevent a collapse which would damage the general interests of the public. That policy was followed and followed successfully.

**Dr. Ziauddin Ahmad:** Is it not a fact that these banks were excluded in the list of the banks which the Honourable the Finance Member gave in Simla on the occasion of the Ordinance?

**The Honourable Sir George Schuster:** I am afraid I must ask the Honourable Member to repeat his question.

**Dr. Ziauddin Ahmad:** Is it not a fact that these banks which have failed were excluded from the list of the banks which the Imperial Bank was going to help, which the Honourable the Finance Member gave on the occasion of the Ordinance?

**The Honourable Sir George Schuster:** As far as my recollection goes, I never gave any list of the kind.

**Dr. Ziauddin Ahmad:** Did not the Honourable gentleman give a list of the banks whom the Government were going to protect and to whom the Government were going to give some money?

**The Honourable Sir George Schuster:** Certainly not.

#### ABOLITION OF HIGHLY PAID POSTS IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1345. **\*Mr. S. C. Mitra:** (a) Is it a fact that curtailment of expenditure on works is being effected and the closure of the New Delhi project is being proposed? If so do Government propose to reduce the overhead cost of the Public Works Department administration in Delhi?

(b) Do Government propose to abolish the post of a highly paid Chief Engineer for maintenance and repairs only?

**The Honourable Sir Joseph Blore:** (a) The reply to the first part is in the affirmative. As regards the second part, Government are doing their best to reduce the overhead cost of the Central Public Works Department.

(b) No. He is not only the Chief Engineer of the Central Public Works Department, but is also the Chief Technical Adviser to the Government of India in all Public Works Department matters.

**Mr. S. C. Mitra:** Is not Public Works a transferred subject for the Local Governments in the provinces?

**The Honourable Sir Joseph Blore:** But my Honourable friend forgets that there are public works under the direct control of the Central Government, not only in Delhi itself but in the Administrations under the direct control of the Government of India.

**ENGINEERING STAFF OF THE PUBLIC WORKS DEPARTMENT, NEW DELHI.**

1346. **\*Mr. S. C. Mitra:** Will Government please state the names, qualifications and length of services of each member of the Engineering Staff (Direction and Execution) of the Public Works Department, Delhi?

**The Honourable Sir Joseph Blore:** The information asked for will be found in the Government of India, Department of Industries and Labour, Public Works Branch, classified list of establishment corrected upto 30th June, 1931, a copy of which has been placed in the Library.

**APPOINTMENT OF MR. EDGE AS OFFICER IN CHARGE OF STORES IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.**

1347. **\*Mr. S. C. Mitra:** Is it a fact that Mr. Edge has been appointed officer in charge of stores in the Public Works Department administration in Delhi and granted additional remuneration? Has this arrangement been brought about by the reduction by 20 to 25 per cent. of the pay of two or three Indian store-keepers?

**The Honourable Sir Joseph Blore:** As regards the first part of the question Mr. Edge has been placed in charge of Stores in addition to his ordinary duties. He has been given no additional remuneration for this work. The second part does not arise, but it has been found possible to effect reductions on other grounds.

**ERECTOR OF A NEW SHED FOR PUBLIC WORKS DEPARTMENT STORES IN NEW DELHI.**

1348. **\*Mr. S. C. Mitra:** Has a new shed been erected for stores in Delhi? What accommodation was provided before and why could not the same arrangement be continued? Will Government please state whether the new arrangement will prove more costly or not?

**The Honourable Sir Joseph Blore:** The answer to the first part of the question is in the negative. The remaining parts do not arise.

**RETRENCHMENT OF MISTRIES, ETC., IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.**

1349. **\*Mr. S. C. Mitra:** Is it a fact that the Chief Engineer, Public Works Department, Delhi, proposes to retrench all work-charged staff consisting of mistries, etc., on pay ranging from Rs. 30 to Rs. 100 per mensem? What is the number of men affected thereby?

**The Honourable Sir Joseph Blore:** The reply to the first part of the question is in the negative. The second part does not arise.

### THE ESTATE OFFICE, NEW DELHI.

1350. **\*Mr. S. C. Mitra:** Will Government be pleased to state the cost of the Estate Office, New Delhi, inclusive of pay of the officers, ministerial establishment and inferior establishment? What are the functions of the Estate Office? Will Government be pleased to state the number of Anglo-Indians and Europeans employed in the Estate Office?

**The Honourable Sir Joseph Bhore:** The cost of the Estate Office is Rs. 2,614 per mensem. Its functions are the allotment of all Government accommodation, both office and residential, in Simla and in Delhi; arrangements for catering in hostels in Old and New Delhi; custody and issue of surplus and hired furniture in Old and New Delhi; and assistance in the matter of collection of rents. There is one European at present employed in the Office, a second is also being temporarily employed for a short time.

### NECESSITY FOR A CHIEF ENGINEER IN THE PUBLIC WORKS DEPARTMENT, NEW DELHI.

1351. **\*Mr. S. C. Mitra:** (a) Will Government be pleased to state the reasons for maintaining in Delhi a Chief Engineer to supervise one Superintending Engineer and a few Executive Engineers?

(b) Will Government be pleased to state whether a Chief Engineer is placed in charge of the Public Works Department of major provinces; if so, will Government be pleased to state whether Delhi is a major province? If not, why is a Chief Engineer being maintained at a high cost?

(c) Are Government aware that the present Chief Engineer has got an anti-Indian bias?

**The Honourable Sir Joseph Bhore:** (a) The Chief Engineer, Central Public Works Department, supervises not one but two Superintending Engineers, six Executive Engineers, and the Specialist Officers employed on architectural, sanitary and electrical work in the Department. In addition, he is also the Chief Technical Adviser to the Government of India in Public Works Department matters.

(b) The reply to the first part is in the affirmative. As regards the second part, Delhi is not a major province, but a Chief Engineer is maintained not only for Delhi alone but also for Central works in the United Provinces and the Punjab, and generally for advising the Government of India in the Public Works Department matters.

(c) The reply is in the negative.

### APPOINTMENT OF PERSONAL ASSISTANT TO THE CHIEF ENGINEER, NEW DELHI.

1352. **\*Mr. S. C. Mitra:** Will Government be pleased to state the reasons for creating a highly paid post of Personal Assistant to the Chief Engineer, Delhi? What is the pay of the post and the name of the holder of the present post?

**The Honourable Sir Joseph Bhore:** The post of Personal Assistant to the Chief Engineer, Public Works Department, was created in 1925 on Rs. 1,750—50—1,850 per mensem. The nomenclature of the post was changed to "Personal Assistant to the Chief Engineer, Central Public Works Department" in 1930, and the pay was reduced to Rs. 1,600—100—1,700 as a measure of economy. The justification for this rate of pay

is that the office of the Central Public Works Department is a combined office for the Chief Engineer, Superintending Engineers and all the Specialists. The Personal Assistant is in general charge of this office, more particularly in the summer months when the Chief Engineer is in Simla, and may therefore be said to undertake the duties normally performed under a Local Government by the Registrar, Assistant Secretary and part-time Under Secretary. The present incumbent of the post is Mr. E. H. Brandon, M.B.E.

**Dr. Ziauddin Ahmad:** Is it not a fact that this post was created in order to provide for a certain individual because it is very difficult to believe that in these days of retrenchment the work of the Public Works Department is likely to increase?

**The Honourable Sir Joseph Bhore:** My Honourable friend suggests that this post was created in order to provide for a particular individual. I must repudiate that suggestion.

**Dr. Ziauddin Ahmad:** May I ask whether the work has increased in order to necessitate the creation of a new post?

**The Honourable Sir Joseph Bhore:** My Honourable friend has not listened to my answer. The post was created in 1925.

#### OFFICERS OF THE RESEARCH INSTITUTE, DEHRA DUN.

1353. **\*Sirdar Harbans Singh Brar:** (a) How many gazetted officers are there in the Research Institute, Dehra Dun, and to what community does each of them belong?

(b) Is it a fact that Government's declared policy is to protect the rights of the minority communities in all the services at the time of recruitment?

(c) If the reply to part (b) be in the affirmative, do Government also propose to take into consideration the question of maintaining the required proportion of each minority community after the proposed retrenchment in the Research Institute, Dehra Dun? If not, why not?

**Sir Frank Noyce:** (a) The total number of gazetted officers employed at present at the Forest Research Institute, Dehra Dun, is 39, of whom 16 are Europeans, 17 Hindus, 4 Muslims, 1 Sikh and 1 Anglo-Indian.

(b) The declared policy of Government is to prevent the preponderance of any one community in the services.

(c) In regard to the services under their control, the Government of India have issued orders to the effect that in each category of a service, which comes under retrenchment, the ratio between the various communities represented by their present numbers in the category should be maintained to the nearest practicable figure.

#### POLICE SURVEILLANCE AND SCRUTINY OF CORRESPONDENCE OF SARDAR JASWANT SINGH DANEWALLA.

1354. **\*Sirdar Harbans Singh Brar:** (a) Is it a fact that S. Jaswant Singh Danewalia, late Secretary of Akali Dal and Shiromani Gurdwara Committee is under police surveillance? If so, for what reasons and for how long?

(b) Is it also a fact that the post offices in Bahawalpur State have instructions to the effect that all the correspondence addressed to Sardar Jaswant Singh Danewalia should be opened and after keeping a copy should be delivered to him? If so, by whom were such instructions issued and under what authority?

(c) Is it not a fact that his dak is generally delayed by the above procedure?

(d) Is it a fact that sometimes his letters are misplaced, destroyed or not delivered to him? If so, is there any provision under the postal rules for such action?

(e) If the reply to part (d) be in the negative, do Government propose to make enquiries and remove the restrictions, if any, at present? If not, why not?

**The Honourable Sir James Crerar:** (a) The Government of India have no information on the subject. The matter is one entirely within the discretion of the Local Government.

(b) No such instructions have been issued by the Postal authorities.

(c) and (d). In the absence of any complaint on the subject, Government have no reason to believe that the facts are as suggested by the Honourable Member.

(e) Does not arise.

**ERECTION OF A FACTORY IN INDIA FOR THE MANUFACTURE OF VEGETABLE GHEE BY THE HINDUSTAN HOLLAND VANASPATI TRADING COMPANY.**

**1355. \*Sirdar Harbans Singh Brar:** (a) Is it not a fact that Government are realising about twenty-five lakhs (Rs. 25,00,000) customs revenue annually on vegetable ghee imported into India mostly from Holland?

(b) Has the attention of Government been drawn to the *Times of India*, dated the 26th May, 1931, page 5, column 3, which gives the news;

- (i) that vegetable ghee manufacturers of Holland are putting up a huge factory at Bombay at the cost of twenty-five lakhs of rupees under the name of their private limited company called the Hindustan Holland Vanaspati Trading Company, Ltd., Bombay;
- (ii) that the factory is now almost completely erected and is to commence turning out vegetable ghee next month;
- (iii) that its output which is designed to be 30,000 cases monthly, immediately with provision for extension in no time to 50,000 cases monthly, will completely cover the entire present imports; (At present imports are not more than 30,000 cases monthly due to diminished purchasing power) and
- (iv) that thereby Government will with effect from next month lose the entire income of Rs. 25,00,000 annually, to save which the factory has been erected by the Dutch Syndicate in India?



(c) Are Government aware that there have been widespread complaints of mixture of vegetable ghee with pure ghee and that this point has been discussed several times in the Council of State as well as in the Assembly, Government always promising enquiry and support?

(d) Do Government propose to provide in the Finance Bill before the Assembly that the existing duty on vegetable ghee, as also the proposed surcharge thereon will be levied with immediate effect on all vegetable ghee whether imported into or manufactured in India? If not, why not?

**The Honourable Sir George Rainy:** (a) No, Sir. The approximate figures are:

	Lakhs.
	Rs.
1928-29 . . . . .	26.6
1929-30 . . . . .	18.0
1930-31 . . . . .	16.4
1931-32 (First 6 months) . . . . .	5.2

It will be seen that the revenue has very rapidly declined.

(b) Government have seen the report to which the Honourable Member refers.

(c) Government are aware that there have been complaints against the mixture of solidified vegetable oil with ghee. The Honourable Member's attention is invited to my speech in the Assembly on the 12th February, 1931, on Mr. Bhuput Singh's Resolution which explains their position in the matter.

(d) Government do not propose in the Bill at present before the House to levy a duty, equivalent to the customs duty *plus* the surcharge, on vegetable ghee manufactured in India. Government recognise that, if the customs duties are to be maintained for any length of time at the high level to which they have been raised, it may become necessary to consider whether the levy of new excise duties is not essential if serious loss of revenue is to be avoided. But they can find no special reason why vegetable ghee should be singled out for such a duty at the present time.

**Sir Hari Singh Gour:** May I inquire from the Honourable the Leader of the House whether the statement he made on the floor of this House defining the Government's attitude on Mr. Bhuput Singh's Resolution is still being adhered to in view of the fact that Mr. Bhuput Singh's Resolution was carried in spite of Government opposition?

**The Honourable Sir George Rainy:** The attitude of the Government has not changed since I explained what it was on Mr. Bhuput Singh's Resolution.

**Sir Hari Singh Gour:** Has the attitude of the Government not changed in spite of the decision of this House to the contrary?

**The Honourable Sir George Rainy:** That is so, Sir.

## UNSTARRED QUESTIONS AND ANSWERS.

### PREPONDERANCE OF MUSLIM CLERKS IN THE SURVEY OF INDIA.

165. **Kunwar Hajee Ismail Ali Khan:** (a) Is it a fact that there is a great preponderance of non-Muslim clerks in the Survey of India, especially among those drawing a salary of Rs. 100 and over?

(b) Is it the intention of Government to maintain the existing communal proportions during the recent retrenchment?

(c) If the answer to part (b) be in the affirmative, will Government be pleased to state how they propose to redress the communal inequalities and to remedy this preponderance?

(d) Are Government prepared to accept the suggestion that no efficient Muhammadan in any cadre be axed until the Muslim ratio of 33 per cent. has been exceeded in that cadre?

**Sir Frank Noyce:** (a) Yes.

(b) Yes, as far as possible.

(c) It is the intention of Government, in accordance with the orders referred to below that, in effecting retrenchments, endeavour should be made consistently with considerations of efficiency to maintain the representation of different communities in the same proportions as obtain at present.

(d) No. In regard to the services under their control, the Government of India, after careful consideration of the various alternatives, issued general orders, the purport of which was given by the Honourable Sir James Crerar in reply to question No. 543 asked on the 21st September, 1931.

### RECRUITMENT TO DEPARTMENTS THROUGH THE PUBLIC SERVICE COMMISSION.

166. **Kunwar Hajee Ismail Ali Khan:** (a) Is it a fact that the Public Service Commission maintains a register of eligible candidates for various posts?

(b) If the answer to the above is in the affirmative, do Government propose to issue orders to the various departments that, instead of making their own arrangements, they should apply to the Public Service Commission for their requirements?

**The Honourable Sir James Crerar:** (a) and (b). The scheme of recruitment to the Secretariat and its attached offices provides that a proportion of the vacancies must be filled by outside recruitment and this is done through an examination conducted by the Public Service Commission. Departments have a free hand in filling vacancies reserved for departmental promotion, and temporary vacancies. For the last, when required, the Public Service Commission supply lists of candidates qualified for employment. Other higher appointments are filled in consultation with, or by an examination held by, the Public Service Commission. No register of eligible candidates is maintained for such posts and no orders of the kind suggested are considered necessary.

THE INDIAN FINANCE (SUPPLEMENTARY AND EXTENDING)  
BILL—*contd.*

**Mr. President:** Further consideration of the Finance Bill. The question is that clause 7 stand part of the Bill.

**Rai Sahib Harbilas Sarda** (Ajmer-Merwara: General): Sir, I move that clause 7 be omitted. This clause provides that the minimum taxable income be reduced from Rs. 2,000 a year to Rs. 1,000. The Honourable the Finance Member has not explained why he has felt compelled to take this very serious step; for, this clause, if enacted, is sure to add to the volume of discontent in the country. A few years ago when the minimum amount of taxable income which had been Rs. 1,000 was raised to Rs. 2,000, one of the reasons was that it operated with undue hardship on a certain class of people. Sir, speaking on the 11th of March last in this House on the undue incidence of income-tax, I said:

“However, it is a matter of some satisfaction, and the country will be grateful to the Honourable the Finance Member for it that he has resisted the temptation to lower the limit of minimum taxable income and we are glad that he has kept all incomes below two thousand rupees free from income-tax.”

I find now, Sir, that I was a little premature in my congratulations (Laughter), and that I was hallooing before we were quite out of the wood.

