

Thursday, 19th November, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume VII, 1931

J.R.R.

(4th to 20th November, 1931)

SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY, 1931



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Legislative Assembly.

President :

THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E.

Deputy President :

MR. R. K. SHANMUKHAM CHETTY, M.L.A.

Panel of Chairmen :

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MR. ARTHUR MOORE, M.L.A.,

SIR MUHAMMAD YAKUB, KT., M.L.A.,

RAI SAHIB HARBILAS SARDA, M.L.A.

Secretary :

MR. S. C. GUPTA, BAR.-AT-LAW.

Assistants of the Secretary :

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RAI BAHADUR D. DUTT.

Marshal :

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

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

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LEGISLATIVE ASSEMBLY.

Thursday, 19th November, 1931.

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

STATEMENT LAID ON THE TABLE.

MEMBERS OF RETRENCHMENT COMMITTEES WHO HAVE DRAWN ALLOWANCES.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to lay on the table the statement promised in reply to starred question No. 1334 asked by Mr. Badri Lal Rastogi on the 16th November, 1931, regarding the names of the Members of the Central Retrenchment Committee and its Sub-Committees who have drawn the daily and travelling allowances.

Statement showing the names of members of the Central Retrenchment Advisory Committee and its Sub-Committees who have drawn the daily and travelling allowances admissible for meetings attended by them.

MAIN ADVISORY COMMITTEE—(for meetings on 25th to 28th May).

Non-Officials.

1. The Honourable Sardar Bahadur Shivdev Singh Uberoi.
2. The Honourable Mr. G. A. Natesan.
3. The Honourable Mr. Bijay Kumar Basu.
4. R. K. Shanmukham Chetty, Esquire, M.L.A.
5. Diwan Bahadur T. Rangachariar, C.I.E., M.L.A.
6. Kshitish Chandra Neogy, Esquire, M.L.A.
7. B. Das, Esquire, M.L.A.
8. Rai Sahib Harbilas Sarda, M.L.A.
9. Amar Nath Dutt, Esquire, M.L.A.
10. Sir Abdur Rahim, K.C.S.I., Kt., M.L.A.
11. Diwan Bahadur A. Ramaswami Mudaliar, M.L.A.
12. Dr. Ziauddin Ahmad, C.I.E., M.L.A.
13. S. C. Mitra, Esquire, M.L.A.
14. J. Ramsay Scott, Esquire, M.L.A.
15. E. F. Sykes, Esquire, M.L.A.
16. Muhammad Yamin Khan, Esquire, M.L.A.
17. Maulvi Muhammad Yakub, M.L.A.
18. A. H. Ghuznavi, Esquire, M.L.A.
19. K. C. Roy, Esquire, C.I.E., M.L.A.

Army Sub-Committee.

Diwan Bahadur T. Rangachariar, C.I.E., M.L.A. (Chairman.)

The Honourable Major Nawab Sir Mohammad Akbar Khan, K.B.E., C.I.E., I.A., Member.

The Honourable Sardar Bahadur Shivdev Singh Uberoi, Member.

Up to 7th
August.

Maulvi Sir Muhammad Yakub, Kt., M.L.A., Member.

Diwan Bahadur A. Ramaswami Mudaliar, M.L.A., Member.

Mr. E. C. Benthall, Member.

Mr. F. C. Bovenschen, C.B., Member.

Railways Sub-Committee

Mr. R. K. Shanmukham Chetty, M.L.A. (Chairman).

The Honourable Khan Bahadur Hafiz Mohammad Halim, Member.

Dr. Ziauddin Ahmad, C.I.E., M.L.A., Member.

Mr. Nalini Ranjan Sarkar, Member.

Mr. E. F. Sykes, M.L.A., Member.

Mr. Balaram Aiyar, Member.

Posts and Telegraphs Sub-Committee.

The Honourable Mr. B. K. Basu, Member.

Mr. Amar Nath Dutt, M.L.A., Member.

Mr. Muhammad Yamin Khan, C.I.E., M.L.A., Member.

*Mr. F. C. Annesley, Member.

Mr. N. V. Raghavan, Member.

Stores, Printing and Stationery Sub-Committee.

The Honourable Mr. G. A. Natesan (Chairman).

Mr. B. Das, M.L.A., Member.

Mr. A. H. Ghuznavi, M.L.A., Member.

Mr. Jagan Nath Aggarwal, M.L.A., Member.

Mr. S. C. Lyttelton.

General Purposes Sub-Committee.

Sir Abdur Rahim, K.C.S.I., Kt., M.L.A. (Chairman).

The Honourable Lala Ram Saran Das, C.I.E.

Mr. Rangaswamy Ayangar, Member.

Mr. S. C. Mitra, M.L.A., Member.

Mian Muhammad Shah Nawaz, C.I.E., M.L.A., Member.

Mr. K. C. Roy, C.I.E., M.L.A., Member.

Rai Sahib Harbilas Sarda, M.L.A., Member.

Mr. Ramsay Scott, M.L.A., Member.

Khan Bahadur Hafiz Wilayatullah, I.S.O., M.L.A., Member.

Public Works and Accounts and Audit Sub-Committee

Mr. K. C. Neogy, M.L.A. (Chairman).

The Honourable Mr. Hussain Imam, Member.

Mr. G. Morgan, C.I.E., M.L.A., Member.

Diwan Bahadur R. N. Arogiaswamy Mudaliar, Member.

Rai Bahadur Bishan Swarup, Member.

Mr. M. K. Mitra, Member.

Note.—The Honourable Sir George Schuster, the Honourable Sir Arthur McWatters and Mr. J. C. Nixon, being officials did not draw any allowances. Sir Cowasji Jehangir has not drawn any allowances, neither has Mr. F. C. Annesley for sittings of the Posts and Telegraphs Sub-Committee at Bombay. Mr. N. M. Joshi did not attend any meeting of the Main Committee or the Railway Sub-Committee.

*Did not draw daily allowance for Bombay sittings.

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

Mr. President: Further consideration of the Finance Bill.

Mr. Lalchand Navalrai (Sind: Non-Muhammadian Rural): Sir, I support this amendment. This amendment stands in my name too and I feel it my duty to point out the difference between clause 8 and clause 9 in order that Honourable Members may not get discouraged by the failure we had on the amendment to clause 8. I personally am taught to be optimistic. I consider failures as successes in disguise. I also consider that if on questions like this there is certification from the Viceroy, that defeat also will be a blessing in disguise. I would therefore request all the Members of this House to act on this amendment in a sporting manner. They should try once more and support this amendment to clause 9, which will certainly be more beneficial to the country than not voting or remaining neutral. The principle of the two clauses is no doubt the same, but there is a vast difference between the two clauses, a difference about which we have been agitating from the beginning while delivering speeches on this debate here, and I remember that on not less than three or four occasions, if not more, I have entered into the reasons for deleting these clauses. The difference between the two clauses is, I submit, this. Clause 8 refers to the surcharge being provided to the Government for the present year, which is the year 1931-32. That means in passing that clause we have agreed to the surcharge of tax being placed upon the people for this year; whereas clause 9 refers to the surcharge which we are being asked to levy for the year beginning with April 1932. We are going to consider this clause at a time when the Budget is not before us; we are being asked to pass this clause 4 months before the Budget time. I ask those who voted against the amendment to clause 8 and have been a party to the passing of clause 8 to consider the question both on the grounds of constitution and reasonableness. Therefore I would request you to give your attention to that particular point on which these two clauses differ. There is every justification on our side not to pass this clause. Sir, I know the position of the Treasury Benches. I may say in one word they are immovable. They have one tune to play on their strings, and that tune is "national emergency". All the other reasons are overlooked. That tune I may say has by this time, to us at least, become absolutely discordant. On that tune only some of the Members of this House are also carried away to help the Government. Sir, on our part we do not accept that there is an emergency of such a nature that we should give into the hands of the Government revenues to be spent by them as they like in the year 1932-33. On this point I would submit, that personally I for one, would not call it a "national emergency"; I may call it a "British emergency" and I think it is only because the rupee has been divorced from gold that we are forced to enter on this situation. All our gold has virtually disappeared and we live here on paper currency. Sir, I am reminded of one incident, a deplorable one, that I observed in Germany when I went there in 1926. I found that one Indian boy—a student—had gone there,—I think he belonged to the United Provinces. I noticed him walking about in the streets. I questioned him, "What is the matter with you? What have you come for and what examinations have you passed?". He said he was a graduate from India,—the United Provinces. His father was able to give him Rs. 6,000 to start his career for higher education in Germany. That was

