

Wednesday, 9th September, 1931

THE
LEGISLATIVE ASSEMBLY DEBATES
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SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY
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LEGISLATIVE ASSEMBLY.

Wednesday, 9th September, 1931.

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

QUESTIONS AND ANSWERS.

FACILITIES FOR TRAINING IN AGRICULTURE AT PUSA.

43. *Mr. A. Das : (a) Will Government state what facilities exist for training in general agriculture at Pusa ?

(b) Is the course regarded by the Government of India as adequate training for provincial Deputy Directors of Agriculture ?

(c) What is the staff of the agricultural section at Pusa ? What are their qualifications ? Which are qualified to give a course of instruction in general agriculture of the standard given in British universities ?

(d) Do Government consider the present staff of the Agricultural Section at Pusa adequate in numbers and qualifications to give the highest type of training in general agriculture ?

(e) If not, are Government prepared to consider the question of strengthening the teaching staff of the agricultural section at Pusa by the appointment of graduates of Indian universities who have taken post-graduate courses in agriculture in a British or foreign university ?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain : (a) and (b). Regular courses in general agriculture are not given at Pusa, but at the Provincial Agricultural Colleges. Special post-graduate courses of one year's duration are, however, given in farm organisation, farm management and general farm engineering, to specially deputed students, and since 1924 a post-graduate course in Animal Husbandry and Dairying has been instituted to enable students to equip themselves for admission to the general (or agricultural) branch of the Agricultural Departments. The question of developing the latter course to make it suitable for Deputy Directors of Agriculture is under consideration.

(c), (d) and (e). The superior posts attached to the Agricultural Section for both research and teaching are, (a) four Class I posts, viz., those of Imperial Agriculturist, Agronomist, Agricultural Engineer, and Supernumerary Agriculturist, and (b) two Class II posts, viz., those of First Assistant to the Imperial Agriculturist, and Cattle Superintendent.

The first three of these posts have been vacant for some time past, but instruction has been given by the incumbents of the other three posts, with satisfactory results. The first of them is a B.A. and Diplomat of Agriculture of Cambridge University ; the second is an L. Ag. of the Punjab Agricultural College, and the third is a graduate of Bengal Veterinary College. Proposals are, however, under consideration for

reorganising the Section and increasing the staff, and the suggestion made in (e) of the question will be borne in mind in connection with them.

RECENT STERLING LOAN.

44. *Mr. A. Das : (a) Has the attention of Government been directed to the article headed " Yet another sterling loan " in the *Leader* of the 27th May, 1931 ?

(b) Out of this ten million loan how much is for " general purposes " and how much for " railway purposes " ?

(c) What are the specific railway and general purposes for which the said loan has been floated ?

(d) How much of the loan has been subscribed ?

(e) Are the figures about the profits of the railway earning, i.e., the rates of interest charged to railways year by year from 1920-21 to 1929-30 in respect of capital expenditure given in the said article correct ?

(f) What return do Government expect on the investment to be carried out by this loan ?

(g) Has the loan been floated with the approval of the Standing Finance Committee for Railways and the Standing Finance Committee for general purposes ?

(h) What institutions in India and London have objected to the floating of the said loan, and how have Government considered their objection ?

The Honourable Sir George Schuster : (a) Yes.

(b), (c) and (f). The proceeds of all the loans raised by the Government of India are utilised for railway and other capital expenditure and for general purposes. It is not possible to say before the accounts of the year are made up how the total amount borrowed by the Government of India has been utilised. A particular loan is not earmarked for particular expenditure and the interest charged to Commercial Departments is based on the average cost of borrowing.

(d) The whole loan has been subscribed.

(e) Yes.

(g) No. The approval of the two Committees is not required for the floating of loans.

(h) The Government of India have received direct communications from five Indian Chambers of Commerce in India and from the Indian Chamber of Commerce, Great Britain. The views expressed in these communications have been noted by the Government.

Mr. K. Ahmed : Are Government aware that at half a per cent. discount below par the bonds were sold in England just after the first date of sale when subscriptions were invited, and as a matter of fact Indians purchasing the sterling bonds issued by the Secretary of State were losers, because they did not know whether it was going to be sold below par (at a discount of half a per cent.) and had to pay at par ?

The Honourable Sir George Schuster : I am very grateful to the Honourable Member for his information.

Dr. Ziauddin Ahmad : Is a part of this loan intended for the purchase of the Bengal and North Western Railway ?

The Honourable Sir George Schuster : No ; no part will be available for that purpose.

Dr. Ziauddin Ahmad : Is it not a fact that the loan was subscribed immediately, and will it not be possible for them to float an additional loan for the purchase of that railway ?

The Honourable Sir George Schuster : The loan is already required for other purposes.

Mr. A. Das : Will the Honourable Member mention what are the specific railways and the heads of general purposes as mentioned in clause (c) of my question ?

The Honourable Sir George Schuster : In my answer I have already informed the Honourable Member that it is impossible to give the exact particulars until the accounts are made up at the end of the year. When the accounts are made up, the Honourable Member will be able to have the information which he requires.

Mr. A. Das : May I ask the Honourable Member if he should be able at least to tell us what particular railways are being helped and on what heads of general purposes the money is being spent, irrespective of the amount that is spent on a particular railway or head of general purpose ?

The Honourable Sir George Schuster : I think there seems to be some misapprehension in the mind of the Honourable Member. In the financial arrangements which are made each year a certain sum is included for capital expenditure on railways. Capital expenditure on railways is divided over a very large number of heads and over the whole of the railways for which the Government of India are responsible. It is impossible to give any details at this stage which would be of the slightest value to my Honourable friend, and therefore I would ask him to wait until it is possible to give accurate information when the accounts for the year are made up.

Mr. A. Das : Will the Honourable Member mention to this House whether the return which he expects from the loan would be more than sufficient for the cost incurred ?

The Honourable Sir George Schuster : No. The Government of India have certainly not borrowed more than the Government of India require.

THE CREW SYSTEM OF RAILWAY TICKET CHECKING.

45. ***Dr. Ziauddin Ahmad :** (a) Will Government give reasons on account of which the crew system in the East Indian Railway proved to be a failure ?

(b) Was not the experiment tried on the North Western Railway and has it not failed ?

(c) Why did Government not learn from their past experiences ?

(d) Is it not a fact that in the original report recommending the crew system in the East Indian Railway, the estimates of the expenditure

of the crew system were given for four divisions and the expenditure as it then existed was given for six divisions, with the conclusion that the crew system would be more economical ?

(e) Will Government lay the original report on the table ?

(f) Why was the mistake not detected by the staff of the Railway Board ?