We on the right side of the House—I use the word “right” in its ethical and not its physical sense—know full well that the Honourable the Finance Member, who sits on the wrong side of the House, is faced with difficulties, and that he has tried to face those difficulties fairly and squarely. But we know, and he knows perhaps better than us, that the difficulties are not of the making of those who are represented in this House by this side of the House, but of those whom those who sit behind him serve and those who sit to the immediate right of the Treasury Benches. This fact was proved fully by the cancellation on the 24th of September of the Ordinance which had been issued only the previous day. The issue of that Ordinance showed that the Honourable the Finance Member had a sound mind in a sound body. It showed that he not only had a full grasp of the situation in the country, but that he was also in possession of the right remedy for the disorders from which this country suffered. But, Sir, as I said the other day here, while he is free to work his will, so far as the people of this country are concerned, he is bound hand and foot where the interests of the English masters of India are concerned. Those difficulties which he is trying to face are such as he is not allowed to tackle freely at present.

When he first propounded his financial proposals in Simla in September last, the impression produced on many on this side of the House was that circumstanced as he was, working as he did under a handicap imposed from above, his proposals were very fair. And I still think that, working under the limitations set to his freedom of action by higher authority; assailed by vested interests on all sides in the groove in which the superior officials of the Government of India are accustomed to move; considering his environment and surroundings, he has certainly striven to be fair, and has made as few inroads on private rights and has devised as few legalized extortions as he possibly could help. (Hear, hear.)

[Rai Sahib Harbilas Sarda.]

Sir, the object of this clause 7 is to subject to taxation all incomes of Rs. 84 a month and above. If this clause is enacted into law, it will, I submit, Sir, operate very harshly on the lower middle classes in the country and on the subordinate clerks who, as it is, find it very difficult, with large families to support and children to educate, to make the two ends meet. Sir, the clerks and other subordinate public servants have a certain standard of life to maintain, and if this taxation is levied, there is little doubt that they will be deprived of certain essentials of modern life; and many of the small traders and petty shop-keepers would become bankrupt; for, not only will those whose income goes up to Rs. 1,000 a year be roped in, but also many of those whose income does not go beyond Rs. 7,000 or 8,000 or 9,000 a year, the reason being that the computation of the income of such people is arrived at by arbitrarily assessing their profits. Thus, if a man has an annual sale of Rs. 5,000, the assessing officer will say, "Well, your profits must be taken to be 25 per cent., or Rs. 1,200 a year." Thus, not only those who under the law are liable to be taxed, will be taxed but many of those who have a little lower incomes will also be taxed. Sir, we all know, the income-tax law of India is the most unsatisfactory of all income-tax laws. The English income-tax law allows the aggrieved party a right of appeal to judicial authority, but in India this is denied. It is because of this that I am opposed to the lowering of the minimum taxable income. Sir, though I have never been connected with the Income-tax Department, I have come across cases where people whose income did not actually amount to a thousand rupees a year were, under the ordinary computation of profits, subjected to this tax. Sir, as in the case of Magistrates, 'no conviction, no promotion' (Hear, hear), so it is generally true that Income-tax Officers who allow income-tax revenue to fall or who show no increase after some time, are pronounced failures and may not hope for promotion. The income-tax law in India, Sir, is based on "Heads I win, tails you lose". I therefore move, Sir, that clause 9 be omitted.

**Mr. H. P. Mody** (Bombay Millowners' Association: Indian Commerce): Sir, I rise to support the amendment. During the last few days we have had an unmistakable demonstration of the absolute unreality of our proceedings. Speeches have been made on both sides of the House, the sort of speech, for instance, delivered by my Honourable friend, Sir Joseph Bhole, yesterday afternoon, a speech on which we all would like to congratulate him. (Hear, hear.) I say some excellent speeches have been made on both sides of the House, which in a popularly elected Legislature must affect its decisions under normal circumstances. But we have an irremovable Executive, which for one reason or another cannot and will not listen to the most reasoned arguments and appeals, and then we have on the other side an Opposition whose sole business must become one of opposition. Sir, I have suggested in the past that if it is not the intention of Government that they should always face this House with pre-determined proposals, then it would be very necessary, particularly when we are discussing the taxation of the people, that there should be some informal approach to the popular section of the House. I do not wish to suggest that my Honourable friend the Finance Member should take into his confidence anyone on this side of the House before framing his proposals. But I for one cannot see the least difficulty at all, practical or otherwise, with regard to the acceptance of the suggestion I have made.

If my Honourable friends on the Treasury Benches wish this side of the House to make constructive and practical proposals, then it cannot be done by simply making a speech or making a proposal and then sticking to it, no matter what is urged from this side of the House. In supporting this amendment, therefore, I am not labouring under the delusion that anything that I may say will have the least effect on the proposals or on the mental attitude which my Honourable friends on the other side of the House have towards what we say.

**Mr. C. Brooke Elliott** (Madras: European): Excuse me. I am prepared to listen. I am very careful to hear all sides.

**Mr. H. P. Mody**: I was referring to my Honourable friends on the Treasury Benches.

**Mr. C. Brooke Elliott**: I beg your pardon.

**Mr. H. P. Mody**: Some day I hope to see Mr. Brooke Elliott on those Benches, and I am sure that he will infuse a certain liveliness into our proceedings which I am afraid is sadly lacking at present. Sir, I would put my opposition to the proposal of the Finance Member on the one solid ground that he is proposing to tax a class of people who cannot bear any further burdens. My Honourable friend says in the statement which he issued with the financial papers, that at a time of national emergency it would be equitable to impose what he regards as a light tax upon these people. I say that even in a time of national emergency it would be absolutely inequitable to tax this class. We are obsessed very much when we are considering taxation proposals, by the heavy drop in commodity prices and in the prices of manufactured articles which has taken place in the last two or three years. But I would like to ask my Honourable friend whether, so far as the lower middle classes are concerned, people with an income of Rs. 100 to Rs. 125 a month, the drop in prices has affected them in any material way? Whatever may be the case with Government servants who, so far as cuts are concerned, will have the benefit of having the income-tax merged in them, the large army of clerks and the like who are not in the employ of Government have had various cuts imposed on them, and they are now sought to be penalised further by bringing their income within the fold for the purpose of taxation. They have been hit also by the various retrenchment proposals which have been brought into operation. And here I would like to take the opportunity of saying something which probably may not appeal to any section of this House but on which I hold very strong views. When I hear of retrenchments having been effected in commercial and industrial organizations and in public utility concerns, of lakhs being saved, I am absolutely left cold, for the simple reason that this retrenchment has been effected at the cost of a very needy section of the public. Hundreds of thousands of people are turned out in the streets at a moment when the general distress is acute, and my feeling about this matter is that you are adding to and accentuating the general distress which prevails when you turn out men in the streets without any means of subsistence. Well, what I was going to say was that this retrenchment, which has been practised all round, has affected this class very considerably. Families which had more than one bread winner have now only one, and the burden of carrying those who are unemployed and their families falls upon the one man who is in the fortunate position of having still retained his appointment. Therefore, Sir,

[Mr. H. P. Mody.]

with the cut and with the retrenchment, what has happened is that the position of the lower middle classes has become very distressing. Then, take the various forms of taxation which have been imposed in the last two or three years, and which have also borne hardly on this class. Take the various increases in customs duties. No one suggests that the lower middle classes are affected by most of the articles which come into this country and which may be regarded as luxuries. But they are certainly affected by a great many other articles which are not in the nature of luxuries but which are bare necessities—various drugs and medicines and things like that which come from abroad; and which the lower middle classes have to use in spite of their slender means. In addition, various increases have been made in the postal and railway rates. I do not know what the intentions of my Honourable friend are with regard to the decision which the House took yesterday, but if they propose to restore this cut, let them remember that they will to a certain extent be increasing the burden on the lower middle classes. Then the railways have increased their rates, and in many other ways the lower middle classes have been penalised to a very considerable extent. I was saying, Sir, that these classes have not derived any benefit from the low prices which have prevailed. For one thing, it is a matter of notoriety that house rents which form in this country unfortunately the largest item of expenditure in the domestic budget of every one of us, whether he belongs to the lower middle class or to the upper class, have hardly come down at all. They may have come down in the case of some luxury flats, but for the generality of people, rents have shown no tendency to come down appreciably. The cost of education, the cost of medical relief, and various other items, which in good times or in bad these people have to incur—these are all there in a more burdensome form. So, altogether, Mr. President, I venture to submit that the position of the lower middle classes is very pitiable. I regard their condition as even worse than that of the very poor. As my Honourable friend just pointed out, these people have a standard of life to maintain which under no circumstances can be given up and they are in receipt of no such help as is vouchsafed to the very poor.

My Honourable friend the Finance Member used a general argument the other day when he referred with approval to a certain statement made in the proposals of Sir Walter Layton. He said that the ratio of taxation to the national income of Great Britain was something like 20 per cent. and even in the case of Japan it was as high, whereas in India it was something like 8 to 6 per cent. according as you took the lower or the higher estimate of income. My answer to that is that if you take the income of an individual in Great Britain at Rs. 100 per month, which I think is an approximate figure, and if you take the income of the average individual at Rs. 6 a month in India, which I again think is somewhere near the mark, then you will realize that Rs. 20 off the income of a man who is drawing Rs. 100, may inflict upon him a certain amount of hardship, but it will certainly enable him still to manage to eke out a modest existence, whereas eight annas off a man who draws Rs. 6 a month would be a very considerable hardship, because a man in possession of such a miserable income has got to consider every anna. I therefore venture to submit to my Honourable friend that the comparison which he sought to draw is fallacious. Sir Walter Layton says that even in an Eastern country like Japan the ratio is something like 20 per cent. The other day I asked some friends who ought to know about this what they thought was the

national income of Japan. They gave me a very high figure indeed. As I have not verified it myself, and I do not believe in making any statement which I have not personally verified; I will not give that figure here; but I am confident that the average income per head in Japan is a great many times the average income of the people of India. Therefore when you seek to levy such taxation, do not be led away by any such comparisons as the one which my Honourable friend tried to institute between the ratio of taxation which obtains in England and the ratio which obtains in India. I feel that at a time of acute stringency, a measure like the one before us is one which this side of the House ought never to support, no matter what the intentions of Government may be, and if Government were really responsive to the needs of the people and their grievances, they would immediately realise that this particular proposal which my Honourable friend has been led to make on account of what he calls a national emergency is certainly not one which can commend itself to the representatives of the people. Sir, I support the amendment.

**Mr. H. Cecil Desanges** (Nominated Non-Official): Sir, it is with some diffidence that I rise to address this august Imperial Assembly. It was only just few days ago that I was admitted to this House as its latest Member. When hearing the arguments on the general debate I was afraid to stand up and speak; the speeches were so lengthy; but now when I have heard the arguments of compassable lengths, I can break the ice. But that is not the reason why I stand up here today to break my silence. This session of the Assembly has been summoned to discuss the Finance Bill, because there is a national emergency. His Majesty the King-Emperor has said it. Not only is it a national emergency, but it is something more, it is a world financial crisis. A few months ago, in March, when we assembled in our respective Councils or Assembly to make up our Budget, we all got to learn and to know that all these Budgets were deficit Budgets. Take England: England had a deficit of over £100 millions. Take America: America had a deficit of over £700 millions. Therefore I say that we have met at a world-wide crisis occasion to help to make up our deficits. England has realised it to this extent, that England went to a general election. It therefore behoves us to a very large extent to follow England's example. The 'refrain' of this House has been balance the Budget; and I give you some illustrations by mentioning names like Ramsay MacDonald, Snowden and Thomas, who realised the emergency of the occasion, sunk their individualities, and were willing and staked their Parliamentary career in going to the nation on a national basis. I ask Honourable Members to remember the sacrifices made by individuals. I have sometimes tried to think, when facing this question for myself with paper and pencil in hand, how I could try to make up the deficit that India has to make up, and have felt stunned. I give all credit to the brilliant brains and to the methods adopted by the learned and Honourable Member for Finance, to have brought into some workable shape a Budget. But, Sir, unfortunately, much as I have helped the Government by my vote, when we come to taxing the poor people who are drawing Rs. 84 a month, I hesitate and I stop. (Opposition Cheers.) Sir, what are my reasons for saying so? In England the lowest taxable minimum for a bachelor is £135; if he is a married man the minimum is about £200. He is allowed £60 for the first child and £50 for the second child, so that the minimum in England is something like £350 or £360. When we think of that and pit against it Rs. 84, what is the idea that strikes one? In

[Mr. H. Cecil Desanges.]

England you have something of the human touch. You think of a man you think of his wife, you think of his child, and you say that this modicum is necessary for them to live. Am I not then right in saying that when you turn round to tax a man getting Rs. 84 per month in this country and make no allowance for wife or child, you are wanting in that human touch? (Opposition Cheers.) Let us be human in our dealings when we deal with the masses. Certainly as I have said before, I still say that Government must *live*, but at the same time, Sir, poor individuals must *exist*.

My second reason is, that they did have this scale of a Rs. 1,000 a year taxable, some years ago, and for some such good reasons they reverted back to the scale of Rs. 2,000. The challenge has been thrown out from the Treasury Bench and I am inclined to accept it. I admit it is very easy to criticise, but it is difficult to construct. I do have every sympathy for men in their difficulties. In criticising therefore this imposition on the lower scale of income-tax, I want to place before you a *way out*; and I want to touch in my suggestion of a *way out*, the vexed question of the ten per cent. cut. The words "vexed question" are a quotation from the statement of the Finance Member. He made out a good case, why people who are paying surcharge on income-tax should have that amount reduced from the ten per cent. cut that has been suggested. But that case has not been made out quite completely. It falls short of one or two ingredients that should have entered into his arguments. If you say that you are going to have a ten per cent. cut, keep it at that nomination, and let it be a ten per cent. cut and nothing less. In his statement to this House a little while ago, he said that the Budget would be made up, first from curtailments, then from the ten per cent. cuts, and taxation last. Let us take this ten per cent. cut: Suppose you had a certain figure, X, to make up in your Budget; and you said, "We shall make up that figure by curtailment and retrenchment." Of those retrenchments, one would be the ten per cent. cut. If you were making up that figure, you would have to take ten per cent. from everybody without any deductions for surcharge. The question of deducting surcharge would not come in at all.

If you persist in deducting the surcharge, see the unfairness of it. To a man who is getting Rs. 200 a month, his income-tax would be Rs. 6-4-0; the surcharge would be Rs. 1-9-0; his ten per cent. on his Rs. 200 would be Rs. 20; and if you deduct the surcharge he would be paying 9 per cent out of the 10 per cent. As against that, take a man drawing Rs. 4,000 a month: his income-tax would be 520 rupees per month: the surcharge would be Rs. 130; ten per cent. cut would be Rs. 400, and he would be actually paying Rs. 400 less Rs. 130 surcharge; that is, he would be paying really only 6 per cent., as against 9 per cent. of the man drawing only Rs. 200. Now, Sir, I have asked myself sometimes why this differentiation has been made and I cannot answer that question myself. I ask the Finance Member, can he really justify his position?

We have had the very laudable example of His Excellency the Viceroy allowing his emoluments to be cut by 20 per cent.; we have had the noble example of the Treasury Benches who voluntarily have submitted to a cut of 15 per cent. Why cannot the all-India Services, who are well paid, allow a ten per cent. cut without any deductions at all?



I have read in the papers that have come out to this country that the Civil Service in England have been cut a certain percentage—I believe 10 per cent.; I have read of the large class of teachers in England of Board Schools whose salaries have been cut. I have read that the salaries of the staff of the Imperial Bank in this country have been cut by 10 per cent.; but I have nowhere read that this ten per cent. cut in salaries is to be deducted by any income-tax or surcharge on income-tax. (Opposition Cheers.) I ask, why should the all-India Services grudge payment and want any deduction from this ten per cent. cut? It might have been said that there would be a breach of the sanctity of contract. I beg to differ and I give my reasons. Every officer of the all-India Services who joined before 1924 came out under certain conditions, but in 1924 came the Lee Commission and gave them overseas allowances, *plus* passages—four for himself, and two for his wife and one for his child. What does that come to? It amounts to lakhs of rupees in a year. Is that a breach in the sanctity of contract or is it giving more than their contracts? Sir, I want to be logical in what I submit.

Let us now come to the machinery for recovery of this tax. The poor Government servant getting Rs. 84 a month will get his deduction made. I have heard it said repeatedly in this House—I do not say it yet myself—that the Income-tax Department is a by-word in this country. If there is any truth in that, how will the Income-tax Department function or work when it has got to estimate a man's income—whether he is getting Rs. 84 or Rs. 80 a month? It will be difficult to gauge the small differences in the incomes of the small business man, of the new professional man and of the small trader. Will it not open up to the Department powers that may be used, probably, excessively, to put it in a mild way?

My second reason in criticising the machinery is this: now they are mixing up a Provincial tax with an Imperial tax. Your income-tax is an Imperial tax, and comes to the Central coffers. All your ten per cent. cut would not go to the Central coffers because the "cut" of those working in the provinces would go to the provinces. Therefore the provinces, collecting their ten per cent. and deducting the surcharge, will have only 4 or 5 per cent. left, and the bulk of it would go to the Central Government. . . .

**The Honourable Sir George Schuster** (Finance Member): My Honourable friend is quite incorrect in that statement. The income-tax will not be levied in the case where the cut is more than the new surcharge, and the whole of the benefit of the cut will go to the Provincial Governments. That is one of the reasons why we adopted this particular form of procedure so as to enable the provinces to benefit.