[Mr. Lalchand Navalrai.]

a time when there was a boom in marks. You all know how marks had risen—the paper money. They gave only 2 silver marks and got noted on the paper 100 marks. What that indiscreet boy then did was to invest all the Rs. 6,000 in purchasing paper currency; and he kept that treasure in his house. At night he was dreaming that he had got so rich that he would one day return to India somewhat like a Raja of Kashmere. He thought he would be carrying home not only good education, but so much money as would in life help himself, his brothers, relatives and all. But what became the fate of it? He said, "After the war was over, there came the death knell from the Government of Germany legislating that the paper money had no value". And he told me he had not enough to live upon, even to have a full meal a day. Such are the consequences of paper currency. I was amused only two days back to see a picture in, I think, the *Hindustan Times* of a parlour or a room in which this currency of Germany was eventually used as wall-paper: it was so much that it could not be thrown away so it was contrived to be used as wall paper. We may not be on the verge of such a condition. God forbid; but I think the conditions, as they are, are dragging us down.

I may be permitted to say a word with regard to my friends in the European Group. I was very pleased yesterday or the day before, when clause 8 was being considered, to see two Honourable Members of that Group, unlike their usual practice, coming into our lobby. I was very pleased to see that they had seen through the seriousness of the situation and they had realised and felt that it is their community and their constituency which was being affected first by a surcharge like this. They came in; but what about the others? I would ask them to remember the picture that was painted for them by their leader, Mr. Arthur Moore. Mr. Moore has been giving us many times his interesting speeches, though of course we know on which side they lean; but he has pictured to them one thing; he has told them, "We are going like lambs to the slaughter" in this House. I would tell my European friends, "Why do you go to the executioner at all? Do not go near him. We on this side,—the popular side,—want you; give your vote where it is due and don't give it only to the tune of simple so-called emergency". I hope at least on this point of surcharge they will go into our lobby, the popular lobby, rather than with the Government.

One word is due to my friend there,—my esteemed friend—Mr. Desanges, who represents the Anglo-Indians. The other day he delivered his brilliant maiden speech in this House, for which he has been congratulated from many parts of the House. For my own part I consider it not only brilliant, but I derived therefrom the impression that he has very many soft corners in his heart for the poor. He showed some of his independence too.

Turning now to my friend, Mr. Brooke Elliott, I find him always interesting, giving us interesting anecdotes and episodes of his life and of others. But so far as both Mr. Elliott and Mr. Desanges are concerned I have not been able to understand one thing; both of them at the end did not use their vote; they did not go into either lobby but remained neutral. I have not understood this philosophy yet. However, I must say there was some justification for them not to enter the Government lobby, because they would have simply stultified themselves, after

having spoken in that manner for the poor. But may I not justly say that it would have been right on their part to be consistent and to walk into our lobby? Perhaps it was a weak moment, that was responsible for it, but I hope this weakness will not be exhibited on the present measure. I am sorry Mr. Elliott is not in his seat.

Passing on now to some of the waverers, I submit I must tell them that this is not a matter in which they should waver; this is a matter in which they should show their strength; and they should take the word from their own consciences and not from the Government conscience. I hope that they will muster strong on this amendment.

Coming now to my respected friend, the Finance Member, I must say that, when I heard his reply yesterday, I thought at one time he introduced some heat into the debate; I have now been hearing his speeches for some four years, and I must say that his speeches are always characterised by softness and dispassion. On this occasion also he did not lose himself; but I must say that he tried to justify something which we did not expect. On our side there have been assertions not only from a humble back bencher like myself, but even from the Leader of the Opposition, who put the case so clearly and also from my Honourable friend on my right, Raja Bahadur Krishnamachariar, who put his concrete instances with regard to the maladministration in the Income-tax Department. The Finance Member merely told us that he repudiated all reflections that came from this side of the House. It was wrong of him to have done so. He should have paused and he should not have come to a conclusion so hastily and given a certificate to those who are doing this work and against whom we have made our attack. It is something like this. By that action, by giving a clean slate certificate, he has spoiled his own already spoiled children in the Income-tax Department. I expect from a considerate man like him that in his mind of minds he is thinking of issuing confidential orders requiring them to be more judicious if not judicial. I must say that on this side of the House we did not touch at all the question of the honesty of these officers; and after reading and re-reading the speech of the Finance Member on that point, I find that he has been challenging the question of their honesty. On that point I must tell him that we did not say they were dishonest from his point of view; but I must tell him that their procedure is nothing less than judicially dishonest.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): May I ask the Honourable Member one thing? Is he not aware of the fact that shopkeepers have generally two kinds of registers, one for themselves and one to show to the Income-tax Officer? Have you any knowledge of that?

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhamadan): You have justified your nomination!

Mr. Lalchand Navalrai: Nomination or no nomination, I have a fit answer to give to my Honourable friend. Sir, I think the Honourable Member is not dealing with them at all. Take it from our Leader of the Opposition, take it from so many Members on this side of the House who have had dealings with them, that the procedure of the Income-tax Officers is wrong; their decisions on appeals are reduced to a mere farce and all orders are dictated from above by the Commissioner or the Assistant Commissioner that the cases of the assessee should be disposed of in a particular manner.

Major Nawab Ahmad Nawaz Khan: You had better take it from the public.

Mr. Lalchand Navalrai: I do not accept your verdict. Then, Sir, I must tell my Honourable friend the Finance Member that he should give an advice to the Government not to be so persistent or pugnacious as they have been on the question of graduation of salaries. The other day my friend Mr. Jog put a question to the Finance Member with regard to these cuts, whether they are going to be on a graduated scale or uniform, and the reply was that the cuts would be uniform. I do not agree with what the Finance Member said in his reply; it is not a uniform cut at all. The ten per cent. cut applies to the lower paid subordinates; only in the case of some it comes to 9½ per cent., while in the case of the higher paid officers it comes to not more than 5 per cent., and therefore the contention of the Finance Member that this 10 per cent. cut is uniform is not at all correct. When my friend said that the cut would be uniform, I interjected and put him a direct question whether the Honourable Member had decided that that question would not be given any reconsideration. Well, Sir, his reply was, I should say, evasive. He simply said, "the Honourable Member is entitled to draw that inference from the form of my answer". That reply was very disappointing to me. So I again asked him if he would be good enough to be more precise in his reply. One advice, if he would care to take it from me, would be, that he should always be open to conviction until even the last moment. Sir Abdur Rahim, the Chairman of the General Purposes Committee, has established a case for a graduated cut, and there are several Honourable gentlemen on this side who support that view. Therefore I would request my friend the Finance Member to remain open to conviction on this and not to be persistent; he should consider our suggestion over and over again, and consult the House on that point, because I can assure my friend that we are not going to pass the next Budget unless and until the retrenchment proposals are placed before the House. They must be considered very carefully and on every point, otherwise we will say, "Yours is guess work, a forecast and not even an estimate". Therefore, Sir, I ask you to give us an opportunity to consider and discuss the retrenchment proposals, and only then the Budget can be considered and discussed in a manner worthy of this House.