Mr. A. A. L. Parsons : (a) I would refer the Honourable Member to the Report of the Committee appointed by the Railway Board to inquire into the working of the crew system on the East Indian Railway, a copy of which was sent to him on the 21st April, 1931.

(b) The crew system was introduced on the North Western Railway but owing to the necessity for retrenchment that arose shortly afterwards, the system was discontinued before it was given a full trial.

(c) Does not arise.

(d) No.

(e) I will have a copy of the Report placed in the Library.

(f) There was no mistake.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to say what system is at present in force on the North Western Railway in place of the crew system ?

Mr. A. A. L. Parsons : I am afraid I must ask the Honourable Member for notice of that question. I have been away for two months and I am not aware whether there have been any changes recently.

Mr. Lalchand Navalrai : Am I to understand that the crew system on the North Western Railway has not failed as alleged in the question ? The Honourable Member has given no direct reply to it ?

Mr. A. A. L. Parsons : As I explained, the crew system was abolished on the North Western Railway as a measure of retrenchment.

Dr. Ziauddin Ahmad : I should like to know whether the crew system on this railway failed or was dropped on account of retrenchment ?

Mr. A. A. L. Parsons : It was dropped on account of retrenchment.

Dr. Ziauddin Ahmad : But that is not the verdict of the Moody Report ? They said that it had failed ?

Mr. A. A. L. Parsons : That report dealt with the East Indian Railway and not with the North Western Railway.

Dr. Ziauddin Ahmad : I think they referred to the North Western Railway as well in that Report.

CHARGES AGAINST MR. HARRIS, WHEN IN CHARGE OF THE CREW SYSTEM.

46. ***Dr. Ziauddin Ahmad :** (a) Were any charges made against Mr. Harris who was in charge of the crew system ? If so, what ?

(b) Why was he not prosecuted ?

(c) Will Government be pleased to give the details regarding the cloth for the uniform of the crews ?

Mr. A. A. L. Parsons : (a) Government are not aware that any charges were made against Mr. Harris.

(b) Does not arise.

(c) This part of the question is not understood.

ADOPTION OF THE MODY SYSTEM OF RAILWAY TICKET CHECKING.

47. ***Dr. Ziauddin Ahmad :** (a) Has the Mody scheme been sanctioned by the Railway Board ?

(b) If the reply be in the affirmative, will Government be pleased to state the date on which the sanction was accorded ?

(c) Will Government be pleased to state whether the scheme was not adopted in the Moradabad section prior to its sanction by the Government of India ?

(d) Is it not a fact that Ticket Inspectors in this section had no uniform and no visible means of identity ?

Mr. A. A. L. Parsons : (a) The scheme sanctioned by the Railway Board for the East Indian Railway is that recommended in the Report of the Committee appointed by the Railway Board to enquire into the working of the crew system on the East Indian Railway.

(b) The sanction to the adoption of the scheme was communicated to the Agent of the East Indian Railway on the 2nd April, 1931.

(c) and (d). No.

PROMOTION OF A RAILWAY FIREMAN.

48. ***Dr. Ziauddin Ahmad :** Is it not a fact that one Mr. Dunwell, who was drawing Rs. 90 as fireman in the East Indian Railway, was promoted as Line Inspector (without demand of qualifications), on Rs. 150 *per mensem* and then promoted as Chief Inspector on Rs. 240 *per mensem* and was put over persons who were better qualified and had longer services ?

Mr. A. A. L. Parsons : Mr. Dunwell was promoted from fireman to Line Inspector in 1927 because he was well educated and exceptionally well reported on. There were at the time no men better qualified than Mr. Dunwell for the post. His work in that capacity fully justified his subsequent selection for the post of Officiating Chief Inspector in August, 1929. He discharged the duties of Chief Inspector with credit until the crew system was abolished in April, 1931, when he reverted to the post of Inspector, Grade I, to make way for senior men. He has been strongly recommended for promotion to Chief Inspector when a vacancy occurs.

RETRENCHMENT ON RAILWAYS.

49. ***Dr. Ziauddin Ahmad :** (a) Will Government be pleased to state its policy about retrenchment in various Railways ?

(b) How many posts bearing salaries of Rs. 500 or more were retrenched ?

(c) What is the proportion of the Musalmans in each class of appointment retrenched ?

(d) How many of the persons whose services have been dispensed with, have been provided? How many of them are persons bearing European names?

Mr. A. A. L. Parsons : (a) The policy of Government has been to effect retrenchment in all possible directions on railways in view of the serious decline in gross earnings and in the volume of traffic and other business of the Department but at the same time to make suitable provision with a view to mitigating the hardship entailed by the unfortunate necessity of reducing the staff.

(b) I have called for information and will communicate with the Honourable Member on its receipt.

(c) Government regret that they cannot undertake to collect communal statistics in respect of the retrenchment made in each separate class of establishment.

(d) Omitting the East Indian, Burma and Bengal Nagpur and Bombay, Baroda and Central India Railways, in respect of which Government have no information, the number of men discharged who have been since re-employed is 755 of whom 3 bear a European name.

Mr. Lalchand Navalrai : Will Government be pleased to say whether this retrenchment has been undertaken from the top to the bottom or if it is only confined to the subordinates?

Mr. A. A. L. Parsons : The Honourable Member, if my recollection is correct, is now asking as a supplementary question what he proposes to put as a main question later on.

Mr. Gaya Prasad Singh : Will a copy of the Report to which the Honourable Member just referred be available to other Members of this House as well?

Mr. A. A. L. Parsons : I am quite prepared to lay the statement on the table, but these statistics are ephemeral and change from month to month, and so when I give them I think it should be sufficient if I put copies in the Library.

APPOINTMENT AT HOWRAH OF A RAILWAY OFFICER RETRENCHED AT TUNDLA.

50. ***Dr. Ziauddin Ahmad :** Is it not a fact that the post of Assistant Superintendent, Watch and Ward, Tundla, East Indian Railway, was retrenched, but the incumbent of the post was immediately provided by creating a new post of Private Secretary to the Superintendent, Watch and Ward, Howrah?

Mr. A. A. L. Parsons : The post of Assistant Superintendent, Watch and Ward, Tundla, has been held in abeyance since April, 1931, and its incumbent transferred to Headquarters, as Assistant Superintendent, Watch and Ward, to fill an existing post in the cadre of the Department. No new post was created.

INDIAN TERRITORIAL FORCES IN THE UNITED PROVINCES.

51. ***Dr. Ziauddin Ahmad :** (a) Do Government intend to maintain the Indian Territorial Forces in the United Provinces?