**Mr. H. Cecil Desanges:** I thank my Honourable friend for the correction. But it does not take away from my argument that no sum should be minussed from the figure that makes up the ten per cent. cut.

The argument has been used that the higher officers are already paying a good deal. Now, I put a counter question to my Honourable friend, and it is this. Take the zemindar class in my province. A small zemindar pays, say a revenue of Rs. 200 in the half year. Take the bigger man, who pays a revenue of Rs. 20,000 for the half year. Will you give the zemindar a concession and say, "You are paying Rs. 20,000

[Mr. H. Cecil Desanges.]

and therefore let us allow you certain deductions so that you need not pay Rs. 20,000 to Government but something less?" I might say that for the reasons given, the all-India Services should, after the example given by the Treasury Benches, after the example given in Parliament, rise to their higher heights. If this amendment is not allowed, Sir, what will be the position? The poor man will feel it, the man on Rs. 84 a month with a wife and children will starve; those that have, will pay; but I say that those that have more should pay more. (Cheers.)

**Mr. Jagan Nath Aggarwal** (Jullundur Division: Non-Muhammadan): Sir, I support the proposal of my Honourable and learned friend Rai Sahib Harbilas Sarda. Before I proceed further, Sir, I may be permitted to congratulate the last speaker the Honourable Mr. Desanges, who has made a very spirited and brilliant speech in support of the proposition (Applause), and that such a spirited speech should come from that side of the House is indeed a pleasant surprise to us here, and I am sure that the cogency of the arguments employed by the last speaker will be a serious factor for my Honourable and learned friend the Finance Member to deal with.

Now, Sir, the proposition before the House is a short and simple one. In this country the income-tax assesses, as we have been told over and over again, come to in all a very small fraction of the population, I think about 300,000 people in all. It is this class of people who have repeatedly borne the brunt of increased taxation during the last two or three years. My learned friend opposite says to this class of 300,000 people, we are going to add another 300,000 people having an income less than the taxable limit which we have had till last year. Now we have to examine if there is any justification for this course or whether this method of taxing this new class of people would not prove a most deadly blow to them. Looking back we find that it was somewhere in the year 1919 that the then Finance Member abolished this limit and raised the limit to Rs. 2,000, and what were the reasons advanced by him then? It was pointed out at the time, that out of a total of 3,81,000 assesses, 2,37,000 assesses would get the benefit of this exemption and that a class of people which had been very hard hit by the rise in prices should get sympathetic consideration. Now, at the present time we find in the statement which the Honourable the Finance Member has supplied to us in the Explanatory Memorandum that we budgeted this year for an income under the head of income-tax for 17.44 crores, and the receipts have disappointed expectations to the tune of one crore and a quarter. Now, to make up that crore and a quarter and to further augment the fall in the general revenues of the country, the proposals that are now put forward come to this, that the taxes on lower incomes are expected to bring in 38 lakhs in this year and 70 lakhs in the next year, so that it is expected that about a crore will be found from this source. Now, Sir, if these people were persons who have been escaping just taxation and if these people had a surplus income and surplus savings in their hands, nobody would object to their being roped in for filling the depleted coffers of the Government of India. Now, Sir, what is the position? During these 12 years the cost of living has increased enormously; and these people have to maintain a certain standard of living, and probably the savings which they are supposed to have are very limited indeed. In

fact, Sir, during the last year or so we have found distress facing these people in a greater and larger degree than even the Government and they are feeling it more acutely today. At the present time when we are examining these proposals for fresh taxes and for bringing these people into the limit of the taxable income, it is well to look abroad, as my Honourable and learned friend the previous speaker did, and look at the picture of exemptions allowed under the English income-tax law. In England the income-tax law is perhaps not only more humane but allowances and deductions are of wider application. In this connection I may be permitted to remind the House that in England we have not only a relief to which reference was made by the previous speaker with regard to a family, but also to a single man; we have relief there not only for children but we have relief for dependants in the family and also for earned incomes, so that all told the exemption limit comes in the case of single persons somewhere to about £ 250, and in the case of married people it comes to somewhere about £350, so that if the limit in the case of a country like England is so large, I do not see any justification for lowering the limit for this class of people in India who are certainly entitled to greater relief rather than that they should be roped in at the present time. Looking at it from another point of view, what is the situation that we are trying to meet by trying to rope in this class of people? The Honourable the Finance Member was pleased to point out that we should, in judging the proposals of taxation, see whether it is equality of sacrifice, and the fairness of the burden that should be looked to. Now, Sir, so far as equality of sacrifice from those that have much is concerned, the previous speaker has given us a good illustration of what the sacrifice is from those who are getting much from the revenues of the Government. He has pointed out that this 10 per cent. cut, in which an increase of surcharge is also included, is out of all proportion to the sacrifice demanded from people with larger incomes. With the increase in salt duty and customs and various other taxation proposals, I submit, Sir, the margin that is left to the poor man, the petty householder, the lower middle class man or the small trader or the poor clerk in service is so small that he can hardly afford to surrender any portion of his income to the State. We have in fact, in exploring various avenues for obtaining revenue, looked over and over again to income-tax as the source from which we can fill the coffers of the State, but I submit, Sir, it is very unfair to tax a small class of people over and over again and try to increase the revenues of Government from this class whose resources are already very much depleted. Then again, Sir, looking at the situation from another point of view, we find that in this country exports have yielded us something in the neighbourhood of 47 crores less in prices from outside. Now, if we are short by 47 crores by the sale of our commodities, then we certainly cannot afford to buy from outside. If we cannot purchase anything to that tune, that shows that our trade and industries are crippled to that extent, and if on the top of it my Honourable and learned friend the Finance Member comes forward with his interesting proposals for increasing the minimum assessable income, are we not likely to kill the goose that is supposed to lay golden eggs. Where is the guarantee that all this extra taxation would bring in additional revenue to the coffers of Government out of the profits of trade and the productive resources of the country which are being depleted very heavily. In this connection, Sir, one is reminded of an extraordinary phenomenon in this country,— I refer to the export of gold. The gold that is exported today is nothing

[Mr. Jagan Nath Aggarwal.]

less than what I may call distress gold, and that gold is really what represents our national savings. Now, Sir, when this gold, which is mostly household jewellery melted and sold by the poor people from the villages, which is the last and the only saving they have, when this gold is being sent away from the country,—as we have seen during the last month or two several crores worth of gold has gone out of this country,—it shows that we are not trying to make any profit, it is not that we are treating that gold as merchandise, but it is to meet the current needs, the revenue need, the taxation need or other business need that gold, which was the only household possession of the poor people, is being melted down and sent abroad. That shows in a very eloquent way the distress to which the people have been reduced. I submit in all fairness, this class of people are the one class which the Honourable the Finance Member would do well to leave severely alone. We had this exemption for the last 12 years, we have survived during all the period of financial stringency in the post-war times, and therefore I hope that my Honourable and learned friend will leave this class of people untouched by his income-tax proposals.

**Dr. F. X. DeSouza** (Nominated Non-Official): Speaking on behalf of the Indian Christian community, whom I represent in this House, I venture to say that no proposal in the financial programme of the Government has caused me greater searchings of heart than the lowering of the taxable limit for income-tax purposes from Rs. 2,000 to Rs. 1,000 and the imposing of a cut of ten per cent. on the salaries of clerks in the lower grade below, say, Rs. 100.

Honourable Members are aware that the Indian Christian community throughout India is financially and economically a most helpless community. There are scarcely any wealth producers among them; the majority are wage earners, and although the standard of literacy amongst them is high,—one man out of every five, and one woman out of every 6 being literate,—the sum total of their achievement has not been any higher than a clerkship in a Government office or a mercantile firm or in the railway administration, on salaries ranging from Rs. 100 to Rs. 150.

This class of the community, the economic depression which is upon us has hit harder than probably any other section of the community. The depreciated rupee has added to the price of their food, of their clothing, and of their articles of daily use. The taxes imposed by the present Budget, like the tax on salt, the tax on sugar, the tax on kerosene, have made it very difficult for them to balance their daily domestic budget, even much harder than the Government find it to balance their Imperial Budget. Into these distressed households walks in the Finance Member with his axe and his proposals for further taxation.

Sir, I would not have spoken on this subject in this House today were it not that I have been flooded with representations from associations of Indian Christians throughout the land,—from Madras, from Bombay and from Calcutta,—asking me to place before the Treasury Benches and before the Members of this House the hardships to which they have been reduced. I feel that I shall be failing in my duty not only to my constituency but also to the Government themselves if I fail to bring to the notice of the Government the representations which they have made to me.

First of all, I should like to deal with the proposed cut in salaries below a certain level. It has been repeatedly pointed out in this House that a ten per cent. cut in lower salaries involves an infinitely higher sacrifice than a ten per cent. cut in the higher salaries. I am not now speaking on the merits or the demerits of the graduated cut rather than a flat cut. That, Sir, I leave to more competent hands to deal with. I am only speaking of the economic effect produced by cuts on lower salaries, say below Rs. 100. Now, what does the cut of 10 per cent. on a salary of Rs. 40 as compared with a 10 per cent. cut on a salary of Rs. 400 or Rs. 4,000 involve? In the last case the axe falls on savings only unless the man who earns is extravagant in his habits. In the case of a man with Rs. 400 the axe falls partly on savings and partly on comforts; but a cut on a salary of Rs. 40 is a cut mainly on ordinary consumption. What does such a cut mean? This cut is bad for the individual because it lowers his none too high standard of living. It is bad for trade because it diminishes consumption and its effect is still further to depress the economic depression which is the cause of all our troubles. Now, in speaking of this cut on the lower salaries, I think I may appeal with confidence to the Members of the European Group in this House to support me. They are all *burra sahibs* themselves or managers of big concerns in large cities like Bombay, Madras, Calcutta and Cawnpore. And they know better the inner life of their office babu than it is possible for a high Government officer to know the inner life of his clerks. I ask them whether they do not depend to a certain extent for the prosperity of their business and for the success of their firms upon the good offices, upon the loyalty and fidelity with which their office babu serves them, and if so, would they readily impose such a cut on their earnings as would produce serious hardships to them and would prevent them from making both ends meet? I venture to think that the answer which they will give me will be an answer in support of the position that I am now taking up.

I now turn to the lowering of the limit for income-tax purposes from Rs. 2,000 to Rs. 1,000. The question was considered very carefully by the Taxation Enquiry Committee which submitted its report to the Government of India in the year 1926. The Committee reported at page 196 of their Report:

"When the Government in the year 1919 raised the taxable limit from Rs. 1,000 to Rs. 2,000, one of the principal reasons for this increase was a very large number of assesses falling within the lower grade of income and the small sum realised by including them within the scope of the tax in relation to the trouble and expense involved in the assessment and collection of the duty. This is a reason which has gained added force since the transfer of the work of assessment from the ordinary district staff to a special Imperial one."

Has this reasoning lost in force since that report was written? I venture to say it has not. On the contrary the arguments there advanced have gained added force. The Honourable the Finance Member assured us the other day that the total number of new assessees under this scheme would be something like 330,000. I think this figure is correct, and he said that while the realisation from the lowering of the limit would be 38 lakhs in 1931-32 and 70 lakhs in 1932-33, the expense of collection would be 7 lakhs in the year 1931-32 and 18 lakhs in the year 1932-33. The result is that out of a total expected collection of about one crore of rupees, the expense of collection would be 25 lakhs. Thus 25 per cent of the amount to be collected will have to be disbursed in collecting the

[Dr. F. X. DeSouza.]

tax. Is it worth while embarking on this expense in order to collect just over a crore of rupees? Next I ask the Honourable Member how are you going to proceed to frame a list of assessees, amounting to 360,000 within a reasonably short time? Would it be possible to put into operation the whole scheme so as to make it yield any tangible results within the next 18 months? Undoubtedly there will be a great deal of evasion of this tax. I have been in touch with officers who have been administering the income-tax law and they have assured me that in the discharge of no part of their duties did they feel more qualms of conscience than when hearing appeals from income-tax assessees. Honourable Members are aware that small traders hardly keep any accounts. If they did not produce any accounts, their appeal was dismissed and if they did produce accounts, they were declared to be false. In other words, the formula went round that if a man once came on the income-tax list he never went off again, and if he did not come on the income-tax list he never came there. If that is the manner in which the income-tax law has been administered, one can understand what enormous opportunities exist for evasion of this tax. I think Mr. Heathcote pointed out the other day that the evasion of the tax as it now exists is so serious and scandalous that he thought that if Government tightened up the machinery for collecting the tax, already in force, they would be able to realise a much larger sum than the sum which will now be collected by the imposition of this new tax. After all, what is this income of a thousand rupees a year upon which the tax is proposed to be levied? It is no more, it is slightly less than the unemployment dole which a man in England receives for himself and one adult child. The Taxation Inquiry Committee pointed out further that if it was necessary to reduce the limit to Rs. 1,000 it would be equitable to allow an abatement of Rs. 200 for a wife and Rs. 150 for each minor son or unmarried daughter up to a maximum of Rs. 950, provided it was claimed. If notwithstanding the arguments that have been urged, Government decide to maintain the lowered limit, I would respectfully ask that they should give an allowance to dependants in order, as my Honourable friend who spoke last said, to give a human touch to the administration of the Income-tax Act. If that is not done, I would respectfully ask the Honourable the Finance Member to give us an assurance, that as soon as the financial stringency is relaxed and conditions are normal, the persons whom he now proposes to bring under the Income-tax Act by lowering the exemption limit will be the first from whom the tax will be removed. He gave such an assurance to the powerful service interests; he gave such an assurance to the powerful capitalist interests whom he promised that as soon as times were normal, he would remove the surcharge. May I plead on behalf of the humble clerk and the humble trader that a similar assurance may be given to them also that as soon as normal conditions are restored, he will remove this tax? There is one further suggestion which I wish to make. The cost of collecting this tax will be 7 lakhs this year and 18 lakhs next year. This would mean that the Department will have to employ a certain number of extra hands. May I suggest that the Department employ a certain number of hands out of the large army of unemployed men thrown out of work in consequence of the scheme of retrenchment which has been brought into force? Of course I shall be asked if you let this tax go, how are you going to make up the deficit. My Honourable friend the Member for Industries and Labour said yesterday that we must not allow a soft heart to go to our head. I respectfully think

that this is a case in which a hardening of the heart may lead to a softening of the head. This class of assessee represent the lower middle classes, the educated middle classes. They live in the larger cities. Discontent is prevailing among them to a very great extent owing to the economic depression. A significant sign of the times is the fact that even the Indian Christian community, which hitherto lived in what Mr. Montagu called "placid contentment" are now showing signs of unrest, and one of the dictators of the Congress in Bombay was an Indian Christian. Sir, the signs are ominous. If you drive the lower middle classes to despair by additional taxation of this nature, they will readily imbibe the subversive doctrines of revolution which are prevailing in the land and the movement of civil disobedience and the no-tax campaign will readily find adherents amongst them. I therefore respectfully ask the Government to consider the position seriously and stay their hand so far as lowering the limit of exemption from income-tax is concerned. One word more, Sir, and I have done. Honourable Members may ask, how am I going to make up this gap? I wish to make a humble suggestion. The other day the Honourable the Finance Member, in supporting the cotton duties, said that he did so primarily on the ground of it being a revenue measure but incidentally, he said, it would benefit the agriculturist. Now, Sir, I ask my Honourable friend to come forward and implement the promise that he then made that in the struggle which has now developed in the country between the urban and the rural interests, between the agricultural and the industrial population, he will do justice to the agrarian interest. Anybody, Sir, who has studied the condition of agriculture in this country will realize that the steady deterioration in the soil is one of the problems we are up against. The soil deteriorates for want of nourishment and nourishment in the shape of fertilisers is allowed to be exported in large quantities to foreign countries. Is it not time that the Government should step in and prevent this export by such measures as lie in their power? (Hear, hear.)

**Mr. B. Das :** I suggested some such measures.

**Dr. F. X. DeSouza :** Sir, from my experience during the last five years or so—I am an agriculturist in a small way myself—I shall relate an incident. When I ordered about 50 tons of manure—groundnut cake it happened to be—from a firm with which I had been dealing for years, I was informed that that commodity was cornered by a firm in Germany which offered prohibitive prices, and that instead of 50 tons I could only get one ton. Sir, this state of things is scandalous. What are the figures for the export of manures? I take the figures from the Trade Review of 1930-31.

**Mr. President :** I should like to ask the Honourable Member how he makes all this relevant to the present discussion.

**Dr. F. X. DeSouza :** Well, Sir, several Members on the Treasury Benches have asked, "If you are going to abolish these taxes, give us a list of the taxes which you suggest can replace them" . . . . .

**Mr. President :** The Honourable Member can then go on indefinitely by dealing in detail with each one of the suggestions he may wish to make for imposing alternative forms of taxation when the issue before the House at present is whether income-tax should be levied on incomes of Rs. 2,000 or Rs. 1,000?