Then, finally, I have really only one word more to add, and I have done. I do not propose to repeat my reasons which I advanced on clause 8. Clauses 8 and 9 are, as I said, similar in principle. The difficulty with regard to clause 9 is about the time for which the House is giving the surplus amount into the hands of the Finance Member which is much in advance. For these reasons I strongly support the motion before the House.

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): Sir, a great deal has been said already in regard to clause 9, and I do not propose to go over the same ground again. I would, however, touch briefly on one or two points and will not detain the House for more than a few minutes. On the 17th instant, when the question of assessment on incomes ranging between Rs. 1,000 and Rs. 2,000 was under consideration, I remarked that frequent changes in the administration of the Income-tax Act were undesirable, and the Honourable the Finance Member was pleased to point out that, so far as incomes between Rs. 1,000 and Rs. 2,000 were concerned, they had not been assessed for

several years. Sir, in the present case all the incomes which are under consideration were revised as recently as March last, and yesterday when we passed clause 8, there was a further enhancement sanctioned. Today we are dealing with a clause which will bring about a still further enhancement from next year. For these reasons I would again repeat my remark that such frequent changes in the income-tax law are very undesirable.

Sir, it has been said again and again that there is a national emergency and that this taxation is only of a temporary character. Sir, I have read in the papers that in the House of Commons a Bill has been introduced to effect a cut of 10 per cent. in the salaries of Government servants, and there is a specific clause in it that it will not come into operation before the 31st December, 1931, and that it will not last beyond March 1933. But, so far as the present Finance Bill is concerned, there is no such provision made. There are some clauses in this Bill, which no doubt seem to indicate that the enhancement so far as certain taxation is concerned will be of a temporary character, but, sure enough, there are other clauses too which show that some fresh taxation and also some enhanced taxation will be of a permanent character. If there had been a clause in our Finance Bill similar to the clause in the Bill which is before the Parliament, a considerable amount of misunderstanding and misgiving would have been removed, and the position would have been quite clear. It would have greatly disarmed the Opposition.

Then, Sir, the retrenchments proposed by the various Retrenchment Sub-Committees have not all been formulated yet, and are not before us, some items of enquiry not having been touched at all. I have an apprehension that they are likely to be ignored to a large extent. There is still a great deal of work to be done, and I feel sure there will be a large amount of saving than is anticipated today, and as all that money will be available, it will not be difficult to balance the Budget. For these reasons, Sir, I support the amendment.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, it is unfortunate, very unfortunate indeed, that at a time when the constitution of our country is in the melting pot, especially when the question of responsibility in the Centre is under discussion, Honourable Members adorning the Opposition Benches should show so much lack of responsibility. (*Opposition Benches*: "Hear, hear.")

Mr. B. Das (Orissa Division: Non-Muhammadan): I strongly object to the expression.

Sir Muhammad Yakub: I am glad that my Honourable friend has taken objection to my words, but I am sorry that my Honourable friend did not raise any objection to the most objectionable speech, to the most unbecoming speech, which was delivered, from the floor of this House, by my Honourable friend Mr. Gunjal last evening when he openly attacked the *bona fides* and the conscience of Honourable Members. I hope that Honourable Members will desist from making unbecoming remarks upon their colleagues.

Well, Sir, I was saying that the Honourable Members who adorn the Opposition Benches have shown a lack of responsibility.

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): I repudiate it.

An Honourable Member: What Benches do you represent?

(There were also some other interruptions.)

Mr. President: Order, order.

Sir Muhammad Yakub: "Heads I win, and tails you lose." That is the principle on which my Honourable friends have generally acted. On the first day it was said, "Do not raise the postage of the poor man". On the second day it was said, "Don't take the salt of the poorest man". On the third day it was said, "Don't put your hand into the pockets of the middle class people", and now, on the fourth day we are told, "Don't tax the rich man because the rich man is not rich enough". Now, Sir, if the poor man is not to be taxed, if the poorest man is not to be taxed, if a rich man is not to be taxed, and if the richest man is not to be taxed; I do not know how the Budget of the country is to be balanced. I think if my Honourable friend (Mr. D. K. Lahiri Chaudhury) and I were to be put on a scale, probably his weight would go a great deal more to balance the Budget than my weight. (Laughter.)

Mr. D. K. Lahiri Chaudhury: Thank you. I accept it.

Sir Muhammad Yakub: It has been pointed out that by giving effect to the recommendations of the Retrenchment Sub-Committees it may be possible to get more money and that it may be possible to balance the Budget, without imposing new taxes. Probably it may be right and correct. But, Sir, we know that it must take a very, very long time before the recommendations of the various Retrenchment Sub-Committees can be appreciated and given effect to. My Honourable friend Sir Abdur Rahim himself admitted yesterday that the Retrenchment Committees have not got sufficient time and that they have got to cover a wide field. It is quite correct. The Retrenchment Committees have only performed a part of their work, and probably it will take some time before they can traverse all the avenues of those wide fields, and it must take at least some years before the results of those retrenchments can be appreciated. But money is required just at present. The present Finance Bill, which is of a temporary character, has been introduced at this time of the year because money is required to balance the Budget for the current year and also the Budget of the next year. Expenditure cannot wait. The results of the recommendations of the various Retrenchment Committees are not yet fully ascertained, and so there cannot be any force in the argument that you should wait for the results of the recommendations of the Retrenchment Committees. It would be tantamount to this that Government should cease to function at least for two years, and that is an argument which cannot appeal to any reasonable minded person.

Sir, I quite agree with my Honourable friend the European Member from Burma when he says that a great deal of evasion is going on, in the country, in the realisation of the income-tax. Well, he has given his experience of Burma. My experience is confined to my own province, the United Provinces, and through you, I want to point out to the Treasury Benches that really a very great deal of evasion is going on in the collection of income-tax. If only the Government would improve the Department of income-tax and see that the income-tax is fully collected and realised, then I am certain that they would have realised probably twice as much from income-tax as they realise now, and probably there would not be any necessity to impose fresh taxation. It is chiefly the money-lender who is evading the payment of income-tax. As my Honourable friend has pointed out, in the first place they will not show their account books, or their *bahikhatas*, to the Income-tax Officer. Even when they are obliged to

do so, they keep a double set of account books. One set of account books is kept only to show to the Income-tax Officer, and the other set is kept for their personal use. Then, Sir, the promissory notes and other documents are never produced before the Income-tax Officer, and the money which is lent on promissory notes and other documents is not entered in the *bahikhatas*. In this way a very large amount of income which they derive through money-lending by means of promissory notes and big documents escapes the notice of the Income-tax Officer. The Honourable Member from Burma has suggested certain remedies, and I quite agree with him. Certainly, if the Government could amend their rules in such a way that no accounts books will be received in evidence in any civil court unless they are stamped with the seal of the Income-tax Officer, a great deal of this evasion would be stopped. Then, the law may also be amended in this way that no promissory note and no bond or other document would be received in evidence or would form the basis of a suit unless it is stamped with the seal of the Income-tax Officer to show that it has passed through the hands of the Income-tax Officer. One more reform in this direction can very much help in preventing the evasion of income-tax, and that is a system of registration of money-lending. If you start a system of registration of money-lending in this country, by which no man should be allowed to carry on the profession of money-lending until he is registered as a money-lender (Laughter from Nationalist Benches.)—it is not a novel system. Of course, the fraternity of money-lenders may laugh and jeer

Mr. Lalchand Navalrai: Is he a money-lender or a money helper?

Sir Muhammad Yakub: He is both. He helps his own pocket, and he ruins others. So, I say if a system of registration of money-lenders is adopted in the country, I think a great deal of the evasion would be stopped

Mr. D. K. Lahiri Chaudhury: On a point of order, Sir. Is the Honourable Member in order in talking of money-lenders under this amendment?

Sir Muhammad Yakub: I think the Whip of the Independent Party should learn something more before he tries to make these interjections.....