(b) Do Government give preference to the members of the Indian Territorial Force for recruitment in the regular Army ?

(c) Do Government intend to use the Indian Territorial Force for maintenance of internal order and peace ?

Mr. G. M. Young : (a) Indian Territorial Forces are already maintained in the United Provinces.

(b) No, Sir.

(c) Provincial and urban units of the Indian Territorial Force are liable to be called out in aid of the civil power. This liability will no doubt be enforced whenever it is practical or economical to do so. But Indian Territorial Force units are only embodied for a small part of the year.

REGIMENTS ADMITTING MUSSALMANS FROM THE UNITED PROVINCES.

52. **Dr. Ziauddin Ahmad :** What are the regiments to which the Mussalmans from the United Provinces can be recruited ?

Mr. G. M. Young :

3 cavalry regiments, namely, Skinners' Horse, Gardner's Horse and the 3rd Cavalry,

2 corps of Sappers and Miners, namely, the K. G. O. Bengal Sappers and Miners, and the Royal Bombay Sappers and Miners,

3 battalions of the Bombay Pioneers,

22 Mechanical Transport Companies,

4 Mule Transport Companies, and

2 battalions of the Indian Territorial Force, namely, the 11th|7th Rajput Regiment, and the 11th|9th Jat Regiment.

Kunwar Hajee Ismail Ali Khan : Will Government kindly state the reason why the U. P. Mussalmans are not recruited to regiments to which the Punjab Mussalmans are recruited ?

Mr. G. M. Young : Some regiments are open to U. P. Mussalmans, and others to Punjabi Mussalmans.

Dr. Ziauddin Ahmad : Is there any necessity to reserve particular battalions and particular regiments to persons belonging to particular provinces ?

Mr. G. M. Young : Yes, Sir ; that is part of the system on which the Indian Army is recruited.

Dr. Ziauddin Ahmad : Is the reconsideration of this matter under consideration so that there might be no bickering amongst ourselves ?

Mr. G. M. Young : No, Sir.

Dr. Ziauddin Ahmad : Is its revision under consideration ?

Mr. G. M. Young : No.

RAILWAY PASSES FOR RETIRED SERVANTS OF THE OUDH AND ROHILKHAND RAILWAY.

53. *Dr. Ziauddin Ahmad : (a) When was the Oudh and Rohilkhand Railway amalgamated with the East Indian Railway ?

(b) Is it not a fact that the employees of the Oudh and Rohilkhand Railway were promised that they would enjoy the privileges which are granted to the servants of the East Indian Railway ?

(c) Is it not a fact that the retired servants of the East Indian Railway are given two free passes each year over the whole line, while the retired servants of the Oudh and Rohilkhand Railway are given only one pass each year, and it is restricted to those portions of the East Indian Railway which once formed part of the Oudh and Rohilkhand Railway ?

(d) Do Government propose to remove this discrepancy ?

Mr. A. A. L. Parsons : (a) In July 1925.

(b) No.

(c) The position is not exactly as detailed in the Honourable Member's question, but it is a fact that the regulations as to the issue of passes to retired servants of the East Indian Railway are somewhat more liberal than those for retired servants of the Oudh and Rohilkhand Railway.

(d) The Agent is being asked to consider whether uniformity in this respect should be secured.

RECRUITMENT OF MUSSALMANS TO THE MILITARY ACCOUNTS DEPARTMENT.

54 *Dr. Ziauddin Ahmad : (a) Is it a fact that Government, in reply to Mr. Farookhi's starred question No. 850 on the 28th March, 1930, in the Legislative Assembly, stated that the number of Mussalmans in the Military Accounts Department is 3 out of 90 in the Deputy Assistant grade, 23 out of 467 in the accountants grade and 316 out of 3,736 in the clerks grade ?

(b) What steps, if any, have Government taken to recruit Mussalmans in this department of military service ?

(c) Are Government aware of the fact that certain Mussalmans qualified themselves in the competitive examination and yet they were not given any post ?

(d) Is it not a fact that a large number of Mussalmans have passed the subordinate accounts service examination, and they have not yet been selected ? What is the number of such qualified persons ?

The Honourable Sir George Schuster : (a) The answer is in the affirmative.

(b) The Honourable Member is referred to clause (b) of the answer given in this House on the 22nd March, 1929, to starred question No. 1182 asked by Mr. Muhammad Ismail Khan.

(c) The total number of Mussalmans, who qualified at the examination for admission to the clerical service of the Military Accounts Department since November 1929 is 33, namely,

1929	8
1930	25

Individuals who qualified at the examinations held in 1929 have all been appointed. Of those who passed in 1930, 8 have been appointed and one did not reply to the offer of appointment made, leaving 16 on the waiting list.

(d) The total number of Mussalmans, who have passed the S. A. S. examination and have not yet been promoted to the accountants' grade is 50. Promotion to the accountants' grade is made by seniority, subject to fitness.

RECRUITMENT OF MUSSALMANS TO THE MILITARY ACCOUNTS DEPARTMENT.

55. *Dr. Ziauddin Ahmad : (a) Will Government be pleased to state the number of probationer accountants appointed direct in the Military Accounts Department from 1920 till April, 1931? How many of them were Mussalmans?

(b) Why were the Mussalmans not appointed at the time when the appointment was made by selection only?

The Honourable Sir George Schuster : (a) If the Honourable Member refers to the direct appointment of non-Government servants as probationary accountants, the answer is 'None'. If, however, he refers to the appointments as probationary accountants of certain individuals who were already in Government service, 46 such appointments were made during the period from 1920 to April, 1931. Of this number 4 were Mussalmans. I may add that of the 46 appointments 44 were made up to the end of 1922 and only 2 have been made since then.

(b) Does not arise.

RELEASE OF POLITICAL PRISONERS.

56. *Mr. Lalchand Navarai : (a) Will Government be pleased to state how many non-violent satyagrahi political prisoners were confined in jails in India during the satyagraha movement from its beginning to the time of the 'Mahtama Gandhi and Lord Irwin' truce and how many violent political prisoners were so detained during the period?

(b) Have all the non-violent satyagrahi political prisoners been released under the aforesaid settlement or are the cases of some of them still under consideration of the Government?

(c) If the answer to part (b) be in the affirmative, will Government be pleased to state the number of such prisoners and the reasons for the delay?

The Honourable Sir James Crerar : (a) The total number of prisoners sentenced to imprisonment in connection with the Civil Disobedience movement up to the end of February, 1931 was 60,507. This figure includes also those whose offences involved violence, the exact number of which is not known.