**Dr. F. X. DeSouza:** I shall not speak at length, Sir. I shall with your permission only read an extract from the Report of the Taxation Enquiry Committee and shall not go into details at all.

**Mr. B. Das:** Give us the benefit of your ideas about export duties.

**Dr. F. X. DeSouza:** This is what that report says:

"The majority of the Committee hold that it is important in the interests of Indian agriculture to encourage the use of fertilisers and to encourage the supply of valuable nourishing food for cattle whose condition is generally regarded as deteriorating, and they think that a suitable method of doing so is to impose an export duty which would have the effect of encouraging the crushing of oilseeds in India and of cheapening the cost of oilcakes and other classes of manure to the Indian cultivator."

I have got figures to prove my case, but I shall not quote them lest you rule me out of order, but all I do say is that if Government impose a very slight export tax of five per cent. on oilseed cakes and on bones and on nitrates as well as on the large quantity of oilseeds which are exported from this country, then they will be able to realize a duty of Rs. 1 crore 50 lakhs which will more than compensate them for the amount of tax they would lose if they dropped the present measure. That is all I have to say, Sir, and I respectfully hope that, if it is decided, in spite of all that has been urged, to maintain the lower standard of income-tax, nevertheless in framing the next Budget the Honourable the Finance Member will bear in mind the suggestion I am humbly making to him of imposing an export duty on manures and oilseeds.

**Mr. E. Studd (Bengal: European):** Sir, while I have the greatest sympathy with those who are going to be hit by this proposed taxation, I am afraid I cannot support the amendment that has been put forward. Sir, I listened to the appeal which the last speaker made to the European Group in the hope of enlisting their sympathy. But, while I am not speaking for every Member of the Group, I have little doubt that their answer to him would be very much the same as the answer that I make, and that is that, however much in a business concern one may dislike the idea of having to inflict hardships on the staff by cutting down anybody's pay, there is no getting away from the fact that the two sides of an account have got to be balanced; and, if you cannot increase your income, the only alternative is to decrease your expenditure or else to close down altogether and dispense with the services of your staff. Therefore, Sir, I am afraid I cannot give my Honourable friend the support that he asked for. We have heard much of the cry of taxing the poor man and of the retort that the rich man ought to be made to pay. I confess I find it a little difficult to know exactly what is meant by the words "rich man". To a man who is earning Rs. 10 a month, some one who is earning Rs. 30 a month is probably very rich, and as far as I can make out, the only interpretation which will fit everybody's idea is some one who is earning considerably more than you are. By that, Sir, I mean the speaker and not you personally. Now, Sir, I entirely agree that the rich man has got to bear the heaviest part of the burden (Hear, hear), but my Honourable friend, the Finance Member, has pointed out that, if you were to try to apply that literally to India, in the way my Honourable friends opposite suggest, the position would become impossible. Your rich man would cease to exist and your sources of taxation would be gone; and I think it must be admitted that in an emergency such as



this, there must be sacrifices by everybody. Everyone must be able to contribute something to the emergency. The only question is how much. Now we have heard a great deal in the course of this session on the subject of retrenchment. I have heard many criticisms from the Opposition Benches that Government's proposals for retrenchment do not go far enough. I do not think I have heard any one complain that the recommendations made by the various Retrenchment Committees were too drastic. If I remember aright, Sir, one of those recommendations was that all those in Government employ, down to a limit of Rs. 40 a month, should be subject to a cut. The cut which was proposed was a graduated one, going down, I think, to about  $3\frac{1}{2}$  per cent. Now, if you take even  $3\frac{1}{2}$  per cent. on a man who is drawing Rs. 80 a month, he will have to pay something like Rs. 3. What I find a little difficult to understand in the attitude of the Opposition is that they are perfectly prepared to vote for a cut on those poor men who are in the service of Government getting only Rs. 40 a month, but they have the strongest objection apparently to this income-tax proposal under which on the same basis a man who is not in Government employ and who is getting Rs. 80 a month will only be asked to pay Rs. 1-12-0. (Hear, hear.) It seems to me, Sir, that if they are going to be consistent, if they are prepared to say that the poor man, as they call him, in Government service must pay something, they ought to be equally prepared to say that the poor man who is not in Government service should also pay something. I have little further to add, but I do feel, as I have said before, that the paramount importance is that the Budget must be balanced, and therefore, I feel that however much I may dislike some of these provisions, the only thing I can do in order to secure that object is to support it, and therefore I oppose the amendment.

**Several Honourable Members:** The question may now be put.

**Khan Bahadur H. M. Wilayatulla** (Central Provinces: Muhammadan): Sir, I support the amendment which has been moved by my Honourable friend to the effect that the clause in the Bill which lowers the exemption limit from Rs. 2,000 to Rs. 1,000 should be omitted. It cannot be denied that income-tax has always been unpopular. It is direct taxation. Government should therefore be very cautious in making frequent changes. Only six months ago the revision of income-tax was before us and some enhancements were made. Within six months of it another Bill has come up in which not only have enhanced rates been suggested, but also the limit of exemption is sought to be lowered. In these days of economic depression, especially when the earning capacity of the people has gone down considerably, these changes are most unwelcome. Under this new clause, if passed, any man earning about Rs. 3 a day will have to pay income-tax. The bus-owners, small shop-keepers, tongawalas, barbers, tailors, all will come under this category. I would only refer to the case of the bus-owners. Sir, the import duty on the vehicles is very high. There is the registration fee, the licence fee and the taxed petrol, and for all accessories they have to pay a tax by way of import duties. In the provinces there is a local tax on motor cars which is very high. Then they have to pay for the services of a driver, also a conductor and a clerk to maintain accounts, and on top of it all they will have to pay income-tax as well.

**Mr. B. Das:** If they keep an auditor, no income-tax will be paid.

**Khan Bahadur H. M. Wilayatulla:** If their income is between Rs. 1,000 and Rs. 2,000, they will be liable to pay the tax. Sir, I think that all chances of harassing the people ought to be minimised. Here we are going to impose this tax upon poor people who may have borrowed capital and invested it in small shops. They do not keep any accounts. It will be entirely left to the officers of the Income-tax Department to make whatever estimate of their income they like and make the assessment. I do not wish to cast any aspersions upon the Income-tax Department. They have been fair on the whole, but even good Income-tax officers are human beings and they are liable to commit mistakes . . . . .

**Mr. D. K. Lahiri Chaudhury** (Bengal: Landholders): Their mistakes are also sometimes intentional.

**Khan Bahadur H. M. Wilayatullah:** It will give them a chance. Human frailties may display themselves by wreaking vengeance upon some people and therefore this tax will be most unpopular and there will be a considerable agitation in the country. Sir, there is another feature of the income-tax assessment which is lost sight of. We never take the circumstances of a man into consideration. We look only to his receipts. A man living in a big town may have to pay Rs. 20 or Rs. 25 a month as house rent while his pay may be only Rs. 100. He does not take that house because he wants to live in a big house, but because he has a large number of children and dependants and therefore must of necessity take that house and pay a heavy rent. Now these items will never be taken into account, at the time of assessment. He has to pay higher fees for the education of his children, and has also to buy medicines if any member of his family be sick. If all these things are put together, in the case of a man with little means, this tax will be a very heavy burden on him. I, therefore, strongly support the amendment which has been put forward that the exemption limit should not be lowered.

**Several Honourable Members:** The question may now be put.

**Mr. President:** I accept the closure. The question is that the question be now put.

The motion was adopted.

**The Honourable Sir George Schuster:** Sir, we have listened to a great number of speeches on this particular amendment, and I think I may say that they have been all very sincere speeches. I should like particularly to congratulate my Honourable friend Mr. Desanges on his very able maiden speech in this Assembly. (Applause.) I can only say to him that I hope that when next he finds occasion to speak, he will be able to speak in a manner more sympathetic to my own point of view. (Laughter.)

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): If he finds sympathy deserving.

**The Honourable Sir George Schuster:** Sir, my Honourable friend Mr. Mody has given us rather a depressing view of the possibilities of debate on measures of this kind. He has indicated that all Honourable Members come with their minds made up, and that even when they listen to such a brilliant speech as fell from my Honourable colleague on my right yesterday, which I make bold to say convinced 90 per cent. of the Members of this House (Applause; and *Some Honourable Members*: "No") that his cause was just, even then, the result when translated into votes is negligible. But, Sir, in spite of what my Honourable friend has said, I will

make a serious attempt to convince those who sit there today of the justice of our cause in proposing this measure, and if they listen to me carefully, I venture to think that I shall be able to convince them. I do not propose to deal in very great detail with any of the speeches that have been made. I would merely say, passing them all in review, that they seem to lose account of the fact that in this measure we are only proposing to levy a charge of 2 per cent. on these lower incomes. Does a charge of that kind, I ask the House, justify the sort of remark which fell from my Honourable friend who moved this amendment when he said that, if this tax is levied, all the small men who are affected will become bankrupt? Those were his words. Sir, going over the speeches, I would like to pick up one point from what fell from my Honourable friend from Bombay, Mr. Mody. He referred to the quotations which I had given from the Report of Sir Walter Layton on the burden of taxation in India, and he said that whereas the burden in England and in Japan also amounted to 20 per cent. of an individual's income, whereas that heavy figure existed in those other countries and the burden in India was only 6 to 8 per cent., the parallel did not apply, because the individual income per head in India was so small that 6 to 8 per cent. on it represented a heavier charge than 20 per cent. in a country like England. My Honourable friend went on to say that in England the average man earned an income of something like Rs. 100 a month, and that if a man who earns Rs. 100 a month has to pay 20 per cent. of that in taxes, it may be inconvenient for him but surely it is not a crushing burden. It is a burden, as my Honourable friend said, that he can very well bear. Well, Sir, I would ask my friend to apply that argument to the particular measure which we are discussing. My Honourable friend's speech might have been appropriate when we were discussing the surcharge on the salt tax yesterday, but I venture to say that it is hardly appropriate when we are discussing the particular measure which is now before us, a measure which seeks to impose a very small tax on people with incomes from Rs. 1,000 to Rs. 2,000 per annum, the lower limit of which is very near that figure of Rs. 100 a month which my Honourable friend said could be subjected to a taxable burden of 20 per cent. without causing any serious hardship.

**Mr. H. P. Mody:** May I point out, Sir, that I was dealing with the Honourable the Finance Member's general argument. It had no relation to this particular item now under discussion.

**The Honourable Sir George Schuster:** My Honourable friend has made exactly the point that I was trying to make. His argument was quite irrelevant in dealing with clause 7 of this Bill. I am very glad to have his acknowledgment. That is the point that I was making.

Then, Sir, we have had a good deal said on the question of cuts in pay. I do not want to go over all that old ground again. I think it is not only irrelevant, but, as I shall show shortly, it is actually inconsistent with all the arguments on which this amendment has been based. It is destructive of the ground on which those arguments stand. But I must say something about it because my Honourable friend Mr. Desanges brought in his argument as though he were going to show that if we had followed the course which he suggested we should not have had to have recourse to this particular increase in income-tax. I gathered from the way in which he ordered his remarks, that his implication was that if we had not exempted incomes which are liable to the 10 per cent. cut from the new taxes on income which are imposed in the present Bill, that if we had not done that, we should have been able to avoid

[Sir George Schuster.]

this particular imposition altogether. I would remind my Honourable friend of the figures which I gave in a speech in an earlier section of this discussion when I pointed out that the amount of income-tax which we sacrificed in this way so far as the servants of the Central Government are concerned only amounted to about Rs. 9 lakhs. That, Sir, is the measure of assistance which my Honourable friend would give me to replace what we expect to get out of this particular tax.

Now, Sir, to return to the general argument, I would like to ask the House to view this measure in its proper proportion and in its proper setting. We have been told that it is a new innovation, we have been asked to believe that there is something very terrible in an imposition of this kind. But I would remind the House that taxes on small incomes have been levied from time to time in this country from 1860. In 1860 an income-tax was levied on incomes of not less than Rs. 200 per annum. The minimum exception limit was then increased to Rs. 500. Gradually it was increased to Rs. 1,000, and the income-tax on incomes of that level was only finally remitted in 1919. The remission then undoubtedly was a proper measure; the country could afford it. Prices were very high after the war, and Rs. 1,000 then certainly did not represent what Rs. 1,000 had represented before the war; but since then there has been—and no one can deny it—an extraordinary fall in the cost of the main necessities of life. My Honourable friend Mr. Yamin Khan, speaking the other day, said that as regards the prices of agricultural products we were back to 1903. That is a perfectly correct statement, and I suggest that it leads us to this conclusion, that as the whole basis of the country's income on which we and the Provincial Governments have to rely for taxation,—being a basis dependent on agricultural prices,—as the whole basis has gone back to the level of 1903, we, in order to make up our revenue, must have recourse again to the standards of taxation which then applied. In those days Rs. 1,000 per annum was considered to be a fair minimum limit, and I put it to the House that at the present time there is nothing outrageous in the proposition that Rs. 1,000 in India represents a fair limit for this direct form of taxation. Now, Sir, I want to ask the House to compare the burden which we are imposing now with the burden which used to be represented by the taxation of these low incomes. In the year 1916 for example—I have figures for 5 or 6 years here—the total collected from income-tax below Rs. 2,000 was just under Rs. 59 lakhs and the total collected from incomes above Rs. 2,000 was Rs. 244 lakhs, that is to say, about Rs. 60 lakhs on the low incomes and only Rs. 240 lakhs on incomes above Rs. 2,000. I would ask the House to compare with that the burden which we are now putting on the higher incomes. Now, we expect to get something like Rs. 19 crores out of incomes above Rs. 2,000 and we only seek to get something like Rs. 70 lakhs from incomes below Rs. 2,000. I put it to Honourable Members that if we are seeking now to distribute the burdens fairly we are not overburdening that class of income-tax payers who earn from Rs. 1,000 to Rs. 2,000.

Now, Sir, there is another point that I would put before the House. I would like them to compare the position of the people who will be affected by this tax with other analogous classes of tax-payers in the country. I was going myself to make the point which was very ably made by my Honourable friend who spoke last on the European Benches. He reminded the House that whatever we say about the graded cut in

pay which is to be applied, all the Retrenchment Committees recommended that there should be a very substantial cut made on salaries of

Rs. 84 a month. Even if we accepted the figures proposed 1 P.M. by the main Retrenchment Committee, the cut to be imposed on salaries at that level would have been  $6\frac{1}{2}$  per cent.; and it would have gone up to something like  $7\frac{1}{2}$  per cent. when you get to Rs. 2,000, the upper limit. Honourable Members were quite prepared to ask Government servants to bear that burden. We are now asking the people outside Government service earning similar incomes to bear a burden, not of  $6\frac{1}{2}$  to  $7\frac{1}{2}$  per cent., but only of 2 per cent. Is it fair to come before us and appeal to our sympathies in this way, to appeal to our sympathies for all these people who are engaged in business outside and not in the public service, when Honourable Members are quite willing to go direct for those people whom they can so easily hit, the Government officials?

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): But incomes of traders, agriculturists and professional men have gone down by 50 per cent.

**The Honourable Sir George Schuster:** I cannot give way to my Honourable friend for I wish to be as brief as possible. If we think it is fair to take a substantial levy from those in Government service, it is not unfair to turn outside when we need to go for every source of revenue that we can and take this very small levy of 2 per cent. from people engaged in small business in the country. Then again I would ask the House to compare the class of people who would be affected by this tax with the agricultural population. A man who is engaged in cultivating the soil has to pay tax in the form of land revenue, however low his income is: there is no low limit there. Why should there be this low limit of exemption for a man who makes his money not from cultivating the soil but in keeping a small shop or driving a motor car or in any of those occupations to which reference has been made?

I put it to the House that, much as they may dislike this proposal, and great as will be the administrative difficulties of operating it,—which I freely acknowledge as a strong point—giving full weight to all those objections, we think, when we are trying to introduce a fairly balanced scheme of taxation, we ought not to have omitted this particular clause. The very last speaker who spoke in this debate complained of the way in which we came again and again before the House with income-tax measures; how we had increased income-tax rates in the last Finance Bill, after we had already done something in that direction in the previous Finance Bill as well. And I think there is a great deal in his complaint about this piling on of burdens on a small class already heavily weighted; but the complaint does not apply to this particular class with whom clause 7 is concerned. We have refrained hitherto from taxing them, from going back to what was a traditional measure of taxation in the armoury of the Government of India. This is the first time we have done it, and we only do it now because of the urgent need and unexampled necessity under which the country is now labouring.

That disposes, I think, of what I may describe as the moral arguments by which this proposal has been attacked. As regards the purely financial arguments, I would say this: we have been told repeatedly in the course of this debate of the necessity of broadening the basis of taxation. I think that in this particular measure, in that it does broaden the basis of taxation, we are doing something which is justifiable and

[ Sir George Schuster. ]

sound; and I would put it to the House that there is some public advantage in producing the result that the class of people who will now be brought into direct taxation will have a direct interest in the economy of public administration. I would ask my Honourable friends opposite, putting to them the same argument that I put yesterday in connection with the salt tax, taking account of the responsibility that may be theirs in the future for protecting the interests of members of the public, and of how they may come under the danger that popular governments may give way to popular clamours for popular forms of expenditure, I would ask them to consider whether it will not be of advantage to the country that there will be a large class of this kind that directly feels, in the form of direct taxation, the results of any form of public extravagance. These are not mere debating points: they are serious arguments which have influenced us in coming forward with what we knew would be a very unpopular measure.