(There were some interruptions.)

Mr. President: Order, order. What is the point of order that the Honourable Member (Mr. D. K. Lahiri Chaudhury) wishes to raise?

Mr. D. K. Lahiri Chaudhury: My point of order is in connection with this amendment. Is the Honourable Member in order in speaking of money-lending business under this amendment? Is that relevant?

Mr. President: The Honourable Member (Sir Muhammad Yakub) is perfectly right in saying that this increased taxation has become necessary owing to certain defects in the administration and that if those defects were remedied there would be no occasion to impose these taxes. The Honourable Member is perfectly in order.

Mr. A. H. A. Todd (Madras: Nominated Official): May I ask the Honourable Member how he would deal with those numerous ryots who use their surplus money for the purpose of money-lending? Money-lending is not confined to the profession of money-lenders. Almost every man lends money.

Sir Muhammad Yakub: Of course, that is an evil. This system of irregular money-lending is one of the chief sources of the ruin of this country. Any man who has got a surplus of a few rupees in his pocket would start money-lending at very high rates of interest and ruin the country. Therefore I propose that the system of money-lending should be regularised in this country and money-lending should be registered. No man should be allowed to start the profession of money-lending unless he has registered himself as such. Of course it is quite a different thing to lend a small sum to a friend now and then. By that you do not become a professional money-lender and no registration is required for that. In the case of a professional money-lender, who derives his chief income from money-lending, this system should be adopted, and I think that such a system is even now in vogue in some civilised countries. By this means you will get a new source of income as well. There must be a registration fee for every professional money-lender. The income from money-lending is higher than the income from any other profession or trade. A rate of 200 per cent. in some cases, and 75 per cent. generally is the rate of profit, and no other business yields so much profit in this country. If you regulate this system of money-lending and overhaul your Income-tax Department, you will be able to realise three times the income that you now derive, and it will not be necessary for the Government to impose the new taxes and come up to the House every six months with a Finance Bill.

A hint has been thrown out by certain Honourable Members that if we do not vote with the Honourable Members on the opposite Benches, then the income derived from agriculture will also be taxed. I submit it is entirely misleading. Only those capitalists, who have got no landed property and who have got their money in Indian and foreign banks, have suggested that the income derived from land should also be taxed. It is not correct to say that the income derived from the land is not taxed. Every pie of the income which a landlord derives from his land is taxed and is taxed so heavily that no other source of income is taxed so much. A landlord has to pay 45 per cent. of his income from the land to the Government in the form of land revenue. Including cesses and other taxes, it comes to 65 per cent. If a poor landlord has to pay 45 to 65 per cent. of his income to the Government, why is so much hue and cry raised if a business man or a capitalist, who has got his money in the banks, is at a moment of national emergency asked to pay, say, 10 per cent. of his income? I submit there is no justification for it. Yesterday my Honourable friend, the Leader of the Independent Party, thought that our duty in this House is only to criticise. I agree with him to a certain extent. It is our duty to criticise the Government when they are wrong, but our duty does not end there. We have also certain responsibilities placed upon our shoulders. We must also suggest some constructive proposals. The constitution of our country is in the melting pot. We are now, so to say, undergoing a trial, and it is for us to show how far we can shoulder the burden of administration if we really want freedom for our country. Simply to make barren criticism without any constructive suggestions would not help us. I would not mind if we voted down certain demands proposed by the Government. Certainly it ought to be the attitude of every reasonable man that he should look into the merits of the case. If Honourable Members are really genuine in their criticism, I cannot understand why they have opposed every item in this Finance Bill. Is there any single demand that has not been opposed by my friends? It only shows that the sense of responsibility is not at all realised and that

opposition is carried on in this House for the sake of opposition only to gain some cheap popularity in the country.

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Clause 4 about customs was not opposed.

Sir Muhammad Yakub: I do not know why it was not opposed, but even the tax on machinery which was for the good of the country was opposed.

Mr. D. K. Lahiri Chaudhury: You are the only elected Member who voted with the Government in regard to the tax on machinery.

Sir Muhammad Yakub: Honourable Members do not seem to realise that by the taxation on machinery you give an impetus to the trade of the country. They do not realise that necessity is the mother of invention. A complaint has been made that we do not manufacture machinery in this country. If we go on depending upon foreign countries for our machinery we will never be able to manufacture machinery in India. It is time that India put her shoulders to the wheel and began making machinery here in order to make India independent of foreign countries in the matter of importing machinery. So I say that the tax on machinery was in favour of the country and not against it, and I was perfectly right when I voted for putting a tax on machinery. So, Sir, the opposition which has been raised to this clause clearly shows that the intention of the Opposition is not to help the poor. If you do not want even to tax the rich men, naturally the hand of the Finance Member will go deep into the pockets of the poor. Therefore, if you want to save the poor, the only way, and the most effective way, is to support the motion now before the House. For these reasons, Sir, I support the motion and oppose the amendment.

Mr. B. N. Misra (Orissa Division: Non-Muhammadan): Sir, I do not blame you for the opportunity which I now get so late. (Laughter.) (*Sir Muhammad Yakub*: "Because you are wearing a new beard!") Sir, before I speak about the manner and the method and the desirability of retrenchment and about the administration of the Income-tax Act, I should like to put certain questions to the Honourable the Finance Member, and I hope he will not consider me impertinent for putting these questions which are very important. When we come to consider the question of retrenchment or of income-tax side by side, we must think over the question, what is the present position of the services, high or low, in this country? I should like to put very seriously this question to the Honourable the Finance Member: "Is there any country on the face of the earth—say Germany or America or Canada or France—where the administration is carried on at such an unconscionably high scale of expenditure as India? Is there any service in any other part of the world which can parallel the higher services in this country in pay and so forth?" Sir, before my Honourable friend gives his answer, I shall just tell him something about the comparative system of expenditure on the low and the higher paid services in some other countries. Sir, the other day the Honourable the Finance Member was telling us something about the system of taxation and so forth that obtains in America and in England. I want to put to him the question, "What is the system in the United States of America of the grades of pay of the low-paid clerks and of the high administrative Executive and Judicial officers?" Sir, I may tell you that in the United States—I am talking in rupees, not in dollars—the average pay of

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the lower-paid clerks is about Rs. 3,125 annually, and that of the highest-paid administrative or judicial officers is about Rs. 27,400, or in the proportion of 1 to 9. That is the system in America, but will the Finance Member say that America is a badly governed country where the administration is not properly conducted? Now I shall just point out to the House the system that prevails in Germany. There the pay of the lower-paid clerks is about Rs. 1,110 and the highest salary of the higher officials is about Rs. 14,960, the proportion being 1 to 13. If my Honourable friend does not recognize these countries as being well administered, I shall put before him the case of Canada from where His Excellency the Viceroy comes, and I think His Excellency will certify that it is one of the best administered countries, and what is the system obtaining there? The pay of clerks is about Rs. 1,650 and of the highest officials Rs. 27,400, the proportion being 1 to 17. In Japan—which of course is a poorer country than the examples I have so far given—the national income per head is Rs. 295. The salary paid is Rs. 650 annually for the clerks and a member of the highest services gets Rs. 8,800, the proportion being 1 to 13. Now I shall come to the Honourable the Finance Member's own mother-country or fatherland, whatever he calls, the United Kingdom. What is the proportion there between the pay of the lower-paid clerks and that of the highest, the Prime Minister, who is now deciding the fate of India, and of the Secretary of State, and so on? Sir, the lowest clerical salary in England is Rs. 1,266 annually in rupees, and the highest salary is about Rs. 40,000 for the highest administrative posts, the proportion being 1 to 32. Now, Sir, I come to India. (Hear, hear.) What is the proportion? The annual income *per capita* is the lowest of all countries, namely, Rs. 74 or about Rs. 6 a month, and, Sir, please note that the clerks earn, as you know, say Rs. 30, or Rs. 360 annually (there are several classes who get much less than this even),—and what is the highest pay of an administrative post? It is no less than Rs. 48,000. I am not taking here into account the pay of Executive Councillors, Governors, etc., which is very much higher. Excluding the latter, the proportion between the lower-paid services and the higher-paid services is 1 to 133. Sir, that is the percentage in India, as compared with the position in the rest of the world! Now I have given these figures just to compare the system of pay of the lower and the higher grade services in India, and that in other parts of the world.