(b) So far as the Government of India are aware, all prisoners whose cases fell within the terms of the settlement of the 5th of March, 1931, have been released.

(c) Does not arise.

Mr. Lalchand Navalrai : Has the Honourable Member read in the papers that there are several prisoners who come under the truce and have not yet been released ?

The Honourable Sir James Crerar : I have seen statements to that effect.

Mr. Lalchand Navalrai : I understood the Honourable Member to say that he has seen statements in the public Press to that effect. If that is so, will the Honourable Member kindly say what is the opinion of the Government with regard to those men ?

The Honourable Sir James Crerar : Any person feeling aggrieved in the matter is perfectly entitled to make a representation to the Local Government concerned.

Mr. Lalchand Navalrai : Am I to understand then that the Government have on their part completely fulfilled the truce terms with regard to those prisoners ?

The Honourable Sir James Crerar : Yes, Sir ; that is contained in my reply to the original question.

RULES FOR THE CLASSIFICATION OF PRISONERS.

57. ***Mr. Lalchand Navalrai :** (a) Are Government aware that the new jail rules framed by Government fixing three classes of prisoners have caused public dissatisfaction with the classification of the prisoners and the working of the rules ?

(b) Is the classification of prisoners made by the magistrates under fixed rules by taking legal evidence, or at their own discretion only ?

(c) Is such decision of the magistrates judicial and subject to the interference by the appellate and revisional courts ?

The Honourable Sir James Crerar : (a) No.

(b) and (c). The Honourable Member's attention is invited to the communiqué issued on the 19th February, 1930, which states the classifying authorities. No rules have been laid down for taking evidence, nor is any appeal provided for against the recommendation of a magistrate, but original as well as appellate courts have the power of making recommendations.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to state whether the Government are going to introduce any legislation with regard to it to the effect that the opinions in regard to these classifications should be given by a judicial authority ?

The Honourable Sir James Crerar : I would refer the Honourable Member to the communiqué on the subject which I have quoted.

Mr. Lalchand Navalrai : Is that provided in that communiqué ? I have not read it. (Laughter.)

The Honourable Sir James Crerar : Then I must ask the Honourable Member to read it.

REVISION AND IMPROVEMENT OF JAIL RULES.

58. ***Mr. Lalchand Navalrai :** Do Government propose, in virtue of the experience gained in the working of the jail rules and receiving particular complaints made hitherto in various jails regarding them, to appoint

a committee or to take necessary steps to revise and improve upon the rules ?

The Honourable Sir James Crerar : The reply is in the negative. The power to make rules for the administration of jails is vested in Local Governments, subject to the control of the Governor General in Council, by section 60 of the Prisons Act. Several Local Governments have, in recent years, appointed provincial committees to investigate jail administration and amended their rules, where necessary, and all Local Governments are fully alive to the importance of sound jail administration.

Mr. Lalchand Navalrai : Have the Government of India revised these rules or even looked into them and approved of them ?

The Honourable Sir James Crerar : Ordinarily the rules are made by Local Governments on their own authority but subject to general control. There have been many occasions for me to refer to the rules made by the Local Governments, and so far as I can see, they are satisfactory.

DEFECTIVE JAIL LATRINES AND INSPECTION OF JAILS BY VISITORS.

59. ***Mr. Lalchand Navalrai :** (a) Is it a fact that prisoners are seated together in a row while answering calls of nature—exposed to each other—in some of the jails and lock-ups in India ?

(b) If the answer to part (a) be in the affirmative, are Government prepared to issue a circular stopping such an inhuman practice ?

(c) Will Government be pleased to state if the visitors to jails are authorised to visit jails individually, to receive complaints and make suggestions ?

(d) Are the visitors when inspecting jails accompanied by the superintendents and jailors ?

(e) Do they receive complaints from the prisoners in the presence of the superintendents and jailors in charge of the prisons ?

(f) If the answer to part (e) be in the affirmative, do Government propose to consider the desirability of receiving complaints by the visitors in the absence of the officers of the jail ?

The Honourable Sir James Crerar : The Honourable Member is doubtless aware that " Prisons " under the Devolution Rules is a provincial subject, and that the matters on which he asks for information are primarily the concern of Local Governments.

As regards part (a) of the question, I have no such information, but I am prepared to enquire if the Honourable Member will give me more specific particulars of the jail or jails in which this practice is alleged to exist.

Part (b) of the question does not arise.

As regards parts (c), (d) and (e), I would refer the Honourable Member to the sections of the various Provincial Jail Manuals dealing with visitors of prisons. My information shows that the reply to part (c) of the question is in the affirmative, that, as regards parts (d) and (e), visitors are, in their own interests, attended during their visits by an

escort of warders and, in some cases, by a responsible jail official as well; and that private communication between a visitor and prisoner is ordinarily allowed or arranged on request.

Part (f) of the question does not arise.

ABOLITION OF THE PUNISHMENT OF WHIPPING.

60. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state if the punishment of whipping exists at present in any civilised country other than India ?

(b) Are Government prepared to consider the abolition of such a brutal punishment in India ?

The Honourable Sir James Orerar : (a) Yes.

(b) I would refer the Honourable Member to the reply I gave in this House to question No. 471 on the 11th September, 1928, on the same subject.

RETRENCHMENT OF HIGH OFFICIALS.

61. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state if the Retrenchment Committee appointed by the Government of India in view of the present financial stringency is authorized to investigate and suggest measures for retrenchment of higher officers in India such as are appointed by the Secretary of State for India or whether its scope is limited to only subordinate and menial establishment ?

(b) If the answer to part (a) be in the negative, will Government be pleased to state what steps have been taken to make the necessary retrenchment in the strength and pay of such high officials ?

The Honourable Sir George Schuster : (a) The general terms of reference to the various Sub-Committees permit them to advise upon all possible economies within the field of their enquiry.

(b) Does not arise.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to say whether the retrenchment of higher officers in India, I mean, those appointed by the Secretary of State, comes within the purview of the Committee that has been appointed to make retrenchment ?

The Honourable Sir George Schuster : That question certainly comes within the field of enquiry on which each of the Sub-Committees will advise according to their terms of reference.

RETRENCHMENT ON STATE RAILWAYS.

62. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state whether the State Railways in India have undertaken retrenchment work ? If so, do they begin from the top to the bottom or touch only the subordinate and menial establishment ?

(b) Is it a fact that the North Western Railway, Karachi Division, have reduced the number and pay of the subordinate and menial staff only not touching the higher officials who draw heavy salaries ?

(c) Will Government be pleased to state how much savings has the Karachi Division of the North Western Railway effected by the retrenchment made by them hitherto ?