I would sum up again and say that, on moral grounds we feel it is justified; on financial grounds we feel that it is right; and on grounds of general administration, looking to the interests of the country in the future, we feel that even from this unpopular measure some direct advantage may accrue. On these grounds I oppose the amendment.

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

"That clause 7 be omitted."

The Assembly divided.

AYES 65.

Abdoolah Haroon, Seth Haji.  
 Abdur Rahim, Sir.  
 Aggarwal, Mr. Jagan Nath.  
 Anklesaria, Mr. N. N.  
 Azhar Ali, Mr. Muhammad.  
 Badi-uz-Zaman, Maulvi.  
 Bheput Sing, Mr.  
 Chandi Mal Gola, Bhagat.  
 Chetty, Mr. R. K. Shanmukham.  
 Chinooy, Mr. Rahimtoola M.  
 Das, Mr. A.  
 Das, Mr. B.  
 Dudhoria, Mr. Nabakumar Sing.  
 Dumasia, Mr. N. M.  
 Dutt, Mr. Amar Nath.  
 Fazal Haq Piracha, Shaikh.  
 Gour, Sir Hari Singh.  
 Gunjal, Mr. N. R.  
 Harbans Singh Brar, Sirdar.  
 Hari Raj Swarup, Lala.  
 Ibrahim Ali Khan, Lt. Nawab  
 Muhammad.  
 Ismail Ali Khan, Kunwar Hajee.  
 Ismail Khan, Haji Chaudhury  
 Muhammad.  
 Isra, Chaudhri.  
 Jha, Pandit Ram Krishna.  
 Jog, Mr. S. G.  
 Krishnamachariar, Raja Bahadur G.  
 Lahiri Chaudhury, Mr. D. K.  
 Lalchand Navalrai, Mr.  
 Liladhar Chaudhury, Seth.  
 Maswood Ahmad, Mr. M.  
 Mitra, Mr. S. C.  
 Mody, Mr. H. P.

Mujumdar, Sardar G. N.  
 Murtuza Saheb Bahadur, Maulvi  
 Sayyid.  
 Pandit, Rao Bahadur S. R.  
 Parma Nand, Bhai.  
 Patil, Rao Bahadur B. L.  
 Puri, Mr. B. R.  
 Puri, Mr. Goswami M. R.  
 Rajah, Raja Sir Vasudeva.  
 Rajan Bakhsh Shah, Khan Bahadur  
 Makhdum Syed.  
 Ranga Iyer, Mr. C. S.  
 Rastogi, Mr. Badri Lal.  
 Reddi, Mr. P. G.  
 Reddi, Mr. T. N. Ramakrishna.  
 Sidiq Hasan, Shaikh.  
 Sant Singh, Sardar.  
 Sarda, Rai Sahib Harbilas.  
 Sen, Mr. S. C.  
 Sen, Pandit Satyendra Nath.  
 Shah Nawaz, Mian Muhammad.  
 Singh, Kumar Gupteshwar Prasad.  
 Singh, Mr. Gaya Prasad.  
 Sitaramaraju, Mr. B.  
 Sohan Singh, Sirdar.  
 Sukhraj Rai, Rai Bahadur.  
 Talib Mehdi Khan, Nawab Major  
 Malik.  
 Thampan, Mr. K. P.  
 Uppl Saheb Bahadur, Mr.  
 Wajihuddin, Khan Bahadur Haji.  
 Wilayatullah, Khan Bahadur H. M.  
 Yamin Khan, Mr. Muhammad.  
 Ziauddin Ahmad, Dr.  
 Zulfikar Ali Khan, Sir.

NOES 44.

Ahmad Nawaz Khan, Major Nawab.  
Allah Baksh Khan Tiwana, Khan  
Bahadur Malik.

Azizuddin Ahmad Bilgrami, Qazi.  
Bajpai, Mr. R. S.  
Banerji, Mr. Rajnarayan.  
Bhore, The Honourable Sir Joseph.  
Cosgrave, Mr. W. A.  
Crerar, The Honourable Sir James.  
Dalal, Dr. R. D.  
Dyer, Mr. J. F.  
Elliott, Mr. C. B.  
Fox, Mr. H. B.  
French, Mr. J. C.  
Graham, Sir Lancelot.  
Griffiths, Mr. G. I.  
Heathcote, Mr. L. V.  
Hira Singh Brar, Sardar Bahadur  
Captain.

Howell, Mr. E. B.

Jawahar Singh, Sardar Bahadur  
Sardar.

Knight, Mr. H. F.

Lal Chand, Hony. Captain Rao  
Bahadur Chaudhri.

Lall, Mr. S.

Montgomery, Mr. H.

Moore, Mr. Arthur.

Morgan, Mr. G.

Mukherjee, Rai Bahadur S. C.

Noyce, Sir Frank.

Parsons, Mr. A. A. L.

Pelly, Major H. R.

Rainy, The Honourable Sir George.

Rajah, Rao Bahadur M. C.

Rama Rao, Rai Bahadur U.

Row, Mr. K. Sanjiva.

Roy, Mr. S. N.

Sahi, Mr. Ram Prashad Narayan.

Sams, Sir Hubert.

Sarma, Mr. R. S.

Schuster, The Honourable Sir George.

Scott, Mr. J. Ramsay.

Studd, Mr. E.

Sykes, Mr. E. F.

Tait, Mr. John.

Todd, Mr. A. H. A.

Young, Mr. G. M.

The motion was adopted.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

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

**Mr. President:** The question is that clause 8 stand part of the Bill.

**Mr. Lalchand Navalrai:** Sir, I beg to move that clause 8 be omitted.

Clause 8 aims at imposing a surcharge tax of one-eighth of the amount that is already imposed, that is to say, we have got to pay a surcharge income-tax of  $12\frac{1}{2}$  per cent. over and above what is already assessed. I oppose it.

It has been said that this tax is not a poor man's tax, but a rich man's tax and therefore it should be levied. I demur to that proposition. I think that at present there are very few persons whom we may call rich in India. Even the so-called rich men cannot at present be said to be rich; with the depression of the present day, the loss in trade which has crippled all avenues of riches many are in distress—even the zemindars and jagirdars' condition is deplorable.

**Mr. B. Das:** Do you accept Mr. Studd's explanation of a rich man?

**Mr. Lalchand Navalrai:** I did not hear what he said, but however this is my explanation and I think many in India will agree with me. My submission is that no one in India should be disturbed with any tax at the present time when the people are finding it very hard to find any avenues for making money. There is unemployment; mills are not working as well as they should and people have got no resources for making money so as to be called rich.

[ Mr. Lalchand Navalrai. ]

This surcharge is being assessed for the year 1931-32, and I must again raise a constitutional point whether, speaking in legal phraseology, retrospective effect can be given to a financial measure. If this tax is going to be levied, that would mean that the income from April 1931 will have to be taken into account and the tax assessed accordingly. If it is to have retrospective effect it will not be legal. Again, Sir, the next Finance Bill will come in about four months hence, and why should we not wait till then? At that time the estimates will be available, and you will have the regular Budget and you may then consider whether a proposal of this kind is really necessary. It may be said that there is a deficit and therefore it ought to be met. With regard to that, I submit if it is a fact, there are other avenues for getting money. First of all, there is the question of retrenchment and it should be considered drastically with reference to this department also. Then you must deprive those of their extra receipts which they are enjoying by the recommendation of the Lee Commission. The General Purposes Sub-Committee says at page 12 of its report:

"We observe that leave and deputation salaries and pensions paid to Government servants abroad are exempt from the Indian income-tax. For the sake of uniformity the scope of such exemption has had to be extended in recent years with the result that vacation salaries to judges and leave salaries and allowances paid abroad to the employees of private firms and individuals are also exempted. In the absence of arrangements for relief from the payment of double income-tax there may have been some justification for such exemptions; in our opinion there is no such justification now."

I submit that more drastic curtailment even in the Income-tax Department will bring in a good bit. The Department, again, as it is constituted to-day, is doing more harm than good to the country. The Income-tax Department I would say in one word is neither civil, nor military, but it is extra martial. Let us take their procedure. The Income-tax Officer is the income-tax collector, and at the same time he is a Judge in deciding income-tax cases. There you have got the prosecutor and the Judge combined in one person, and that is against all principles of jurisprudence. Then let us see how the income-tax is assessed and how it is dealt with on appeal. The Income-tax Officer assesses the income-tax. He employs his subordinates to look into the books, and how are those looked into? If any explanation is given to the Inspector who inspects these books, it is not accepted. They expect the people in the rural parts to keep very regular books of account in the same as they do in Bombay and Calcutta. But I may tell you that the books kept by the rural people in their usual way are accepted even in Courts. We find that the Income-tax Officer with one stroke of the pen says, "Books not kept regularly". Then the appeal comes up to the Assistant Commissioner. The first thing that he does is to return the appeal to the Income-tax Officer for his remarks, and he also sometimes asks him to be present on the day the appeal is heard. Now, the reply that comes from the Income-tax Officer does not see the light of the day. It is an *ex parte* report made and it is not shown to the assesses. Interference in appeals is rare and the appeals are generally dismissed. When we put questions here to find out how many appeals were allowed and how many rejected, we find that there are always very few successful appeals. That is the condition of the Department. Therefore I submit that



until the appeal goes to a judicial officer and he decides it, and until a better system is introduced, there is no justification for the income-tax to be increased in order only to pay those officers who are doing this bad work. I submit that the income-tax is already large and the incidence that is being raised by the surcharge is heavier still. The addition of 12½ per cent. this year will be, I submit, very hard. I will not take more time on this point. It is quite clear and therefore, Sir, I move.

**Mr. John Tait** (Burma: European): I do not propose to follow my Honourable friend, the Member from Sind, in his criticism of clause 8, but if I do not do so, I would desire at the outset to make it perfectly clear that it must not be assumed that I or those who sit beside me approve of the surcharge proposals in this Bill. On the contrary we in the European Group view with very grave concern the reaction on the business and prosperity of this country which in our view is bound to be effected by these crippling surcharges. And if in the end we individually or as a group support the Government, our only reason for so doing will be our firm conviction that the paramount duty of the Finance Member at this time is to present a balanced Budget to confirm India's credit in the eyes of the world, and that it is for us in the Assembly to provide him with the means for accomplishing that task. At the same time I would like to emphasize that, until we are certain of the line of action which Government are likely to take before this Bill reaches its final form, our decision as to our course of action remains indefinite. But the purport of my speech to-day, Sir, is to bring into clear relief what in our view is one of the underlying reasons for the present state of the deficit in the income-tax revenues and what we consider to be a contributory cause of the need for this further surcharge that it is now proposed to impose, and further to point to the conclusion that if action is taken by Government,—and we on these Benches are fully determined to exercise the whole of our influence to ensure that Government do take that action—the duration of this overwhelming burden on income, private as well as business, will be curtailed to the minimum period of time. Sir, I refer to evasion of income-tax, and it has been of interest to me at a time, when I was exercising my mind on this question of evasion of income-tax, to come across a reference in the presidential speech of the President of the Bengal National Chamber of Commerce delivered on the 28th October, 1931, when in referring to the income-tax proposals generally, he says:

“Regarding others who are not in salaried employment, the absence of any reliable basis for assessment may be responsible for oppression to many people. I feel that if the Government had taken steps to improve their organisation and methods to prevent income-tax evasion, which has become almost scandalous, they would have obtained a larger volume of revenue than by the means now proposed.”

On this question of evasion, Sir, I submit that there is and there can be no shadow of a doubt and the fact of the present financial crisis and the incidence of these proposed serious additions to the income-tax rates make it more urgently imperative than ever that Government must take serious action to combat this organised evasion of income-tax, and bring to the exchequer of the country the several crores of rupees which we here are firmly convinced are due to the Government and by one means or another are now escaping it. Income-tax, Sir, always the most unpopular of all forms of direct taxation, is immeasurably more so in this country where it is recognised by assesseees and Government

[Mr. John Tait.]

alike that it is borne unequally by those who are supposed to bear it, that it constitutes a heavy charge on honesty, and sets a high premium on dishonesty, and the salaried classes and those business men and business firms who conform to principles of honesty and commercial morality do unquestionably subscribe a disproportionate portion of the revenues of the Income-tax Department for the benefit of those who adhere to none of those principles. That the Government recognize that evasion is rampant throughout the country is apparent from the Annual Report of the Central Board of Revenue in the year 1924-25. On page 5 of that report dealing with evasion, the Board says:

"The Board regret to observe that evasion by taxpayers still continues on a fairly large scale. The Income-Tax Department has already gathered sufficient data in most cases to be able to make a fair assessment even when an assessee refuses to produce accounts or produce false accounts, but there is an important class of cases in which evasion is practised, not by actually breaking the law but by openly flouting it in spirit, while remaining within its four corners. The Board forbears to advertise the methods by which the law is being circumvented, but it is becoming more and more obvious that until the income-tax Department is armed with the same powers as the authorities possess, for instance, in the United Kingdom, of dealing with bogus companies and partnerships that have been created only for the purpose of evading income-tax, the evasion is bound to continue and to increase. This question is receiving the close attention of Government and it is hoped that before long legislation will be undertaken to defeat such evasion, which imposes an unfair burden on the honest man and the general taxpayer." (Hear, hear.)

In subsequent reports, Mr. President, it is to be deprecated that little or no reference is made to the question of evasion, from which it might be assumed that the Central Board of Revenue think that evasion has practically now ceased to exist. But we, who do business in the market places throughout the length and breadth of this country, know perfectly well that, if there has been any movement at all on this question of evasion, it has been definitely in the direction of a considerable extension of it; and in my view, the apathy of the senior authority to a matter which in practically every other direction is looked upon as nothing short of a scandal is unquestionably a contributory factor in the deplorable situation that exists to-day.

Sir, in an attempt to arrive at the extent of this evasion, I have taken out a series of figures, of various sorts comparing conditions in certain of the larger provinces, and you will I think agree with me when I present them to you that they prove beyond all doubt the tremendous evasion that goes on, the tremendous loss to Government that is involved and the urgent need for drastic revision or reorganization of the methods of the Income-tax Department. Sir, my statistics cover population, the number of assessees, the trade of the province as indicated by the customs revenues, the income-tax and super-tax from salaries other than Government salaries and local authorities' salaries, income-tax and super-tax from business and income-tax from property; and realizing the difficulty and the confusion that might arise by dealing with the large figures involved, I have, in order to help Honourable Members to an easier and clearer understanding of the situation, reduced my figures to an abstract in proportion, taking one province as 100 in each series of figures, and the province I have selected as my datum is my own province of Burma. Now, first as regards population, the figures show, taking the 1921 census as more readily at hand, that for every 100 persons in Burma there were 353 in

Bengal, 146 in Bombay and Sind, 320 in Madras and 157 in the Punjab. These figures are very important, and I would suggest that Honourable Members might note them down as I proceed. Now, given reasonably equal conditions in the various provinces, one would expect that the number of assesses would bear some comparative relation to the population ratios. But we find that in Bengal, instead of there being 353 assesses for 100 in Burma, there were only 166 assesses in the income-tax year 1929-30. Bombay shows up very much better, with 267 assesses against a population ratio of 146. (*Mr. H. P. Mody*: "More honest.") (*Mr. B. Das*: "Bombay is richer than Bengal, which is poorer.") Madras, on the other hand, has only 150 assesses against a population ratio of 320. So it is much the same as Bengal, while the Punjab shows 125 assesses against a population ratio of 157. Before we proceed further, it will perhaps be necessary to realize that Burma is a poor country. It is a backward country as regards industry, except for one or two major industries, and where the average business firm is definitely smaller than the business firm in other provinces like Bengal and Bombay, and the large and wealthy bazaar merchant whom we all know and whom we find in every town throughout Bengal, Bombay, the U. P. and the Punjab definitely does not exist in Burma other than in a few exceptional cases. These being the circumstances, how are we to explain the low number of assesses in Bengal, where the number is less than half of what it would appear it ought to be? Let us now consider the trade figures. Taking the customs revenue for the year 1928-29, we find that the total in Bengal was Rs. 423 for every Rs. 100 in Burma. In Bombay it was Rs. 393, and in Madras it was Rs. 96. I shall probably be told that the customs figures provide no reliable indication as to the trade of a Presidency (*Mr. B. Das*: "Quite so, quite so,") because the customs figures do include a considerable transit trade from other provinces. But while I freely admit this, I do claim that on all the transit trade passing through the ports of Calcutta or Bombay, a certain interest remains in Bengal or Bombay as the case may be in the shape of handling charges, commission, etc., but, and this is my strongest point in these three Presidencies, with populations which have to be fed, clothed and generally provided for, of 46 million in Bengal, 19 million in Bombay and Sind, and 42 million in Madras, the internal trade consequent on these enormous populations will more than off-set any reduction on account of transit trade which might have to be made on the customs figures. Calculating on these customs figures we should expect the income-tax revenue in Bengal to be  $4\frac{1}{2}$  times that of Burma, Bombay should be 4 times and Madras practically identical with Burma. But we find something different. Instead of  $4\frac{1}{2}$  times which Bengal ought to provide, she provides 3 times only; Bombay, instead of providing 4 times the Burma figure, provides  $1\frac{1}{2}$  times and Madras comes along with a paltry  $\frac{1}{2}$  only. It is probably noteworthy also that the total demand for income-tax and super-tax in the Punjab is one-third only of what it is for Burma or Rs. 32 for every Rs. 100 in Burma.