Coming to the question of retrenchment, I ask, how much can you retrench in the case of the lower-paid clerks? You cannot take away cent per cent in the case of the lower services which are already very inadequately paid. On the other hand, in the case of the higher services, is it not the case that they can bear burdens immeasurably greater than in the case of the lower services? It is contended that the sacrifices the higher services make for the benefit of India are very liberal. I wonder, Sir, that the Honourable the Finance Member and his Honourable colleagues have thought it fit and proper that a uniform ten per cent cut is reasonable both in the case of the men on princely salaries and the men on very meagre salaries. In fact the system adopted may be said to be a purely mechanical process of arithmetic. Have the authorities paid any thought to bare justice, equity or reason? I submit, Sir, the procedure is grossly much less than this even),—and what is the highest pay of an administrative cases? You can easily work it out. A man on Rs. 60,000 annually will now, after the cut continue to get only 6,000 less; or Rs. 54,000, and he

cannot be said to be badly off; but the clerk on Rs. 600, annual income, will, after the cut, get only Rs. 540, and his primary, essential needs for his family cannot be met. So I am asking this serious question, is it equitable, is it just, is it reasonable, is it honest, to ask a man who is getting Rs. 600 pay as much, or in the same proportion, as the man who is getting Rs. 60,000? Does my Honourable friend think that that man

really turns out work which is a hundred times better or larger
12 Noon. than the other man? We have heard of Ravana, who had ten heads. We could go to that extent, but the poor Indian clerks have probably more burdens than the higher officers. They have got more children to feed as they perhaps do not follow some of the preventive and other methods that are prevalent in the West. And I think they probably work more hours than these higher officers. From the commencement of their work down to the end of the day when they retire, they work from morning to night, which their superior officers themselves will perhaps testify. My position is that these higher officers do not deserve to draw such a high salary as 133 times more than these Indian officers. I will now put it in the reverse order. Suppose my friend the Finance Member is satisfied with the 10 per cent. cut, I ask him whether the high paid officer will be contented with getting ten times or twenty times the salary of the Indian officer. Let him pay that man 30 times more than the Indian officer. We do not find in other countries people drawing 30 times more than others. In England of course it is 32 times. We follow England in everything, so let us follow them in this also. Let him take even 32 times, or even 40 times more. We shall be content with this retrenchment on a proportionate basis. Sir, these retrenchment committees can do no good unless the whole system is completely overhauled. That is what is necessary now.

Now, Sir, with regard to income-tax, which we have been discussing, it has been said by Honourable Members on the Treasury Benches, as also by some Honourable Members here, that it is very just, as there are Indian brothers there. I shall tell you what my experience is. Some years ago when there was not the present Income-tax Act in force and it was not separately administered, and the Deputy Collectors or other officers decided these matters, I appeared in an income-tax case, and the Deputy Collector said to me, "Mr. Misra, you should not appear in these income-tax cases; Government have no pleader and why should you come in these cases?". That is how income-tax was then being administered by the authorities. They wanted to be monarchs and this was their attitude.

Mr. President: Would it not be better if the Honourable Member came down to the present times?

Mr. B. N. Misra: I will also tell you what is happening at present. I remember at one time when the limit was only Rs. 500 there were tahsildars who imposed income-tax, and a certain tahsildar who did it was suddenly transferred to another place. Another man came and he found that one man was assessed with income-tax who had not even a *thala* worth 12 annas. If he blamed his predecessor he would himself be found fault with, and so he asked all the villagers to subscribe something so that he might remit it to the treasury. This was before 1920. Now I will tell you how the present zealous officers, to whom the Finance Member yesterday gave such grand certificates, are working; and after listening to me you will see whether those certificates have any value. A particular Income-tax Officer wanted to show a greater income in the

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district. So he went to a village of braziers who make brass and copper utensils. He told them that a Rajah wanted to give his daughter in marriage and so he would buy utensils from the man who had the biggest business. He told them to prepare figures of their business. In the hope of getting work from that Rajah, these people prepared big lists of their transactions, but after the officer got these papers, the Rajah was nowhere and the marriage was nowhere, but the people were assessed on the income shown by themselves. This happened in 1922. These income-tax people get about 150 or 200 rupees a month, whereas even our graduates and M.A.s get only Rs. 50. They commit any amount of sin that you can imagine. They can even kill a man, but then who will be responsible for all these sins? I say the Finance Member and his supporters are responsible. Once you pay them Rs. 100 or 200 these people for the sake of their belly do not hesitate to do anything. What I have told him is a true case. This is how the present officers are going on. Talking about the higher authorities, whenever you prefer an appeal, you get no other remedy than this that they cannot interfere. That is the general order that you get from the higher authorities. I think the Finance Member is taking a very grave responsibility and all these sins will surely be on his head. (Laughter.) All is not gold that glitters. We are all responsible and answerable to God. My Honourable friend should ask his conscience whether such wrongs are not committed in his Department. As regards the income-tax, supposing you want 4 pice or 5 pice, or any amount, if it is properly done, there will be some justification for it. Supposing there is an emergency. We are ready to listen to your reasons and to vote with you provided the provision is administered justly and properly. But the Administration is simply employing *goondas* to collect the money somehow or other. Why don't you employ at least experienced men, elderly men who have got consciences, who have got sons and daughters and who will fear that there will be some difficulty or calamity if they do wrong? You employ these youngsters. If you take statistics, you will find they are mostly youngsters. These Income-tax Officers are youngsters, 25 or 30 years old, just fresh from the college. They get Rs. 125 or Rs. 150 while their brethren are not getting even Rs. 50. They do not hesitate to commit any kind of crime. You are responsible for all this. They want to take away from the people as much money as they can. Don't think they will be grateful to you. They will say, "After all, we serve Government, we have got to do it". You may remember the story of Valmiki in Ramayana. He was committing all kinds of sins, robbing people and taking money for himself and his family. Some one told him. "You are committing a great sin", to which he replied, "I am doing this for my wife and children. Why should I be held responsible". When he went home, he asked them who was responsible for his sins. The children said, "You are our father; you have got to give us this"; the wife said "You are my husband, you have got to give me this. Why should we share your sins?" They won't accept any share of the sins. These young officials, who are doing this, will say, "Government want more money and we are arranging for it. Our conscience is not touched". That is the logic they will use. They will certainly say that you are responsible.

Mr. S. C. Mitra: The Government will be responsible, not the President.