(d) Will Government be pleased to place on the table the list of the reductions made or proposed to be made by the Karachi Division of the North Western Railway ?

(e) Will Government be pleased to state how many officers work in the Divisional office of the North Western Railway, Karachi and how much do they draw ?

(f) How many of them are proposed to be done away with or how much reduction in their salaries is proposed by the Railway Department ?

(g) Will Government be pleased to state how many officers, on what salaries and with what designations were working for the same area, which is now managed by the Karachi Division office, before the present Division office was established in Karachi ?

Mr. A. A. L. Parsons : (a) The answer to the first part of the question is in the affirmative. With regard to the second part, State Railways have reduced a number of gazetted posts and discharged several temporary officers in addition to the retrenchment made in the subordinate and menial establishment.

(b) No.

(c) The savings in wages effected by staff retrenchment on the Karachi Division are estimated at present at a little less than Rs. 3 lakhs per annum.

(d) A statement of the reductions made by the Karachi Division is laid on the table. As regards further reductions, the position is to be examined in October next.

(e) A list of officers now working in the office of the Divisional Superintendent, Karachi, together with particulars regarding the rates of pay drawn by them is laid on the table. In addition there are 6 Sub-Divisional Officers employed on that Division who have separate offices of their own.

(f) No further reduction in the strength of officers working in the office of Divisional Superintendent, Karachi, is contemplated at present.

(g) A list of officers who were working for the same area which is now managed by the Karachi Divisional office, before the present Divisional office was established in Karachi, together with the scales of pay which they were in receipt of, is laid on the table.

List of posts brought under reduction on the Karachi Division.

1. Officers	2 (including one held in abeyance).	
2. Subordinates on Scales of pay rising to Rs. 100 and over	..	1 discharged. 9 demoted.
3. Subordinates rising to Rs. 30 and over but less than Rs. 100	179 discharged.	74 demoted.
4. Employees on pay rising to less than Rs. 30	..	776 discharged. 13 demoted.

List of officers working in the office of the Divisional Superintendents, Karachi, together with particulars regarding their scales of pay.

<i>Designation.</i>	<i>Scale of pay.</i>
	Rs.
1 Divisional Superintendent	2,150 fixed.
3 Divisional Engineers	625—50—1,375
1 Divisional Personnel Officer	550—50—1,300
1 Assistant Personnel Officer	300—50—900
2 Divisional Transportation Officers and Divisional Commercial Officers	550—50—1,375
3 Assistant Transportation Officers and Assistant Commercial Officers	300—50—900
	or
	350—30—800
1 Divisional Rolling Stock Officer	625—50—975
2 Assistant Rolling Stock Officers	375—50—975
1 Assistant Signal Engineer	350—30—800

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NOTE.—Officers of Non-Asiatic domicile draw overseas pay in addition to their basic pay.

List of officers who were working on Karachi and Sukkur Districts prior to Divisional organisation.

Engineering—

	Rs.
2 Executive Engineers, Sukkur and Karachi	625—50—1,375
6 Sub-Divisional Officers (3 Sukkur and 3 Karachi)—	
3	375—50—975
3	250—20—750

Traffic—

3 District Traffic Superintendents	550—50—1,300
5 Assistant Traffic Superintendents	300—50—900
	250—20—750

Loco.—

2 District Locomotive Officers	625—50—1,375
4 Assistant Locomotive Officers	375—50—975

Carriage and Wagon—

2 District Carriage Superintendents	625—50—1,375
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NOTE.—Officers of Non-Asiatic domicile drew overseas pay in addition to their basic pay on the above scales of pay.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to state if up to this time, as a matter of fact, the higher officers' pays and allowances have actually been retrenched on the Railway ?

Mr. A. A. L. Parsons : There have been reductions with regard to some allowances. But neither with regard to higher officers nor with regard to subordinates have there been changes in the rates of pay.

SELECTION AND PAY OF CONTROL SYSTEM OFFICERS ON THE NORTH WESTERN RAILWAY.

63. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state what policy they adopted when making selections from the railway staff to the control system ?

(b) Is it a fact that only Indian Station Masters and Assistant Station Masters were selected for the control posts on account of their capacity and experience for the business ?

(c) Is it a fact that lately guards were transferred to the control system ?

(d) Is it a fact that the guards who were so transferred were allowed to draw their pay and also average allowances which they were drawing when they were working as guards, with the result that they drew more pay than the control officers who were drawn from the station staff much earlier than these guards ?

(e) Are Government aware that this procedure has created dissatisfaction amongst the original control system officers and has also raised the question of seniority and juniority amongst them ?

(f) Do Government propose to recognise the seniority of these guards notwithstanding their subsequent entry into the control system only because they are allowed to draw allowances allowable to working guards ?

(g) If the answer to part (f) be in the affirmative, what reasons have Government to adopt such an extraordinary course ?

(h) Will Government be pleased to state how many Controllers, Deputy Controllers and Assistant Controllers are there in each of the Control Divisions on the North Western Railway ? How many of them are Europeans, Eurasians, Goans, Indians and Sindhis, respectively ?

Mr. A. A. L. Parsons : (a) Selections are made from among a list of candidates who have passed a course of training in control duties. The following are the main categories from which employees are selected for training in control work :

Station Masters ; Assistant Station Masters ; and guards who are qualified to be Assistant Station Masters by passing the prescribed test.

(b) No.

(c) The practice of transferring guards qualified in control duties to posts in the Control Branch has been in force ever since the introduction of the control system on the North Western Railway.

(d) Guards when appointed to officiate in such posts draw their substantive pay plus 75 per cent. of pay representing average mileage, subject to the condition that the total emoluments thus drawn are not less than the minimum pay or more than the maximum pay of the officiating post. The pay of guards transferred permanently to the Control Branch is regulated by Fundamental Rule 22. There are instances where guards

appointed to the Control Branch draw higher pay than members of the station staff appointed at an earlier date to this Branch in the same grade.

(e) and (f). Government do not consider that a grievance exists as the seniority of employees transferred to Control Branch is determined by the dates of their confirmation in the respective grades of that Branch and not with reference to the pay drawn on transfer.

(g) Does not arise.

(h) A statement giving the information is being sent to the Honourable Member.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to state if it is not a fact that when this control system was first introduced not a single guard was taken on that control system ?

Mr. A. A. L. Parsons : The information given to me by the Railway Administration is that the practice of transferring guards to the control system has been in force ever since the system came into force.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to lay on the table a list of the names of those persons that had been taken on the control system ?

Mr. A. A. L. Parsons : No. If the Honourable Member will give me any definite information to the effect that the statement I have made is false, I will take the necessary action.