**Mian Muhammad Shah Nawaz** (West Central Punjab: Muharqmadan): Punjab has no industries and there is no seaport in the Punjab.

**Mr. John Tait**: I have said earlier that the salaried classes rarely escape income-tax in whatever Presidency, and this is borne out by comparing the income and super-tax derived from salaries in Burma with similar stations for Bengal and Bombay. In Bengal Rs. 394 is collected for each Rs. 100 in Burma, and this compares fairly closely with the

[Mr. John Tait.]

population ratio. Bombay provides Rs. 225 which is in excess of the population ratio, and can be explained either by faulty assessment in Burma or probably and what is more likely, by a greater proportion of salaried classes in the industrial areas of Bombay. Madras on the other hand makes a very poor showing with Rs. 76 only for every Rs. 100 collected from the same source in Burma. Madras of course is a very poor province. I realise that the level of remuneration there is lower than it is in other provinces. Still, with a population of 42 million souls, the low ratio for assessment of salaries requires some explanation. However, it is not on the assessment of salaries that the crores of rupees are lost. It is on the business assessments, or rather the assessments which ought to be levied on business but which by one means or another are not levied. In the province of Bengal, with Calcutta, the second city in the Empire, with its probably 40 or 50 large firms, with the head offices of huge concerns operating in all parts of India but assessed for income-tax in Bengal, with its huge jute mill industry, its coal, its engineering, its shipping, insurance, the exchange banks, and the huge bazaar trade there, with all that, the income-tax derived from business in the year 1929-30 was only Rs. 232 to every Rs. 100 derived in Burma from the same source, or practically  $2\frac{1}{2}$  times. Now, Burma has practically no more than half a dozen really large business firms. The largest timber firm is assessed for income-tax in Bombay, the shipping firms are assessed in Bengal or Bombay and all the exchange banks are assessed in Calcutta. I am not suggesting that the income-tax collection in Burma is perfect. It probably is very far from being so. But calculating proportionately on the Burma basis in relation to the trade in each province, as evidenced by the customs figures, we find that Bengal should provide income-tax from business to the extent of Rs. 5.36 lakhs, whereas she is only providing Rs. 2.93 lakhs—a difference, mark you, of Rs. 2.43 lakhs. Bombay, which should provide Rs. 4.98 lakhs, provides only Rs. 1.57 lakhs, a difference in Bombay on the assessment on business of Rs. 3.40 lakhs.

**Mr. H. P. Mody:** That shows the extent of the depression in Bombay.

**Mr. John Tait:** And Madras, which should provide Rs. 1.21 lakhs, provides only 96 lakhs, showing a shortage of Rs. 25 lakhs. In all, therefore, from these three Presidencies, i.e., from Bengal, Madras and Bombay, the loss to Government revenues on income-tax assessment on business reaches the colossal figure of Rs. 6 crores. (*An Honourable Member:* "Shame.") I quite realise that the figures I have provided are rough and ready. I do not say that they present an entirely true picture, but even allowing for a wide margin of error, I think Honourable Members in this House are entitled to assume that there is a clear loss to the revenues of the country on this score of not less than Rs. 4 crores.

We now come to property. Any one who has been in Burma will agree with me when I say that outside Rangoon city, with a population of under 400,000 people, and Mandalay, which to all intents and purposes is a dead city, there is really very little property at all which is assessable for income-tax. On the other hand, cast your mind to Bengal, Calcutta, Bombay, Karachi. In Calcutta alone, the annual value of property for municipal assessment in the year 1929-30 was Rs. 9.90 lakhs. In Bombay the municipal assessable valuation of property was Rs. 13.31 lakhs, in Madras it was Rs. 2.17 lakhs, and in Rangoon it was Rs. 3.63 lakhs. These are for the cities. Now what do we find in the figures of income-tax assessment? For every Rs. 100 in Burma, Bengal can produce

Rs. 237 only, or actually, the whole of Bengal produces on this score—assessment on property—Rs. 19,61,000 and Burma Rs. 8,26,000. I think in the known circumstances there can be only one word to describe a difference of that nature, and it will be unnecessary for me to give expression to it. In Bombay, on the other hand, it is fairly good again with Rs. 378 collected on property. Madras however is Rs. 63 only and the Punjab is Rs. 58; or in total figures, Bombay produces Rs. 31,21,000, Madras Rs. 5,18,000 and the Punjab Rs. 4,82,000. Now, Sir, if these calculations mean anything at all, if they provide any indication as to what the real position in the provinces is on this question of evasion of income-tax, then I feel confident I will have the House behind me in pressing upon Government the absolute necessity for such action to be taken as should be adequate to ensure that organised evasion of income-tax is put an end to with the least possible delay and this irrespective of established rules, regulations or routine, of personnel or of any other consideration. If the present system, rules or regulations are such as require alteration to ensure improvement then there must be no delay in effecting that alteration. If existing personnel is not likely to show early and full results, then there must be no hesitation in changing that personnel. If the law of the land does not give adequate powers—and I know perfectly well that it does not—then the law must be changed. We urge upon Government that the urgent need to examine the organization of the collecting department with a view to tightening up the work of assessment brooks no delay, and I am authorised by my Group to say to Government that, whatever our action may be now, we reserve a right to refuse the Demands for Grants when they come before the House in February or March unless we are satisfied then that suitable action has been taken and that improvements are definitely and actually in train. It is not for me to suggest the manner by which this blot on the administration of the Government can best be removed. Clearly it is for Government themselves to decide that. But I offer four suggestions for consideration; they may or may not appeal to the Revenue Department as applicable to India. On the other hand, we think they are. We suggest:

First, that Government should take full powers to call on an assessee to present a return duly certified by a chartered accountant. We realise the difficulties of this rule in a country like India, but this points the way, this lays down the principle and it is for the Department to apply it in such modified form as may be necessary to meet all the varying conditions in this country. The second suggestion is that when an assessee makes no return and proposes to keep no books of account, then the Income-tax Department must double his return each year until he does keep books. This, I understand, is the procedure in the United Kingdom. The third suggestion is that Government should enact that every assessee shall have his books officially stamped and sealed every year by the Income-tax authorities. Only books so sealed shall be admissible in a court of law to prove any claim in any suit or other proceeding. It will be clear to my legal friends that this would prevent two sets of books being kept; and my last suggestion is that Government should take steps to amend the law so as to make the giving of false returns punishable with rigorous imprisonment and a fine three times the amount of which Government have been deprived. As far as I am aware, the maximum penalty under the existing rules is six months' simple imprisonment and a moderate fine.

**Mr. B. B. Pari** (West Punjab: Non-Muhammadan): In the case of big firms, whom would you like to be imprisoned?

**Mr. John Tait:** The Directors, I suppose.

**Sir Hari Singh Gour** (Central Provinces Hindi Divisions: Non-Muhammadan): If they are outside India, would you allow them to be imprisoned?

**Mr. John Tait:** We are only dealing with India.

It is interesting to note, in reading through these reports of the Central Board of Revenue, occasional references to cases where a person who has made a false return has been prosecuted. We find such sentences as: "One day's simple imprisonment and a fine of Rs. 120." There was another case referred to in one of these books where an assessee had declared his income as Rs. 500 instead of Rs. 5,000. The sentence of the court was a fine of Rs. 60 which, the Revenue Department cynically remark, was exactly one half of the amount Government would have been deprived of had the fraud not been detected.

Well, Sir, that is all I propose to say regarding evasion of income-tax. The next step is with the Government. We await with very great interest to hear what they propose to do, but before I conclude, Sir, I have one further matter to bring before Government. Under the Income-tax Act of 1922 assessments are made in the current financial year on a basis of the previous year's income. If the rate at which the tax is levied is increased during the financial year, the assessment naturally is made at the higher rate. Since on salaries and interest from Indian securities income tax is deducted at source, that is, at the time of payment, and consequently is tantamount to a prepayment of income-tax or an advance assessment, according to the Act if the rate of tax is increased in the following year such income which has already paid income-tax is subject to a re-assessment at the higher rate. On previous occasions Notifications have been issued by the Government exempting such income, and what I ask from my Honourable friend the Finance Member now is to give us an assurance that a similar notification will be issued on this occasion, and I think Honourable Members will agree that this is only fair and reasonable, because otherwise salaries earned during the year ending the 31st March, 1931, and which have already paid income-tax by deduction at source will be subject to this re-assessment at 12½ per cent., and salaries and interest on Indian securities earned in the current financial year and still to be earned in the remaining months of this financial year will be subject to re-assessment at 25 per cent. surcharge instead of at 12½ per cent. I have no doubt whatever that Government have every intention of issuing that Notification but if they do make a statement now it will unquestionably remove a great deal of apprehension which is held by all salaried classes throughout the country; and finally, Sir, I would say that we here can see no real reason why in the drafting of such a Bill provision could not have been made to exempt these incomes at the outset.

**Mr. N. N. Anklesaria** (Bombay Northern Division: Non-Muhammadan Rural): Sir, the other day the Honourable the Finance Member stated that the duty on machinery was the ugliest of his financial progeny this year. I am afraid that when the Honourable Member said this, he was reckoning without the numerous income-tax proposals which he has made this year. One fails to understand how the Honourable Member was able to conceive such a big brood of unpleasant things as are to be

found in his income-tax proposals. The Finance Member stated that the reason for the many unpleasant proposals he has made is that he wants to balance the Budget. As I said before, an unbalanced Budget is a symptom, not the cause of the disease which is afflicting the body politic. I do not propose to go into detail, but a very brief analysis of the position will convince you that what I am stating is correct. What is the cause of the unbalanced Budget which the Finance Member fears he will have to face in March next? The cause is this; we have got or are going to have an unbalanced Budget because our customs have produced less, our income-tax has produced less, our Post Office has produced less, and because all the sources of our income have earned less this year. To go back still further, why have our customs earned less? Why have our Railways and Post Office earned less? The reason given is that it is on account of the depression that is afflicting the whole world. This is the cause you have to treat. If you have to treat this cause and if you pass in your mind the various measures for treating this cause proposed by the Finance Member, you will find how very ineffective is the remedy which the Honourable the Finance Member proposes to apply to the disease. Will the income-tax proposals of the Finance Member or the customs proposals of the Finance Member make your railways earn more or make your post office earn more? I submit all these questions must be answered in the negative . . . . .

**Mr. B. Das:** What are your proposals? I should like to know them.

**Mr. N. N. Anklesaria:** I am just coming to that. There is absolutely no remedy for the world depression. From the time of Vico down to that of Mitchell men have written and spoken of what are called world trade cycles, and this is one of the trade cycles through which we are passing and no Finance Member or anybody else will be able to affect its course in the slightest manner possible by any financial proposals which he may put forward.

Then, I ask, is an unbalanced Budget such a terrible thing as to be worth the fuss which is being made about it? The other day the Honourable the Finance Member himself stated that India was not the only country which has got an unbalanced Budget. He cited the United States; he cited France; he cited England, and if he wants I may cite many more countries. All civilised countries of the world during the present abnormal times have had or are having unbalanced Budgets . . . . .

**Mr. B. E. Puri:** What about the uncivilised ones?

**Mr. N. N. Anklesaria:** I am just coming to that, if you want them. The Honourable Member said that it was in abnormal times that this unbalanced Budget came, but if you look to the financial history of France, from the time of Colbert to Caillaux in normal times even they have had a series of unbalanced Budgets in France; and you cannot say possibly that the credit of France is second to the credit of any other country in the world. France has survived all that series of unbalanced Budgets, and today France, with the possible exception of the United States, is the richest country in the world. In normal times there are two causes which account for an unbalanced Budget. An unbalanced Budget means that either you have ~~earned~~ <sup>expended</sup> too little or you have spent too much. As regards the spending too much, the Honourable the Finance Member has gone deeply into the question, and I congratulate him on the very thorough proposals which he has made for retrenchment. In fact he has spared none;

[Mr. N. N. Anklesaria.]

he has trodden on every toe including his own. (*An Honourable Member*: "Question.") Then, as regards his proposals about earning the proper income, I submit the proposals which he has made now would practically work in quite the opposite direction, as I propose to show now. The Finance Member might ask, as Mr. Das asked, "What do you propose we should do then?" He gave us an example of the private individual who would live within his income. I will tell him what a private individual would do in exceptional times like these. Suppose a man has got immovable property worth 10 lakhs of rupees, from which he gets an income of Rs. 50,000, and his domestic budget is balanced; he spends as much as he gets from his lands. Suppose also that he has got a daughter to get married and he estimates the expense at Rs. 50,000. What does he do? Does he fuss about telling people, "my budget is going to be unbalanced; what shall I do?"? No. Does he go to his clerk and say, "Mr. Clerk, I have got to get my daughter married; will you therefore submit to a cut of 10 per cent. in your pay?"? No, he does not do that, nor does he go to his cook or any other of his menial servants and make them the same request. Again he does not dispense with the services of one of his *pattavalas*. What does he do then? He goes straight to the banker and says, "Mr. Banker: you know I have got ten lakhs: I have got to get my daughter married: will you lend me Rs. 50,000? I shall be able to pay it back within a certain period". And thus the thing is done. That is what a private individual would do; and I say that is exactly what that great authority Mr. Keynes, on whom the Honourable the Finance Member relied the other day, would advocate as a means for balancing the Budget in abnormal times. That is exactly what every European country, which has had a favourable balance of trade as India has had, has been doing and, I am sure, will continue to do so long as the Government of that country has to regard the opinion of its citizens as worth anything. The Honourable the Finance Member spoke to us of certain dismal gradations through which countries pass, and those gradations are stated at page 1263 of the report of the debates for the current year. This is what he says:

"Budgetary deficits, met first by borrowing; then a reluctance of the public to subscribe to Government loans or treasury bills; then recourse to the note printing press and inflations to provide funds to meet current public expenditure; then collapse in confidence in the currency, notes printed faster and faster until the amounts reached astronomical figures, and finally the complete disappearance of any value to the currency at all."

If Honourable Members will read the debates in the House of Commons for last September, they will find Mr. Ramsay MacDonald talking exactly in the same way as the Finance Member spoke in September last. But the same Mr. Ramsay MacDonald, just a few days before he was talking as the Finance Member was talking, was advocating borrowing, borrowing and continual borrowing for balancing the English Budget, and was putting that advice into practice, and it was because he could not possibly borrow that he had to consent to balancing the Budget by fresh taxation. The other day I gave a challenge to the Finance Member to name one single country throughout the world which had a balance of trade in its favour and which met its unbalanced Budget in the present abnormal times not by borrowing but by fresh taxation. I am waiting to hear an answer to that challenge today. If he gives me that answer, I propose to vote for his proposal; if he fails to give me the answer I will vote against him.



Sir, it was said that borrowing would have disastrous effects on our Budget. From 1919 to 1924 we had a series of unbalanced Budgets in India, let alone France or any other country, and we balanced those Budgets by borrowing, and as the House will see we have survived that period. Not only have we survived it . . . . .

**Mr. B. Das:** There was heavy taxation in 1921-22.

**Mr. N. N. Anklesaria:** In 1922-23 we raised a rupee loan for 47 crores; again in 1923-24 we raised a rupee loan for 23 crores; and I say we have survived all that, and we had a series of surplus Budgets after that period. Sir, the cause of bad credit is not an unbalanced Budget during abnormal times. The cause of bad credit is bad Government, and when I say bad Government, I refer to this present Government, which I say is no Government at all. When you see the Union Jack pulled down and replaced by a tri-coloured Congress flag, when you see agitators and proclaimed seditious patted on the back, when you see, Sir, people talking with impunity that they are out for the destruction of the British Raj, and when you hear people saying that when they come into the seats of the mighty, they propose to repudiate all national debts,—when a Government allows all these things to be done with impunity, is it to be wondered at that that Government does not command credit? I say, Sir, the difficulties of the Finance Member are not so much of his creation as of the creation of the Honourable Member who sits just to his left,—he is not in his place now.

Then the analogy of England was given to us as regards the proposals for fresh taxation, but as I have never been tired of dinning into the ears of those concerned, England is not India. Unlike the English Government, the Indian Government does not command the confidence and trust of the Indian people. Here the Honourable gentlemen of the Treasury Benches are looked upon as “A gang of foreign exploiters, who are here not for the good but for the goods of India”. It is a very foolish and perverse idea, but that idea is in existence, and it would be wrong for the Finance Member not to take account of it.