Mr. B. N. Misra: It is the Government certainly. What I am addressing to the President, I am addressing to the Government and the whole House. Every Member who joins in this nefarious transaction will share the sin. With these words, Sir, I support the amendment.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): Sir, after the entertainment the House has so far received, may I ask Honourable Members to recall the real facts of this amendment? The amendment under clause 9 is intended to extend the operation of the Income-tax Act for the next year beginning with the 1st April 1932, and extending to the 31st March, 1933, and if I can show to Honourable Members that of all the clauses, that have been debated in this House, this clause is the most objectionable of them all, I shall confidently expect Honourable Members who have voted with the Government to follow me when this clause is put to the vote. Sir, in asking the Honourable Members of this House to support the amendment, I would ask them to recall the words of the Honourable the Finance Member when a similar question was under debate. It will be remembered that we on this side of the House wanted to limit the operation of the Act for the unexpired period of the present financial year. The main objection that we had to the extension of this Act for a period of 18 months was that this being an emergency measure and a measure intended to deal with the immediate deficit threatened in the revenues of the Central Government, we could not hypothecate the revenues of the next year without passing in review the expenditure, which we would do only when the Budget of next year is presented to this House. That was our objection. What is the answer of the Honourable the Finance Member? Let me read to you his exact words. He said:

"As regards the effect on revenue, I would ask Honourable Members to take account of the fact that the greatest part of the revenue which we estimate from our proposals will come from customs duties and excise duties. I think it must be clear to everybody that if we were to impose customs and excise duties for a period of 5 months, the effect on our revenue would be disastrous. Salt revenue, to take one article for example, would probably cease altogether. With that uncertainty every one would try to live on his stock, avoiding taking over new stocks liable to the temporary higher duty. Exactly the same applies to customs import duties. It is no exaggeration to say that if we had tried to put forward duties of a temporary nature designed only to operate for 5 months and liable to revision after 5 months, the effect on our revenue would have been as I have said, disastrous. Quite apart from that, as my Honourable friend Sir Muhammad Yakub himself pointed out, the disturbing effect on all those who are doing business of that uncertainty would have been one of the worst things that we could possibly have done to business at the present time. I put it to the House with absolute confidence and I am sure they appreciate this, that so far as the customs and excise portion of our programme is concerned, we could not possibly have put forward a plan designed only to bring in duties at a certain rate for 5 months."

Now, mark these words:

"As regards the income-tax proposals, if my Honourable friends had made their case on the ground of income-tax, it would have been, treated by itself, rather more difficult to meet."

Now, Sir, we are treating this part of the amendment as an amendment dealing solely with income-tax, and the Honourable the Finance Member has confessed in the speech which he delivered only a week ago that if this side of the House had limited their amendment to income-tax, it would have been difficult to meet.

The Honourable Sir George Schuster (Finance Member): I said it would have been *more* difficult to meet. I am quite prepared to meet it, as I shall show to my Honourable friend when my time comes.

Sir Hari Singh Gour: My Honourable friend tells us that he said it would be more difficult to meet. He never indicated how he was going to meet it when he was dealing with clause 2. His argument stopped short with the sentence I have quoted, and if between then and now the Honourable the Finance Member has had further enlightenment which would strengthen his argument, we shall hear it. But what was the argument? The very crux of his argument when we resisted clause 2 was the one great magic word "uncertainty"; and he admitted that that uncertainty, which applied to the reduction of the period for which import duties and income-tax were levied, did not apply to income-tax. That being the case, and apart from his admission, how can any Member on this side of the House support the Government when they want revenues for 18 months, without giving an account of the expenditure which they would be called upon to incur during the next financial year. That I submit is the main question. The Honourable the Finance Member himself in another place admitted that in normal times the usual procedure of this House, ever since the inception of the Reforms in 1921, has been to bring in a Budget, in which this House, grant by grant and department by department, passes certain supplies and rejects the rest. Having totalled up the amount of expenditure that is required for the next financial year, you then enact a taxing measure. That is the procedure which has been in vogue ever since the advent of the reforms. A departure from this procedure can only be justified on the ground of extreme necessity, and judging from the remarks of the Honourable the Finance Member, that case of extreme necessity was proved when discussing clause 2 when he asked this side of the House to concur with him in enacting the customs and excise duties for the next 18 months on the ground that otherwise, if these duties were levied only for a period of 5 months, the whole trade would be disorganised. He then said that the case of income-tax was different. Let me point out to Honourable Members why it is different. Supposing we pass the amendment and reject clause 9, how are the Government any the worse for it? They do not want the money till the 1st of April, 1932. Before the 1st of March, 1932, they will be in a position to say as to how much money they require. The integrity and the financial capacity of this country is not to be wrecked because we do not vote income-tax for the year which has not yet begun. I therefore submit that my Honourable friend on the other side was perfectly justified in confessing to a difficulty in having to support the measure so far in advance of the immediate requirements of the case. There cannot be any uncertainty about income-tax, whether it is levied to-day for the next period of 18 months, or whether it is levied in the month of March, for a period of 12 months; there cannot be any uncertainty about it. You may vary the rates, you may increase them or you may decrease them. Whether you will do the one or the other will depend upon what retrenchments you have made by then and on what would be the aggregate amount of expenditure which the Government of India are likely to incur in the next financial year. I therefore submit that you would be lending yourself to adopting a procedure which is not only novel and unprecedented, but which, judging from what the Honourable the Finance Member himself has said, would be hypothecating the revenues

of the country for the next financial year, when you do not know what expenditure you are going to incur and when, as the Honourable Finance Member has himself repeatedly pointed out, the various Retrenchment Committees that have been sitting and are sitting, have not yet submitted their final reports. When they have done that, it may be necessary to levy taxes on income on a different scale. Time therefore is on your side; time therefore should strengthen your hands in resisting a demand which is made so much in advance of the requirements of the country, and that alone would be a sufficient justification for you to refuse the demand. Honourable Members on this side of the House have been pressing upon the Government the great necessity for drastic retrenchment. They have been subjected to a homily on responsibility and to a consciousness of feeling that they are, as patriots and popular representatives interested in the financial integrity of the country. No one on this side of the House, not one of the Members sitting on the popular section of the House has for one moment denied that they are as anxious as the occupants of the Treasury Benches to see that the finances of the Government of India are rehabilitated. But at the same time Members on this of the House are not satisfied with the retrenchments effected; they are anxious that retrenchments must be on a more drastic and thorough-going basis. Only three years ago we drew the attention of the Honourable the Finance Member to the extreme necessity of retrenching national expenditure. That warning was unheeded. Two years ago we repeated that, and, if I mistake not, Members of the European Group joined with us in forcing the hands of the Government to study national economy. If they had taken action then, the position would have been different now. But what did they do? When they found that the value of the rupee was slipping, when they found that the rupee could no longer maintain its equilibrium in relation to gold, they in a moment of temporary panic issued one Ordinance, cancelled it and issued another, and they said "Let us now apply the axe to the various departments". All that was done in a desperate hurry. It was not done in that spirit of leisurely scientific examination which we demanded a year and a half ago it should be done. I therefore ask my Honourable colleagues on the European Benches to support us on this occasion on the short ground that the income-tax that is to be levied for the year 1932-33 will be only voted by this House in the normal course, and there is no necessity, nor indeed has any necessity been shown, why this House should be precipitated into taking action now in the month of November, five months before the normal time when it will be called upon to vote supplies.

I wish also on behalf of the Benches on this side to draw the attention of the Finance Member to a widespread complaint to which various Members on this side of the House and indeed two Honourable Members on that side of the House have given expression to. In spite of the apologies and justifications of the Finance Member, the fact remains that the machinery for the realisation of income-tax is antiquated and requires to be modernised in conformity with the principle of English law. The other day when I pointed out what the procedure in England was, I do not know who briefed the Finance Member, but somebody brought him the report of a committee, and with all solemnity he read out from the report of that committee as if it could displace or override an Act of Parliament, and he accused me, who had been reading to this House the statute of Parliament, of misleading this House. I would ask Honourable Members on both sides of the House to consider as to who had in effect tried to mislead the House, I or the Honourable Member on the other side.

[Sir Hari Singh Gour.]

But, that question apart, the grievance is there. We have often been told by Members on this side of the House, "Grievances before supplies". That one great grievance in connection with income-tax—and I am only dealing with that question of Income-tax because I think other questions are irrelevant when dealing with this clause—from which Honourable Members on this side suffer is that the assessing officer is the appellate court and the final judge of the quantum of money that he requires from the assessee. That is a vicious principle and it must be immediately rectified. That is one of the grievances from which Members on this side suffer, and to which they have given expression at various stages of the discussions on this Bill.