Mr. Lalchand Navalrai : Does not the Honourable Member think that the number of those guards that have been taken in vacancies must be very few and the information must be given ?

Mr. A. A. L. Parsons : No.

Mr. Lalchand Navalrai : I should rise to a point of order. The question that I am putting is a very simple one but it is not answered. The point is that when the control system was first started not a single guard was taken on that control system. Subsequently, some Anglo-Indians have been gradually taken, and there is a great cry in the country with regard to that.

Mr. President : The Honourable Member should restrict himself to the point of order which he wishes to raise.

Mr. Lalchand Navalrai : I am giving my reasons for the point of order. The point of order is this. I request the President to get me an answer to this question.

Mr. President : The Honourable Member, though new now, has served on the Assembly before.....

Mr. Lalchand Navalrai : I have.

Mr. President : and he knows that there is no obligation upon Government Members to answer any questions. The remedy which the non-official Benches have under the Rules and Standing Orders against any Government Member declining to answer questions which are legitimate is a vote of censure in the form of an adjournment motion.

Mr. Lalchand Navalrai : I only wanted to avoid that censure on the Honourable Member. (Laughter.)

ALLEGED INFLUENCE OF MAGISTRATES BY PUBLIC PROSECUTORS.

64. Mr. Lalchand Navalrai : (a) Will Government be pleased to state if it is a fact that the public prosecutors in India or in any part of British India bring messages from the District Magistrates and the District Superintendents of Police and whisper in the ears of Magistrates that this or that is their order and that they should or should not release particular accused on bail or generally to abide by the orders so conveyed ?

(b) Has the attention of Government been drawn to the speech of Syed Mia-Miran Mahomed Shah, M.L.C., Bombay, published at page 779 of the Bombay Legislative Council Debates dated the 11th March, 1931, complaining of the aforesaid practice ?

(c) If the answer to part (a) be in the affirmative, what steps do Government propose to take to eradicate such a pernicious practice ?

(d) If the answer to part (a) be in the negative, do Government propose to appoint a committee to inquire into such a serious allegation ?

The Honourable Sir James Crerar : (a) I am not aware of the existence of any such practice.

(b) I have read the speech and have also read the reply of Sir Ernest Hotson that none of the many officers who had served in Sind had any knowledge of the state of things described.

(c) and (d). Do not arise.

Mr. Lalchand Navalrai : Will the Honourable Member take it from me that there is a system like this—Public Prosecutors in India convey messages to the Magistrates and go into their chambers and talk about the cases. Will the Honourable Member make inquiries, if the Honourable Member does not know ?

The Honourable Sir James Crerar : I have no doubt that that is the Honourable Member's impression, but I think he is not justified in holding that impression. I do not think that that constitutes a *prima facie* basis for a formal inquiry.

Mr. K. Ahmed : I think there is a section probably 528 still in the Criminal Procedure Code as it was amended in 1923 for its remedy. There is a section also, that if it is a complaint of that description against a Magistrate of the first class or a Sub-Divisional Magistrate, the District Magistrate under section 528, Criminal Procedure Code.....

Mr. President : Does the Honourable Member give a reply to the supplementary question ?

Mr. K. Ahmed : I am putting a question. Are the Government aware that sections 526 and 528 of the Criminal Procedure Code will remove the grievances raised by the questioner ?

The Honourable Sir James Crerar : I think the Honourable Member is perfectly correct in suggesting that, if such a practice as the questioner suggests is found to be in existence, there are remedies provided by law.

Mr. Lalchand Navalrai : What I am stating is not my impression. It is my experience and that of the M. L. C. from Bombay whose name I have mentioned. Will the Honourable Member make inquiries into the case ?

The Honourable Sir James Crerar : I think that there are already sufficient remedies provided by law for such a practice, if it is found to exist in any particular case.

Mr. Lalchand Navalrai : Does the Honourable Member say that putting questions is not one of the remedies.

The Honourable Sir James Crerar : I think the other remedies are more proper and convenient.

Mr. President : These are questions of opinion.

Mr. Lalchand Navalrai : I want to know whether the Honourable Member is going to get me the information or not. The Honourable Member had denied the facts I have mentioned. I am giving my personal experience and that of an M. L. C. of Bombay. Is the Honourable Member going to make inquiries into this matter ?

The Honourable Sir James Crerar : In view of the answer which I have already given, I do not think that there is a sufficient case for a formal inquiry of a general character.

Mr. K. Ahmed : In view of the fact that it can be remedied if an application for transfer is made either by his learned colleague, Syed Mia-Miran Mahomed Shah, M.L.C., or by himself, stating that the illegality may be done away with and asking that the file be transferred to some other Magistrate, will Government be pleased to point out that there is also a section in the Criminal Procedure code to enable that to be done ?

Mr. C. B. Elliott : Is it in order for an Honourable Member to make a general aspersion upon the Public Prosecutors in India, of this sweeping nature ?

The Honourable Sir James Crerar : I do not think any such charge is in any way justified.

SEPARATION OF THE EXECUTIVE FROM JUDICIAL TRIBUNALS.

65. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state if it is a declared policy of Government that the executive in India should be separated from the judicial tribunals ?

(b) If so, when do Government propose to take the initiative in the matter ?

(c) Do Government know that the police try to influence the Magistracy by privately carrying to them messages purporting to have been issued from the superior officers ?

(d) Have Government's attention been invited to the remarks made by Syed Mia-Miran Mahomed Shah, M.L.C., Bombay, published at page 779 of the Bombay Legislative Council Debates, dated the 11th March, 1931 ?

(e) Do Government propose to adopt a policy generally to appoint only experienced and permanent officials to exercise judicial powers in India ?

The Honourable Sir James Crerar : (a) and (b). The Honourable Member is referred to my reply to Rai Bahadur Sukhraj Rai's starred question No. 770, on the 2nd March, 1931, and to the reply given by Mr. Haig to a similar question in the Council of State on the 11th September, 1928.

(c) No.

(d) Yes.

(e) This is a matter primarily for Local Governments, and I have no reason to suppose that they are not alive to the considerations to which the Honourable Member refers.

SUBORDINATION OF RESIDENT MAGISTRATES TO JUDICIAL HEADS INSTEAD OF TO THE EXECUTIVE DEPARTMENT.

66. *Mr. Lalchand Navalrai : (a) Do Government propose to place the resident magistrates wherever they exist in India subordinate to the judicial heads as the subordinate judges are at present, instead of being appointed and dismissed by the executive department ?

(b) Will Government be pleased to state if such a course will entail any economical or any other obstacle ? If so, what ?