**Mr. B. R. Puri:** What do you propose?

**Mr. N. N. Anklesaria:** Sir, in so far as the income-tax is concerned, the conditions which obtain in England are very very different to those obtaining in India. There are peculiar facilities for evasion in India as the Honourable Member who spoke last pointed out, and the facilities for capital migrating into the neighbouring Native States is another factor which is non-existent in England. Sir, I offer these remarks with great diffidence and great hesitation, because the Finance Member is the greatest financial expert in our country today, and I am a mere lawyer. He has asked us not to force Government into an unsound financial course, and I quite agree with him, because mistakes in public finance do generally lead to disastrous consequences. As professor Leroy Beaulieu said:

*“La science des finances a une terrible façon de se venger des gouvernements qui l'ignorent ou qu'elle brave.”*

**An Honourable Member:** What language is this?

**Another Honourable Member:** It is French.

**Mr. N. N. Anklesaria:** It means this: that the science of finance has got a terrible way of avenging itself on those Governments which ignore it or defy it. I for one, Sir, would rather trust to the expert knowledge and ripe experience of the Honourable the Finance Member than to the exhortations of the several gentlemen opposite who have talked about this matter in a manner which shows that they do not understand what they have been talking about.

**Sir Hari Singh Gour:** Sir, in replying to the debate on clause 7 of the Bill the Honourable the Finance Member justified his proposal under the clause on the ground that he stood for broadening the basis of taxation, and he said that his defence of that clause was supported by moral and financial grounds. The Honourable the Finance Member never made even a passing reference to the emergency legislation which he said he was sponsoring, and I therefore take it that if clause 7 had been passed, it would have been a clause which would have found a permanent place on the Statute-book because it was one of those clauses which conformed to the principle which the Honourable the Finance Member has enunciated, namely, that his policy is to broadbase the principle of taxation in this country. Sir, we have known the Honourable the Finance Member ever since he occupied the distinguished position which he does to-day, but I for one never knew that the Honourable the Finance Member had a dual personality. I do not know whether to-day he was speaking as the Finance Member or as Sir George Schuster, because I find that only last year when the Government in India had to consider the question of broadbasing the taxation of this country, in their memorable despatch sent to the Secretary of State over my Honourable friend's signature and the signatures of his colleagues, he stoutly resisted the lowering of the taxable limit from Rs. 2,000 to Rs. 1,000. He further stoutly resisted the increase in the rates of income-tax as suggested by Sir Walter Layton. The important passages which I should like to recall to the House are contained at pages 54 and 218 of the Government of India's despatch on the Indian Reforms. Speaking of the income-tax, they said:

"It is not necessary to discuss at length the suggestions which have been made by Sir Walter Layton for increasing the return from income-tax by lowering the exemption limit and steepening the gradation of the tax"—(*the two points with which we are now concerned in clauses 7 and 8*).—"These are suggestions which have been examined more than once before, and there are considerable practical objections to them. We include in the appendices an extract from a note by the Senior Member of the Central Board of Revenue on the subject."

The Senior Member of the Central Board of Revenue is, I presume, Sir Loftus Tottenham, who has unique experience of the Income-tax Department in this country. Let me give you his words. No speech of mine or of any Member on this side of the House could be stronger in condemnation of the proposals of the Honourable the Finance Member. Let me give you his exact words. At page 218 he deals with these two points,—the question of lowering the limit and of steepening the rates. He says:

"Sir Walter Layton suggests that the exemption limit both for income-tax and super-tax (Rs. 2,000 and Rs. 60,000 respectively) are too high and should be lowered but has made no specific recommendation. The exemption limit for income-tax was raised to Rs. 500 in 1886, to Rs. 1,000 in 1903 and Rs. 2,000 in 1919. I do not suppose that anybody would propose that the limit should be placed lower than Rs. 1,000. If it were proposed to lower the exemption limit, it seems to me that it would be difficult to resist a demand which has been made even under existing conditions that allowances should be given for wives and children. As the Taxation Enquiry Committee observed, practically every taxpayer in India is married, whereas in England

there is a large number of unmarried persons of both sexes who pay income-tax. With reference to Sir Walter Layton's suggestion that the exemption limit for income-tax in India is high, the absence of any allowance for wives or children or for earned income must not be overlooked. As a matter of fact, for a married man even without children the exemption limit in England (£225) is higher than the exemption limit in India. The exemption limit proposed in the draft Ceylon Ordinance, it is interesting to note, is Rs. 2,400, and it provides for a personal allowance of Rs. 2,000, an allowance of Rs. 1,000 each for wife and family (whatever the number of children) and an earned income allowance of one-fifth of the income subject to a maximum allowance of Rs. 4,000. I presume that the economic conditions in Ceylon are not so very different from those in India, though probably the general standard of wealth is higher."

Then, dealing with the subject of what is now clause 8 he says as follows :

"It is also worth mentioning that although the assessable limit in the case of a single person is somewhat higher in India than in England, the percentage taken as tax of the lower incomes in India, if I may rely on the tables at the end of the draft Ceylon Ordinance, which were prepared by an expert from Somerset House, is actually higher—and a great deal higher—in the case of earned incomes in India than in the United Kingdom, even if for the purposes of comparison unmarried persons in the United Kingdom are taken. The table shows the following percentages"—*mark these percentages—*

	"Income—all earned."	
	British India (all classes). Rs.	United Kingdom (single persons). Rs.
Income Rs. 2,400 . . . . .	62·5	20
Income Rs. 2,500 . . . . .	65·16	28·33
Income Rs. 3,000 . . . . .	78·13	70

**Mr. B. Das:** It has gone up since the last Budget.

**Sir Hari Singh Gour:** I am coming to that, and now it is going to be surcharged by 25 per cent :

"Even where the income is all unearned, the tax on an income of Rs. 2,400 for all classes of assesses other than companies and registered firms, is Rs. 62·5 in India against Rs. 20 for a single person in the United Kingdom."

Such was the state of affairs before, as my friend Mr. B. Das has pointed out, the rate of assessment was increased last year. What would be the disparity between the middle class assessee in India and in England if this House accedes to the demand of the Honourable occupant of the Treasury Benches by raising his assessment by one-eighth more?

**The Honourable Sir George Schuster:** My Honourable friend might also take into account the very substantial increases in the British rates.

**Sir Hari Singh Gour:** The Finance Member says that I must take into account also the very substantial increases in the assessment of British income-tax. Yes, Sir, but will the Honourable the Finance Member also make a note of the minimum average income of the British person and compare it with the average income of the Indian, and then he will come to the right conclusion that a saturation point has long ago been reached in the assessment of income-tax in this country. If this were an emergency measure which by its own course will cease to exist on 31st March, 1933, it would even then be obnoxious to the main principle of assessment to which I have adverted, but we now find from an undercurrent of the Honourable the Finance Member's thoughts that this measure is intended to broadbase the principle of taxation in this country. Sir, in 1886, the

[Sir Hari Singh Gour.]

then Finance Member gave an ample and emphatic assurance in the late Imperial Legislative Council, when the small burden that was being placed in the shape of income-tax was necessitated by the Burmese War and the sudden fall in the price of silver, that it would be removed as soon as the conditions improved but far from removing it, the rate has been increasing from time to time till the maximum taxation in this country averages 7 annas per rupee including the super-tax. That, I submit is as heavy a direct burden thrown upon the tax-payers of this country as can be borne by the assesseees in any country, and when we remember that the incidence of this taxation is levied regardless of all principles enunciated in the English Income Tax Act, regardless of all principles of justice and fair play, is there any Member on this side of the House, I ask, who would give the Honourable the Finance Member a blank cheque to assess the people of this country? We have been reminded of the principles of taxation in the United Kingdom. The Honourable the Finance Member just now interjected a remark that in the United Kingdom the rate of income-tax has been very recently increased, but if he would be good enough to read the appeal which has been signed by no less than 54 Members of this House, he will then understand the trend and volume of grievances from which the people of this country and their representatives in this House suffer, and which they time and again have been asking the Honourable Members on the Treasury Benches to redress and for which they have been asking in vain. The whole principle of taxation in this country is diametrically opposed to the principle of taxation in the United Kingdom. As you are aware, in the United Kingdom the assessment is made by what is known as the Income-tax Commissioners, who are ordinarily honorary men drawn from the people, and an appeal lies to what are called Special Income-tax Commissioners, who are courts of appeal unconnected with the assessment, and then if you wish to appeal to the High Court you have to pay only 15s., and you can refer the case to that High Court. What are the facts here? You have an Income-tax Officer who makes the assessment. You have his colleague who professes to hear his appeal and the Income-tax Commissioner who hears the petition for revision. Sir, as the Honourable the Finance Member has vast experience of other countries, I ask him has he ever seen a situation like this, where you have the same man assessing the assessee, a man of the same Department hearing the appeal, and the head of that Department hearing the petition in revision. Long before the advent of British rule in India, we had a replica of the procedure which was adopted by the nine tyrants of Venice during the days of its decadence, and that procedure was this. A policeman drew up a confidential note against a person and then he sent it to his Superintendent of Police, who immediately called up the person and said, "You have committed a most heinous crime. You were a member of a dacoity gang last night. You say you know nothing about it and that you have been dining with the Deputy Commissioner of the District. That may be so, but my report says that you are guilty and you are sent to jail for seven years". That was the procedure which the nine tyrants of Venice adopted. That was the procedure in the early days of criminal administration in this country. Sir, we have to live and learn. Here in the year 1931, when the whole world has been democratised, when the people in this country are crying aloud for their emancipation, we have this archaic procedure enacted as far back as 1886, if not in the early seventies, when the assessing officer was a court of appeal and the assessing officer

was a court of final revision as well. Have you heard of a monstrosity of this character anywhere on the surface of the earth? And yet with seeming confidence the Honourable the Finance Member comes up before us and says, "Give us 25 per cent. of surcharge". Not only that. Honourable Members have perhaps not read clause 8, because if they read clause 8 they will find lurking therein a proviso which is as singular,

as unique, as unprecedented as any provision of that  
 4 P.M. character can ever be, placed upon an Indian Statute-book! Turn to clause 8, and look at the last clause of clause 8. Sub-clauses (1) and (2) of clause 8 deal with what you may call the principle of assessment. Then you have sub-clause (a), which deals with Part II of Schedule II of the Act dealing with the additional tax, and then comes the main clause. Now read that clause. Let me read it:

"The Central Board of Revenue may make rules . . . (Mr. S. C. Mitra: "Any rules.") (ii) regulating the procedure of income-tax authorities in securing the assessment and collection of the tax and the granting of refunds arising therefrom."

You give, by one stroke of the pen, a power, unfettered, unlimited and uncontrolled, to the Central Board of Revenue to make statutory rules such as they may consider fit and proper, to make assessments and to realize the same. Why are we here? We might have passed a short statute giving the Honourable the Finance Member full rule-making power to make all assessments, to realize them in any way he likes, and to exempt any person he chooses, and our business is done!

Sir, we the Members of the Legislative Assembly, feel astounded at the boldness of those who venture to think that Members on this side of the House will walk into the trap which has been so cunningly laid for them. I am surprised that even under the Act of 1886, even under the Act of 1922, the Act which rules the day, the Central Board of Revenue (consisting of one or two individuals) have no power of the character with which they would be armed if this clause is enacted into law. Sir, if that were all, it would be sufficient for Members on this side of the House to throw out this clause, but that is not all. As Honourable Members one after the other have said, we have been for a very long time, at least ever since we assumed office as Members of the reformed Legislature, asking the Honourable occupants of the Treasury Benches to revise their laws and bring them into conformity with the spirit of the age. Year after year we have been pressing upon the Honourable the Finance Member that if he wants the support of the elected representatives of the people here, he should reform the procedure, and correct the machinery for the collection of income-tax. That has not been done; and, as a last resort, 54 Members of this House have taken upon themselves the onerous responsibility of revising that procedure in the shape of a non-official Bill. Surely, Sir, when the attention of the Honourable the Finance Member was drawn to this flagrant departure from the normal law, it was the duty of the Finance Member to persuade his colleagues to assume the responsibility for this measure and to say to his colleagues, "I cannot place a heavier burden upon the shoulders of the assessee in this country unless at the same time I am able to assure him that the machinery for the collection of taxes would be improved and would be brought into greater conformity with the practice of modern countries". Has he done that? He has done nothing of the kind. He leaves the non-official Members on this side of the

[Sir Hari Singh Gour.]

House to take their chances in the ballot for the promotion of their measure, and yet he wants you to support his Bill for the increase of the income-tax to the extent of 25 per cent.

Some Honourable Members on this side of the House may be under a misapprehension that this clause will only tax the rich man. Let me assure them that it will tax all persons who have an annual income of Rs. 2,000 or more; and let me once more warn those of my friends who live in glass houses and feel secure that, because they enjoy agricultural incomes, therefore they would be free from this burden. Let me tell them once more that if they ever suffer from this delusion, they will wake up only to find that they, along with the rest of the community, are thrown into the maelstrom of this taxing reform. Sir Walter Layton, Sir, recommended the levying of income-tax upon agricultural income and the levy of a succession duty. Those of my Honourable friends who hail from Bombay must remember that the Bombay Government have already tabled a Bill for the purpose of levying a succession duty both on the demise of Hindus and Muhammadans. (Hear, hear.) Sir, here my friend, the Honourable the Finance Member, makes it difficult for us to live, and our friends in Bombay make it difficult for us to die! (Laughter.) Such is the situation in which the Members of this House have been placed by the combined action of the Government of India and the Local Governments. We were told the other day that a decision had been reached at the Round Table Conference that the income-tax would be a provincial tax. If that is so, I should have thought that it would have been wiser on the part of the Honourable the Finance Member to just carry on and not revise the taxation policy and broadbase that policy in the manner in which he proposes to do it. I feel, Sir, that the Honourable the Finance Member must have got a secret despatch in his pocket, that so far as the proposals of the Round Table Conference are concerned, they have been thrown into that fabulous waste-paper basket which my Honourable friend, Mr. Brooke Elliott, proposed to present the other day. (Laughter.) (Interruption.) I am told he sold it, but I think he presented it—it is either one or the other. But the fact remains that the Government of India, contrary to the constitutional usage of staying their hands by not embarking upon a new policy pending the decisions of the Round Table Conference, have now launched this Bill, which they at one time called an emergency measure but which, judging from the speeches they have been making and the speeches which the Honourable the Finance Member in particular has been making both in opposing the abolition of the import duty on raw cotton and in resisting the amendment to clause 7, that the Government of India intend that these taxes should be perpetuated and become a part of the ordinary law. That can only be because the Government of India, who last year had opposed these taxes, have since been persuaded to exploit the avenues which they themselves had found justly closed to them. What may be the secret, what may be the reason is more than I can say. But one thing is clear, that the Government of India, of which the Honourable Sir George Schuster was so distinguished a Member in September, 1930, were right in not believing that the rates of income-tax should be raised and that its limits should be lowered. What has occurred between then and now for the Honourable the Finance Member to make such a startling *volte face* I am not in a position to say. I should have expected that the Honourable the Finance Member would have poured oil upon the troubled waves of opposition, by saying that these are all

temporary taxes brought about by the emergency and that they would be rescinded as a certainty on the 31st March 1933. Sir, that would have been a mitigating factor; that would have alleviated the misgivings from which we on this side of the House suffer, namely, that these so-called temporary taxes are only thin ends of the wedge and that as the income-tax of 1886, which was imposed for a couple of years, has been continued up-to-date, this measure, if passed into law, will also become a part and parcel of the permanent Statute-book. I therefore think that none of us, agriculturist or non-agriculturist, urban or rural, the so-called rich or the so-called poor, should ever feel the slightest hesitation in combining to oppose by our solid vote clause 8 which, as I have said, is not only vicious in principle but adopts a novel procedure unprecedented in the fiscal history of this country. (Applause.)

**Mr. H. P. Mody:** Mr. President, we must congratulate ourselves that we have all come pretty well near to the end of our agony. I do not think that the discussion of the last few days could have done any good to the health of my Honourable friend the Finance Member, and I hope he will realize that it has given us on this side of the House no pleasure to offer the stout opposition which we have felt compelled to offer to some of the proposals which he has placed before us. Sir, we have come to the end of the process very nearly, and within a very few days we shall have gone home with the conviction that, after all, the Budget has been balanced. It may be, Sir, as an American journalist once remarked, that it is very difficult nowadays for a fellow to support Government and a wife on one income. (Laughter.)