I therefore submit and I ask and appeal to the Finance Member to accept this amendment. He will be here in March and we hope we will all be here. What is lost by postponing the enactment of this measure till the month of March? There is no question of uncertainty about it. As a matter of fact for the last 11 years you have been annually voting the various rates of income-tax. Consequently the country is prepared to pay the income-tax from year to year according to the rates that are settled in the Finance Bill following the Budget. Some Honourable Members on this side of the House, labouring under a misconception, seem to have thought that this clause was only confined to the rich man. I wish emphatically to declare that this clause is intended to extend the operation of the Income-tax Act from 1932 to 1933, and that therefore it will affect all persons whose annual income is Rs. 2,000 or over. If you think that a person who receives Rs. 2,000 income is a plutocrat, then by all means say that it affects the rich man; but if you think that that man is as much a poor man as the man whose income was one rupee less, or Rs. 1,999, whom you have exempted by your striking vote from this impost, then I say that the Income-tax Act, which you would by this clause extend for another twelve months from April 1932, would equally affect the rich and the poor. There is no question of its being limited to the rich. There is no question of its being limited to the poor. It will affect all whose income is within the taxable limit.

An appeal was made by some Honourable Members to some of my friends on this side who are interested in agricultural prosperity; and it was said that though some of us had referred to the possibility of this tax being extended to agricultural incomes, it was a possibility which they could never dream of. No less an authority than Sir Walter Layton in his note appended to the Simon Commission's Report, has recommended the levying of income-tax upon agricultural incomes. He also recommended that a succession duty must be imposed upon the people of this country; and I do not therefore think that it is beyond the range of human possibility that agricultural incomes will be tapped in the near future, if by this slow process of acceleration we keep on yielding to the ever-growing demands of the Government. I therefore ask my friends on this side and those occupying the centre seats to join with us in supporting this amendment. (Cheers.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, the most weighty argument in favour of the amendment was the one advanced by my Honourable friend, Sir Muhammad Yakub. He said that if you put your house in order, you will get three times the amount which is proposed in the present amendment. So I

would request, following his example, that instead of demanding fresh taxation, you simply put your house in order first, and then you will get three times what you want. Instead of asking us to pass this particular clause, it will be much better if the Finance Department will concentrate their attention on setting their house in order.

Mr. B. Das: Put Sir Muhammad Yakub at the head of the Income-tax Department.

Dr. Ziauddin Ahmad: I hope Sir Muhammad Yakub will be true to his words in this case and that he will act up to what he said in his speech.

On every taxation proposal we have been reminded that this is a national calamity and we ought to join with the Government in meeting it. On this side we are perfectly willing to agree that this is a national calamity and we are prepared to join with the Government to cope with it; but we do not agree with the peculiar logic of the Finance Member. He first starts with certain premises; do not touch the Lee concessions; do not touch increments; do not touch the pensions; do not touch this; do not touch that; and after all that he comes to the conclusion, "Let us have fresh taxation". Really speaking the most reasonable course for the Finance Member would have been that he should take the House into his confidence and say, "We want so many crores of rupees. Now, let us see what percentage could be obtained from the cuts? What percentage could be obtained by changing the organization", and then we on this side would very willingly give him the balance of the money. But my Honourable friend pays absolutely no attention to the other side of the problem, and he simply demands from us so many crores of rupees. He has of course admitted that there will be some kind of retrenchment and as a result some savings also next year. Now, if there is going to be retrenchment next year and also some saving, what is the necessity for increasing the taxation by 25 per cent. in 1932-33? Can he not wait till the end of the present year and see the effect of the fresh taxation and also of the retrenchment proposals, and if we find that he needs more money, we would be quite willing to help him if he brings forward a kind of supplementary Finance Bill about the end of the year to impose fresh taxation. But, Sir, my friend concentrates his attention only on the point of increasing taxation. The question whether the taxation affects the rich or the poor is really irrelevant to the point before us. The main question at issue is this: how much of the money required should be met by taxation, how much should be met by reorganization and how much by the cuts, and if all these factors are taken into consideration, I am sure the Honourable Member will be able to make both ends meet. There are other broad issues which I do not like to discuss in detail on this particular point as I would like to finish my speech in two minutes.

This side of the House does not agree with the financial policy pursued by the Finance Department. In our view it would be a good thing if a sort of periodical examination were instituted. My friend, the Honourable the Leader of the House, has just established a staff college at Dehra Dun for the training of old experienced officers of the Railway Department, and it will be very desirable if another college is established for the training of the superior staff of the Finance Department and a periodical examination by the Public Service Commission were instituted before increments are given to the higher staff. I suggest some simple questions which should be asked to the members of Finance Department drawing Rs. 1,500 or

[Dr. Ziauddin Ahmad.]

more,—“What is your opinion about the balance of trade? Does the balance of trade represent the prosperity of the country? What is your opinion about the artificial attempts for securing stability of exchange? Do you think that the stability of exchange should be set aside in favour of the stability of the prices? Is stability of exchange the cause or the effect of stability of prices? Why how you raised the bank rate or interest to 8 per cent., while allowing 5½ to favoured banks? Why should the rupee be linked up with paper sterling? How can you stop the flight of gold? and so on”. These questions should be asked to them, and we ought to secure that the opinion of the officers of the Finance Department on these vital questions is not based on antediluvian theories which they read in their college days. This examination is important in public interest, because any wrong action on their part results in increased taxation.

The Honourable Sir George Schuster: Sir, my Honourable friend who just spoke said that if I would only put the House in order I could overcome all my difficulties without fresh taxation. I will do my best at any rate to put this House in order (Laughter) by talking as briefly and as much to the point as I possibly can. I have very little to say on this particular motion because I have covered the ground so fully on past occasions.

My friend, Mr. Lalchand Navalrai, speaking early this morning said that he was sick of the cry of a national emergency. I will try not to repeat that cry more than necessary, because I am very anxious to avoid sickening my friend further than is necessary; but I must make a reference to the point, Sir, because it is the key of our whole position.

Having said that, I would like to turn to the speech made by my Honourable and learned friend, the Leader of the Opposition. I hesitate, after what has fallen from the lips of my friend in his speech, to suggest that he has misled the House. I will only say this that if I had listened to his speech without knowing the facts of the situation, he would, Sir, have misled me. He put it before the House that in this clause 9 of the Bill the House was being asked to approve the principle of the extension of the Income-tax Act from 1931 to 1932-1933

Sir Hari Singh Gour: Not 1931, but 1932-1933.

The Honourable Sir George Schuster: I want to put it to my Honourable friend and to the House that the House has already approved that principle in passing clause 2. Clause 2 of the Bill extended the operation of the Income-tax Act to 1932-33. Moreover, the House has already approved another principle in passing clause 8. The House has approved the principle that the situation is such that it is necessary to impose a surcharge on the income-tax at the rate of 25 per cent. per annum—for the 12½ per cent. included in clause 8 really represents a surcharge *at the rate* of 25 per cent. per annum,—the House has already approved the principle that it is in the present emergency necessary to impose that surcharge. I maintain, Sir, that the House would really be departing from the principles which the House itself has approved, if it were now to pass the present amendment, and to reject the surcharge in respect of the year 1932-33. That, Sir, is one of the reasons why, as I have already said, I shall be brief, because I believe that the House has by a majority already approved this principle.

Then, Sir, my Honourable friend quoted from my own speech in winding up the debate on clause 2 to which I have just referred. My friend

pointed out to the House that I had dealt first with the surcharges on customs and excise duties, and that I then went on to speak of the income-tax proposals and said that:

"As regards the income-tax proposals, if my Honourable friends had made their case on the ground of income-tax, it would have been, treated by itself, rather more difficult to meet."

My friend stopped his quotation at that point. He did not go on with my speech which went as follows:

"But that brings me to my second ground which is this."