The Honourable Sir James Crerar : The appointment and dismissal of Resident Magistrates is a normal function of the Executive Government and no change in this respect is contemplated

EXTRA POWERS OF THE COMMISSIONER IN SIND.

67. *Mr. Lalchand Navalrai : (a) Are Government aware that the Commissioner in Sind holds many extra powers other than those possessed by the Commissioners of the other Divisions in the Bombay Presidency ?

(b) If so, which of the powers have been so conferred on him by the India Government or under the sanction obtained by the Bombay Government from the Government of India ?

(c) Is it a fact that for a long time the public of Sind in general, and provincial political conferences held in Sind in particular, have protested against the said officer continuing to hold such powers and have complained that they are prejudicial to the interest of the people ?

(d) What steps do Government propose to take in the matter ?

The Honourable Sir James Crerar : The information is being obtained and will be supplied to the Honourable Member in due course.

LENGTH OF SERVICE IN BOMBAY OF THE PRESENT COMMISSIONER OF INCOME-TAX, BOMBAY PRESIDENCY.

68. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state since how long the present Commissioner of Income-tax of Bombay Presidency has remained in the present post and how long in other posts of the Income-tax Department in Bombay ?

(b) Is there any rule or practice fixing a period for which Income-tax Commissioners and their assistants can remain in their posts in one place ?

The Honourable Sir George Schuster : (a), (1) Commissioner of Income-tax since the 14th October, 1927.

(2) Assistant Commissioner of Income-tax, Bombay City, from the 1st April, 1922 to the 13th October, 1927, except for periods during which he officiated as Commissioner of Income-tax.

(3) Deputy Collector of Income-tax, Collector or 1st Collector of Income-tax under the Bombay Government from December, 1909, to the 31st March, 1922, except for the period, 31st March, 1914, to 21st April, 1919.

(b) The reply is in the negative.

REPORTS OF INCOME-TAX OFFICERS ON APPEALS MADE AGAINST THEIR ORDERS.

69. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state if it is a fact that the Commissioners of Income-tax and their assistants call for a report from Income-tax Officers before deciding appeals filed before them against the orders of Income-tax officers ?

(b) Is it a fact that the Assistant Commissioner of Income-tax in Sind calls for such reports ?

(c) If so, is the report open to the assessee and are they given an opportunity to have their say on it ?

(d) Do Government propose to issue instructions that the assessee be allowed to be heard with regard to such reports if sent for ?

The Honourable Sir George Schuster : (a) Under instructions issued by the Central Board of Revenue in 1927, appellate officers ordinarily refrain from asking for reports or remarks when calling for the records of cases under appeal. Such reports are called for in rare cases when specific points are raised in the appeal on which the appellate officer requires enlightenment.

(b) It is not the practice of the Assistant Commissioner of Income-tax in Sind to call for such reports.

(c) and (d). These parts of the question do not arise ; but it may be mentioned that in 1927 the Central Board of Revenue issued general instructions to the effect that, when an appellate officer conducts a further enquiry himself or directs the Income-tax Officer to make further enquiry and report the result, the results of such enquiry should be brought on record formally, and that the appellant should invariably be given an opportunity of rebutting any such fresh evidence or any inferences therefrom.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to state whether in those rare cases those opinions are shown to the assessee or are they kept secret ?

The Honourable Sir George Schuster : I am afraid I must ask for notice. The Honourable Member knows much more about income-tax procedure than I do.

Mr. Lalchand Navalrai : Not more than the Honourable Member himself !

ALLEGED CONFIDENTIAL AND PRIVATE INSTRUCTIONS GIVEN TO INCOME TAX OFFICERS.

70. *Mr. Lalchand Navalrai : (a) Is it a fact that the Income-tax Commissioners and their assistants give confidential and private instructions to Income-tax Officers for enhancement of income-tax or fixing in a

particular manner the income of assessee when their cases are either pending before the Income-tax Officers or when the Income-tax Officers consider the same under section 27 of the Income-tax Act ?

(b) If so, under what law or rule is this practice followed ?

The Honourable Sir George Schuster : (a) No.

(b) Does not arise.

PAY OF ASSISTANT COMMISSIONERS OF INCOME-TAX IN BOMBAY AND SIND.

71. ***Mr. Lalchand Navalrai :** (a) What is the pay of the Assistant Commissioner of Income-tax in Bombay and Sind, respectively ?

(b) Do the incumbents belong to the cadre of the Deputy Collectors ?

(c) Will Government be pleased to state how much does a Senior Deputy Collector draw as his salary in the Bombay Presidency including Sind ?

The Honourable Sir George Schuster : (a) The scale of pay of Assistant Commissioners of Income-tax in Bombay and Sind is Rs. 1,000—100—1,500. Special pay of Rs. 250 is attached to the two posts of Assistant Commissioners of Income-tax, Bombay City.

(b) Three of the Assistant Commissioners were taken from the cadre of Deputy Collectors.

(c) The scale of pay of selection grade Deputy Collectors in the Bombay Presidency including Sind is Rs. 1,000—100—1,200.

PROSECUTIONS UNDER THE CHILD MARRIAGE RESTRAINT ACT

72. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state how many prosecutions under the Sarda Act are at present pending in courts of all the Presidencies in India, stating their number in each Presidency ?

(b) Are Government aware that there is a defiance against the Sarda Act in some parts of India ?

(c) Are Government prepared to see that the Act is not infringed ?

(d) What measures have Government taken, or propose to take, to prevent breaches of this law ?

The Honourable Sir James Orerar : (a) I have no figures available regarding pending cases. Up till February, 1931, the number of prosecutions under the Act was 1 in Madras, 3 in Bombay, 4 in Bengal, 12 in the United Provinces, 1 in the Punjab, 3 in Bihar and Orissa, 1 in the Central Provinces, 3 in Delhi, and 1 in Ajmer-Merwara.

(b), (c) and (d). Government have no reason to suppose that action has not been taken on any complaint filed in accordance with the provisions of the Act. The prevention of child marriages, as distinct from their penalization as provided in the Act, would, as the Honourable Member will recognize, be extremely difficult to secure effectively by legislation.

Mr. Lalchand Navalrai : Does the Honourable Member know that in those cases of prosecution that have been launched, nominal sentences of a few rupees have been imposed ?

The Honourable Sir James Crear : No. I do not think that that is so in the great majority of cases.

FRONTIER REGULATIONS IN FORCE IN THE NORTH WEST FRONTIER PROVINCE AND SIND AND DECISION OF CASES BY JIRGAS.

73. *Mr. Lalchand Navalrai : (a) Will Government be pleased to state which Frontier Regulations are in force at present in the North West Frontier Province and Sind respectively ?