**Sir Muhammad Yakub** (Rohilkund and Kumaon Divisions: Muhammadan Rural): Choose between the two.

**Mr. H. P. Mody:** We may be obliged to make a choice between the two. Those of us who have happily or unhappily remained in a state of single bliss may have to make the choice but whatever our decision we will at least have the satisfaction that the Budget has been balanced. Sir, let me say that I am greatly disappointed with the attitude taken up by my friends in the European Group. I know them all and I have respect for them. But they seem to be obsessed by the notion that once they are faced with a deficit, their only business is to support the Government and see that the Budget is balanced. May I ask them whose responsibility it is to balance the Budget? I can understand, if our co-operation was invited in the only sense in which co-operation can become real, namely, that when we offer suggestions which are practical and reasonable, they will be duly considered, if our co-operation is invited on that basis I can understand our responsibility in the matter. It may be that, when our co-operation at some date is asked in this way, we may come forward with a Budget which may be equally unpopular; we may be unable to devise taxes which may be free from the objections which have been levelled against the taxes suggested by my Honourable friend. But at that time we shall come forward and say, "We have failed to balance the Budget in any other way but the one which we have placed before the House" and then we shall be ready to take the full odium of the measures which we place before the House. But till that stage is reached, as I pointed out this morning, as long as we are working in an atmosphere of unreality, it is not our business to shoulder the responsibility of balancing the Budget, and I am therefore surprised that my European friends should be so obsessed with one point

[Mr. H. P. Mody.]

of view, that in spite of the fact that they have so many objections to the Budget, they have actually walked into the Government lobby on every single occasion. A little mistake—and I venture to submit it is a mistake, that my Honourable friends in the European Group are making—is that they imagine that they have only to suggest to Government that such and such a duty should go off the moment normal conditions are restored, and the thing is done. I give my friend the Finance Member full credit for honesty of purpose. I think we have all good reason to rely on his honesty and the straightforward way in which he deals with the House. But, Sir, it has often happened for one reason or another that, once a duty always a duty. It seems to me that to the Finance Member, "A thing of duty is a joy for ever". Sir, I am fortified in this conviction by an interruption which he made the other day when my Honourable friend the Leader of the Nationalist Party was speaking. He said that there was not the slightest reason to think that the duty on cotton would go off after the emergency had passed away. Let my friends on the European Group ponder over this. Let them push to its logical conclusion the attitude which they have thought fit to adopt on this occasion, and they will see that every time there is a gaping deficit in the Budget, the obsession that they have that the Budget has got to be balanced will make them walk into the lobby with the Government no matter what their own personal views may be about many of the proposals.

I come now to my principal objection to the surcharges which are made from time to time on the income-tax. I have pointed out in the course of my general observations on the Budget that one of the worst features of this proposal is that it seeks to continually go on taxing a very small number of people in this country. I would like to repeat that out of the total tax revenue of Rs. 85 crores, as much as Rs. 19 crores are hoped to be collected this year—19 crores out of 330,000 people. No matter what the exigencies of Government may be, such a thing can never be right, and I want to ask my Honourable friend whether he proposes to go on indefinitely with this process of pouncing upon pockets which are fast becoming empty. At the beginning of this year he made a substantial increase in income-tax, and he now finds that his deficit on the income-tax will amount to over Rs. 1 crore in the current year. If he goes on making increases, does he think that he will get what he expects?

Sir, another strong objection is that this income-tax is becoming a very heavy burden on trade and industry. My Honourable friend, the Leader of the Nationalist Party, just said that some people on this side of the House seem to think that after all there is nothing wrong about a surcharge on income-tax; there is an income waiting to be taxed and so long as there is an income and a fat fellow to be bled, so long will the process of bleeding be morally justifiable. Let not my friends imagine that this is a tax mainly falling upon the rich. Apart from the fact that incomes of Rs. 2,000 and over are to be taxed, let Honourable Members on this side of the House remember that a large number of people who directly or indirectly pay the tax which companies and unregistered firms pay are people of very modest incomes. After all, when a company pays income-tax or super-tax, whose pocket does it get it out of? The company is not an individual; it is an entity, and the



company can only pay the exactions made upon it by getting them in turn out of a very large number of small investors who are interested in the fortunes of that company. . . .

**Sir Hari Singh Gour:** And by lowering the wages of the workmen.

**Mr. H. P. Mody:** It may be that in many cases wages have to be lowered. I have pointed out already how many burdens are being placed upon trade and industry, such as a high bank rate, a rate which makes it impossible for industrial concerns to find finance in these hard times, and high prices paid for stores, materials and the like on account of raising customs duties. All these things directly and indirectly reflect very adversely upon companies carrying on trade and industry. In this connection let me read to you a very pertinent quotation from the *Times of India*, whose weight, influence and moderation cannot be questioned by anybody. The *Times of India* in a leading article a few weeks ago said:

"In every developed country capital is the necessary propulsive power of production, and that power is diminished by what the State appropriates to spend on its own purposes, whether administrative, military or social. Speaking not in terms of ethical theory but of actuality, it 'belongs' to the community more than it does to the capitalist. The latter 'has', in an exclusive sense, what he spends or the interest; the community has the use of the principal for the maintenance of industrial functions without which its life would be impossible. And every penny that the capitalist saves (and it is the rich who are the substantial savers) goes to augment the national money pool which irrigates the whole common existence. It may conceivably be desirable to squeeze the rich for the good of their souls or some other beneficent purpose. But the moment that the process begins to impinge on their savings, the economic life and freedom of the whole community are made to suffer along with them."

Sir, it is as well to remember that even if on very large incomes the proportion of income-tax is higher in England than in India, there are substantial reliefs granted in England which are not granted either to companies or individuals in India. I have spoken strongly about the way in which what is practically a capital levy is made upon individuals and companies by not permitting them to carry forward losses. If I make a profit of 2 lakhs this year, a loss of 3 lakhs next year and another 3 lakhs in the year after, on the whole I have made a loss of 4 lakhs and yet I have paid to the State on 2 lakhs a very heavy income and super-tax. That is nothing but a capital levy. It is useful to remember besides, that when in England it became necessary to increase the incidence of income-tax, the Chancellor of the Exchequer thought it necessary to go to the relief of trade and industry by allowing for a larger amount of depreciation.

Sir, I do not want to cover every point. I should just like to say that my Honourable friend Mr. Tait, to whom we listened with great pleasure, has made out a most damaging case against the present proposal. If his figures are correct—and I happen to know that he has devoted a great deal of time and thought to this subject—as much as 6 crores of rupees is lost to Government by way of evasion. If these figures are correct, then I want to know how my Honourable friend or any of his friends can go with the Government and support this taxation.

One more point I would like to make, and that is with regard to the question of retrenchment which has been discussed here times without number. I only want to say this, that is, that while in private

[Mr. H. P. Mody.]

employment and in the ordinary channels of trade and industry and business, employers have effected retrenchments for the last two years, the Government of India are still waiting to receive some sort of sanction or approval and are not able to effect any cut in salaries until the first of December. Long after every prudent private employer or man of business has thought it necessary to carry out retrenchment, the Government of India are still waiting. I will not say how that has come about, the fact is there, that the cut in salaries has not yet been effected.

My Honourable friend, Sir Hari Singh Gour, referred to the storm that was raised when income-tax was increased last year by a very considerable percentage. We then said to the Government of India, "Give us relief as soon as possible". We protested against the impositions and we expected that in the next year's Budget we would have a remission of the extra percentage which they got out of us in March. The Government of India's reply to that has been more taxation, more increases in the income-tax. It reminds me of the Scotsman who, being asked to contribute to the local orphanage, sent two orphans. The reply of the Government of India to our demand for a reduction in income-tax stands in the same category, and I hope, Sir, that with the same unanimity with which we have carried other cuts we shall on this side of the House vote unanimously for the amendment.

**Mr. Arthur Moore** (Bengal: European): Sir, Mr. Mody touched my heart very much when he referred to the attitude of the European Group, for I do feel that we come here like lambs to the slaughter. (Laughter.) I ask Mr. Mody to believe that it is definitely the view of the European Group that not only this Budget but the present scheme of taxation bears particularly hard upon the European, and that it is actually impossible for any normal European to forget the subject of taxation at any time of the day. I would ask him to consider the life of any ordinary European in this country. I wake up in the morning and I drink a cup of taxed tea. . . .

**Mr. H. P. Mody:** With taxed sugar.

**Mr. Arthur Moore:** I am afraid I save nothing by the fact that I do not use taxed sugar. I read some newspapers printed on taxed paper with taxed ink. I then have a bath with taxed soap, and when I dress, every garment that I put on is taxed. I brush my hair with taxed brushes; I go to my breakfast which I find laid on a taxed cloth with taxed knives, forks and spoons and dishes: I eat some taxed bacon with a free egg, and then I come to the Assembly in a heavily taxed car, which is driven by taxed motor spirit, and uses taxed oil. Then I find something different: here at least I have the privilege of listening to free speech in unlimited quantity. (Laughter.) My lunch and my dinner are a repetition, only more so, as regards taxation, of my breakfast; and if I manage in between to attempt with a taxed racket to drive a taxed ball over a taxed net, in the end I may by all these cares be driven to drink; and the Honourable the Finance Member has taken precautions that I shall have a taxed drink. After dinner if I go to the cinema, it is taxed as an entertainment, and the film itself is taxed already. Is it much wonder, that when I finally get into my taxed bed, I thank Heaven that the Finance Member has not yet succeeded in taxing my sleep. Well, that is the life of a European in this country,

and we contend that when the larger part of an increasing revenue is raised by the simple scheme of increasing import duties and increasing taxes on income, it becomes increasingly difficult for a European to live. The reason why we do go as lambs to the slaughter, the reason why we have adopted a very different course in this session from that which we adopted in March and from that which I feel pretty certain we shall be compelled to adopt in the future, is this and only this,—that we are convinced that there is in India a national emergency, and that there is a burden which has to be shouldered; and we are not prepared that our Indian friends should say that we failed on that occasion.

**Mr. Amar Nath Dutt:** Sir, I have an amendment to this clause 8; but as I am afraid, like the other two previous clauses this clause also may be deleted and I shall have no opportunity to move the amendment, I think I should say something about the clause itself. I whole-heartedly support my friend Mr. Lalchand Navarai. I do not know whether the cry that has been raised from interested quarters has been inspired from over there or whether it was a sincere one, that we should not allow the rich to escape and that they should not be taxed heavily. As my Honourable friend over there, Mr. Studd, has given us to understand, the word "rich" is a relative term; and a man getting 10 rupees a month may consider a man getting 30 rupees a month a rich man. I agree with him, and I think there are people here whose incomes go into six figures and still to some people they are not rich, while to others they are very rich. That being so, I do not think we can discriminate between the so-called rich and the so-called poor while the axe falls so heavily upon them. It is only five or six months since we have had the enhanced income tax; and that for what incomes? On incomes ranging from Rs. 2,000 a year upwards. Even that income-tax on Rs. 2,000 has been raised from 5 to 6 pies in the rupee. I think Honourable Members here can well realise the difficulty of a man whose income is Rs. 2,000 or 3,000 a year, or even Rs. 4,000 or 5,000 a year, even Rs. 10,000 a year, to pay income-tax at the rate fixed by the Finance Act of 1931. As for those people who are burdened with families, who have children to educate, who have daughters to marry, I think their incomes of Rs. 5,000 to Rs. 10,000 a year ought to be exempted from all income-tax. The income-tax is a very iniquitous tax. The principle of taxation according to the old canons of our Hindu sages was that nobody should be deprived of more than one-sixth of the produce which he gets from his land; and therefore the King was called *Sasthansabhak*. Here my Honourable friend the Finance Member wants to make the Government of India *Samagrabhak*, the devourer of the whole income which we get. In levying super-tax upon the rich people, you must also remember that those are the people through whose benefactions we have so many charitable institutions in the land which benefit the poor. Go to the town of Bombay, Sir, your own town, and you will find there the Sir Cowasji Jehangir Hall, the Cowasji Jehangir Eye Infirmary and several such institutions. If one has to pay half of his income in the name of income-tax and supertax then all such public benefactions will cease and that will not benefit the poor. I have calculated that people whose income is a little over 6 lakhs per year have to pay more than half their income under the Finance Act of 1931. In all consciences, it seems to me that the share that was laid down by the Hindu Kings of taking one-sixth from their subjects is the maximum that you can claim. But here you want to have more than half. To that I object, and so I have put down an amendment to lower the income-tax; in fact, the rate of income-tax on incomes of less than Rs. 10,000 ought

[Mr. Amar Nath Dutt,]

not to have been increased in the way in which it was done and the Finance Member again comes before us and asks us to increase it by  $\frac{1}{4}$ th for six months, which means that he wants to increase it by  $\frac{1}{4}$ th,—from 6 to 7½ pies in the rupee in respect of poor people whose income is Rs. 3,000, Rs. 4,000 or Rs. 5,000 a year. To this, Sir, we certainly cannot submit. In fact, I would like to reduce this income-tax to the extent of one half if that were possible, if this amendment for the deletion of the clause is not carried. But I hope it will be carried, for that interested cry does not appeal to us—that there is no harm in robbing the rich for the benefit of the poor. It is not really benefiting the poor, it is rather depriving the poor of the various charities that they receive from the rich.

Sir, I was surprised to hear from one Honourable Member about the evasion of payment of income-tax. I do not know what his own experience is in this matter,—I do not care to know it. Probably his experience in the matter is confined to a few commercial magnates like himself. I do not know whether they are really guilty of evasion of payment of income-tax or not, though he says that there are many commercial magnates who are extremely moral. Probably exploiting India according to him is not immoral. I do not know the meaning of that insinuation that there is evasion in the payment of income-tax. I shall just cite a short incident to the House, an incident which came to my knowledge during my professional career at the bar. I am the owner of a market in a village far off from the district town where I practise. Suddenly a half naked person came to me one day and I said, "Oh, I have seen you somewhere", and he promptly replied, "Yes, Sir, I am one of those cloth sellers in your market in the village. But here is a notice served on me for paying income-tax". I was surprised that a man who hawks about cloth in a village market should have been served with a notice for payment of income-tax. At that time, I may tell the House, the limit of income-tax was Rs. 500, and this man was asked to pay an income-tax of Rs. 20, while his whole stock was not worth more than Rs. 30 or Rs. 40. That is the way in which the watch dogs of the Finance Department administer the Income-tax Department, and I can tell the House that, so far as professional men are concerned, they are taxed more than their income. I know a junior pleader who was asked to pay a higher tax than he was really liable to pay, and the advice came from the Income-tax Officer himself, who said that, unless it is given out that your income is high, you will not be able to get higher fees. That is the way by which the professional people are taxed, and the less said about the Income-tax Department the better. In mofussil towns, at least in my own province of Bengal, there is no evasion from people who ought to pay taxes. There may be a few rich people, who resort to such evasions,—but I cannot say anything about it. I do not say that the commercial magnates pay less than what they ought to pay; if an evasion is there it may be there, but I do not care to know it.

Sir, it was really a great surprise to me to find my very amiable friend, the Friend of India, Mr. Moore saying that the European Group comes here like so many lambs to be slaughtered. I hear also a sinister voice from a corner of the House that they are wolves in sheep's guise. (Laughter.) I do not subscribe to that opinion,—I wish they were so many lambs, and I hope they are so. They are inoffensive no doubt, but at the same time in all measures, be they good for the country or be they good for the

good of their own community, they walk into the lobby with those who occupy the Treasury Benches. Sir, I think if they want to have any connection with India which will be for the mutual benefit of their country and our own,—for I believe that it is an all-wise Providence that has mixed up our destinies and that we are destined for many a long and weary year to work side by side for the common benefit of both of us,—of course, at times we are apt to forget these sound canons which ought to govern our conduct,—as I said, if my friends want to have any connection with India, they ought to sympathise with our aspirations and desires and work for our good. I am, Sir, one of those who do not advocate any kind of disorder or anarchy in the country. I do not expect to gain anything by disorder and anarchy, and I think I am more interested in the preservation of law and order in this country than my friend over there, for I know that my ancestors have lived in this country for more than three thousand years, and I have no other country to look to where I can go and settle down, while my friend over there can pack up his bag and baggage and say, "All right, good-bye to India, we will not stay here". (Laughter.) So it does not do justice when he says that some of us are not interested in the preservation of law and order . . .

**Mr. Arthur Moore:** I did not say that.

**Mr. Amar Nath Dutt:** I mean by you the Europeans as well as the Official Benches.

**Mr. President:** We are now dealing with the income-tax surcharge.

**Mr. Amar Nath Dutt:** Yes, Sir. (Laughter.) Sir, this surcharge, as I was submitting before the House, will help my friend, who is enjoying a hearty laugh over there, to get high and fat salaries for himself and his colleagues, but, Sir, considering the income of the traders, the income of the professional men, the income of the agriculturists have gone down very considerably even by 60 or 70 per cent., it is hardly fair to tax the people further; therefore, I demanded that in order to balance the Budget every salary should be cut down to the extent, not of 30 per cent, to which my friend the Finance Member took exception, but to the extent of 50 per cent. and thereby you should balance the Budget. If you do not want to serve India on reduced salaries to such an extent as I have mentioned, then you are quite welcome to go back, and we will manage our own affairs (Loud laughter), but do not increase the surtax and super-tax which has reached bursting point.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 18th November, 1931.