I did meet the point, and I propose to meet it again now:

"But that brings me to my second point which is this. We felt that it was absolutely necessary to tackle the position. One of the speakers has already said we knew the position, we foresaw the position, and if we had not come forward to tackle it, we should have been failing in our duty. How could we tackle it? It was too late to recover the deficit on the 6 months that had already passed. But we felt, as we knew sufficiently what the situation was likely to be to be able to frame proposals, we had to introduce proposals which would provide a balance for the next 18 months. We maintain that nothing less would have been financially sound."

Then I went on,—

"That, Sir, is the reason why we have acted as we did."

—and that, Sir, is the reason. We feel that we have two things to deal with. We have to restore budgetary equilibrium, that is the first thing, and the second thing is, that we have to convince India and the world that we are determined in our purpose to do so. I gave among my reasons first the financial reasons, and secondly the reason of the effect on our credit and of the financial stability of the country which depends on our currency stability and various other factors which are dependent on our credit. It was with that secondary object in view that we felt it absolutely necessary to make it clear that we were determined to provide a balanced Budget for the 18 months which remained before us. Sir, if we do not do that, if we limit the surcharge on the income-tax to what remains from the current year, we shall not be showing that determination which we consider to be necessary, to be essential for dealing properly with the situation. I maintain further that if we had framed our proposals in any other way, we should not have been dealing honestly with the House. I quite recognise that the future is uncertain, but as I have already said, we have no possible ground for supposing that in February next we should be able to tell a different story to the House from that which we can tell to-day. And if we had framed our proposals now as regards income-tax with the limit of expiry at the end of the current financial year, we should not only have failed in our own duty, but we should have been deceiving the House. What my Honourable friend asks us to do is to offer to the House this medicine in two doses. I would strongly advise the House to take the dose of medicine which we consider to be necessary, not to spread out the agony, but to take the medicine in one dose one dose at a time being the only effective way of taking it. That, Sir, is the ground on which we support this proposal. I think I need say no more. I would put it to the House that we were right in the course which we took, and that the House itself has already in substance approved of that course. Accordingly I offer my uncompromising opposition to the amendment. (Applause.)

Mr. President: The question which I have now to put is that clause 9 be omitted.

The Assembly divided:

AYES 53.

Abdoola Haroon, Seth Haji.
 Abdur Rahim, Sir.
 Azhar Ali, Mr. Muhammad.
 Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
 Bhuput Singh, Mr.
 Chetty, Mr. R. K. Shanmukham.
 Chinoy, Mr. Rahimtoola M.
 Das, Mr. A.
 Das, Mr. B.
 Dudhoria, Mr. Nabakumar Sing.
 Dumasia, Mr. N. M.
 Dutt, Mr. Amar Nath.
 Gour, Sir Hari Singh.
 Gunjal, Mr. N. R.
 Harbans Singh Brar, Sirdar.
 Hari Raj Swarup, Lala.
 Ibrahim Ali Khan, Lt. Nawab
 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.
 Misra, Mr. B. N.
 Mitra, Mr. S. C.

Mody, Mr. H. P.
 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
 Makhдум Syed.
 Ranga Iyer, Mr. C. S.
 Rastogi, Mr. Badri Lal.
 Reddi, Mr. P. G.
 Reddi, Mr. T. N. Ramakrishna.
 Sadiq Hasan, Shaikh.
 Sant Singh, Sardar.
 Sarda, Rai Sahib Harbilas.
 Sen, Mr. S. C.
 Sen, Pandit Satyendra Nath.
 Singh, Mr. Gaya Prasad.
 Sitaramaraju, Mr. B.
 Sohan Singh, Sirdar.
 Sukhraj Rai, Rai Bahadur.
 Thampam, Mr. K. P.
 Uppi Saheb Bahadur, Mr.
 Wilayatullah, Khan Bahadur H. M.
 Ziauddin Ahmad, Dr.

NOES 59.

Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Anklesaria, Mr. N. N.
 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.
 DeSouza, Dr. F. X.
 Desanges, Mr. H. C.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fazal Haq Piracha, Shaikh.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Heatheote, Mr. L. V.
 Hira Singh Brar, Sardar Bahadur
 Captain.
 Howell, Mr. E. B.
 Ismail Ali Khan, Kunwar Hajee.
 Ismail Khan, Haji Chaudhury
 Muhammad.
 Jawahar Singh, Sardar Bahadur
 Sardar.
 Knight, Mr. H. F.
 Lal Chand, Hony. Captain Rao
 Bahadur Chaudhri.
 Lall, Mr. S.
 Montgomery, Mr. H.

The motion was negatived.

Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mujaumdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Noyce, Sir Frank.
 Parsons, Mr. A. A. L.
 Pelly, Major H. R.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Raghubir Singh, Kunwar.
 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.
 Singh, Kumar Gupteshwar Prasad.
 Studd, Mr. E.
 Suhrawardy, Sir Abdullah.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Talib Mehdi Khan, Nawab Major
 Malik.
 Todd, Mr. A. H. A.
 Wajihuddin, Khan Bahadur Haji.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.
 Young, Mr. G. M.
 Zulfiqar Ali Khan, Sir.

Kunwar Raghubir Singh (Agra Division: Non-Muhammadan Rural):
Sir, I move:

"That to clause 9 the following be added at the end, namely:
'on all incomes over rupees ten thousand'."

In moving this amendment, I have nothing to say beyond what I have already said yesterday. I move my amendment.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): I rise to support the amendment for the same reasons that I have advanced yesterday. Yesterday I proposed certain other sources of income and I have not received the reply of the Finance Member. I hope the Finance Member will reply to the points I raised.

The Honourable Sir George Schuster: I have to oppose the amendment for the same reasons that I gave yesterday.

Mr. President: The question is:

"That to clause 9 the following be added at the end, namely:
'on all incomes over rupees ten thousand'."

The Assembly divided:

AYES 63.

Abdoola Haroon, Seth Haji.
Abdur Rahim, Sir.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Bhuput Singh, Mr.
Chinoy, 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.
Misra, Mr. B. N. ✓
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.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Kunwar.
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.
Sadiq Hasan, Shaikh.
Sant Singh, Sardar.
Sarda, Rai Sahib Harbilas.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Suhrawardy, Sir Abdullah.
Sukhraj Rai, Rai Bahadur.
Talib Mehdi Khan, Nawab Major
Malik.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yamin Khan, Mr. Muhammad.
Ziauddin Ahmad, Dr.

NOES 48.

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

Anklesaria, Mr. N. N.
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.
DeSouza, Dr. F. X.
Desanges, Mr. H. C.
Dyer, Mr. J. F.
Elliott, Mr. C. B.
Fox, Mr. H. B.
French, Mr. J. C.
Graham, Sir Lancelot.
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. O.
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.
Yakub, Sir Muhammad.
Young, Mr. G. M.
Zulfiqar Ali Khan, Sir.

The motion was adopted.

Clause 9, as amended, was added to the Bill.

Clause 10 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, in view of the substantial amendments that have been made in the measure as originally introduced by the Government, I would, on behalf of Government, ask you to give us time to consider the position before calling upon me to move the third reading of the Bill.

Mr. President: I would ask the Honourable the Leader of the House when he will be ready to proceed, after consideration of the position.

The Honourable Sir George Rainy (Leader of the House): It will not be possible, I think, Sir, to begin at the usual hour tomorrow. Government will be ready to proceed with the business at 2-15 P.M. tomorrow if that suits the convenience of the House.

Mr. President: Are Honourable Members agreeable to the House being adjourned to a quarter past two tomorrow?

Sir Muhammad Yakub: I think, Sir, tomorrow being a Friday, it might be better to adjourn the House till Half Past Two.

Mr. President: The Honourable Member must be aware that the Chair has been adjourning the House on Fridays at about half past twelve to a quarter past two.

The Assembly then adjourned till a Quarter Past Two of the Clock on Friday, the 20th November, 1931.