(b) Are Government aware that the system of deciding cases by Jirga has degenerated and the Elders generally are prone to influences ?

(c) What methods are Government prepared to adopt in order to restore purity and confidence in these Jirgas ?

Mr. E. B. Howell : (a) A complete list of the Regulations in force in the North West Frontier Province and Sind, respectively, is being forwarded to the Honourable Member.

(b) and (c). As regards the North West Frontier Province, Government are not prepared to admit the implications arising from the form in which the Honourable Member has put his question, but as he is probably aware, they have recently appointed a committee comprised almost exclusively of non-officials to enquire into the content and working of some of these Regulations in the settled districts of the North West Frontier Province. The Committee have completed their enquiry and submitted their report which is now under the consideration of the Government of India.

As regards Sind the personnel of each Jirga is decided by the District Magistrate who makes a careful selection, and objections raised by either party are duly considered. The Elders are chosen from different tribes having few interests in common and an experienced official presides. The Jirga system is very popular among the Baluch tribes and other tribes following Baluch custom, and faith in the system is proved by the fact that the District Magistrate receives many applications for transfer of cases from the ordinary law courts to Jirga. There is nothing to indicate deterioration in the system and the allegation that Elders are generally prone to improper influences is entirely unfounded.

Mr. Gaya Prasad Singh : May I know when the Report of the Frontier Regulations Committee is likely to be published ?

Mr. E. B. Howell : I cannot say, Sir.

Mr. Lalchand Navalrai : Will the Honourable Member be pleased to say if that Committee which had been appointed also inquired into the system prevailing in Sind and as regards the influences that have been referred to in the question ? Has that Committee gone into that ?

Mr. E. B. Howell : The inquiry of the Committee was confined to the settled districts of the North West Frontier Province.

Mr. Lalchand Navalrai : May I understand, then, that an inquiry is going to be made with regard to Sind ?

Mr. E. B. Howell : No case for any such inquiry has so far been disclosed.

Mr. Lalchand Navalrai : Has the Honourable Member got any papers from Sind with regard to this question, and will he be pleased to lay those papers on the table ?

Mr. E. B. Howell : The only papers which I have, or rather the substance of them, are those which have just been read out in answer to the Honourable Member's question.

Mr. Lalchand Navalrai : How is the Honourable Member then prepared to say that what is stated in the question with regard to Sind is unfounded ?

Mr. E. B. Howell : The Commissioner in Sind says so, Sir.

Mr. Lalchand Navalrai : Is that sufficient for the Honourable Member to justify him to take it that that is so ?

Mr. E. B. Howell : I take it, Sir, that he is in a position to know and that he has told the truth.

Mr. Lalchand Navalrai : Will the Honourable Member then make fuller inquiries ? Will the Honourable Member make inquiries not only from the Commissioner but through a Committee or through some public men ?

Perhaps the Honourable Member has got no reply to make ?

(There was no answer).

EXEMPTION OF MEMBERS OF THE LEGISLATURE FROM THE ARMS ACT RULES.

74. ***Mr. Lalchand Navalrai :** (a) Will Government be pleased to state whether the ex-Members of the Indian Legislature had exemption to possess arms under the Indian Arms Rules before they were amended in 1924 ?

(b) Is it a fact that the Members and ex-Members of the Provincial Legislative Councils were also similarly exempted ?

(c) Will Government be pleased to state the reasons for removing the exemption in their case by the amended rules in 1924 ?

The Honourable Sir James Crerar : (a), (b) and (c). Members and ex-Members of the Indian Legislature and of the Provincial Legislative Councils were up to 1920, exempted from the operation of certain provisions of the Arms Act. This exemption was amongst those withdrawn in January 1920, when the Arms Rules were revised, the reasons being stated in Home Department Resolution No. 2125-C., dated the 21st March, 1919, a copy of which has been placed in the Library. In 1923, in pursuance of a recommendation of the Arms Rules Committee, the exemption was restored to Members of the Indian Legislature for the period of their office, and this period was subsequently extended to six months after their terms of office.

PAY OF THE AGENT AND SUPERIOR OFFICERS OF THE ASSAM BENGAL RAILWAY.

75. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state, if the Agent and other superior officers of the Assam Bengal Railway have

received any increment of pay in the financial year 1931-32 ? Is it a fact that there have been recurring losses in the said Company ?

Mr. A. A. L. Parsons : Normal increments according to existing sanctioned scales of pay have been granted to officers of the Assam Bengal Railway on incremental scales of pay.

The only post in which the rate of pay has been revised during the current financial year is that of the Agent, where an incremental pay of Rs. 3,000—250—3,500 has replaced the fixed pay of Rs. 3,000 *plus* £13-6-8 sterling overseas' pay.

From 1925-26 to 1929-30, the latest year for which figures are at present available, the Company has earned surplus profits.

APPOINTMENT OF MUSLIMS ON THE STATION STAFF AT ROORKEE.

76. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state, if they have received any complaint with regard to the station staff at Roorkee Railway Station ? Are Government aware that it is a great place for the Muslims on account of the great shrine of the Muslim divines therein ? Will Government please state if they have any objection with regard to the appointment of some Muslims on the station staff at Roorkee, so that they might help the Muslim pilgrims all the year round ?

Mr. A. A. L. Parsons : The reply to the first part of the question is in the negative. In regard to the latter part, Government understand that there is a shrine some little distance from Roorkee Station which is visited by Muslims, but they have no reason to believe that the present staff do not afford adequate assistance to passengers of all communities. I am, however, sending a copy of the Honourable Member's question and this answer to the Agent of the East Indian Railway for such action as he may consider necessary.

Mr. Gaya Prasad Singh : Sir, do Government propose to extend similar facilities to Hindus by providing Hindu staff at Hindu places of pilgrimage ?

Mr. A. A. L. Parsons : I am not aware, Sir, that I have promised that any particular action will be taken.

Mr. Gaya Prasad Singh : Very good.

ABOLITION OF THE POST OF FEMALE ATTENDANT FOR THIRD CLASS PASSENGERS AT DACCA RAILWAY STATION.

77. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state whether it is a fact that the post of the female attendant at the Dacca Railway Station for third class passengers has been abolished ? If so, why ?

Mr. A. A. L. Parsons : The reply to the first part of the question is in the affirmative. As regards the second part, the posts of female attendants have come under retrenchment in view of the present financial stringency.

LACK OF FACILITIES FOR PASSENGERS ON CERTAIN PLATFORMS AT THE CHITTAGONG RAILWAY STATION.

78. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state what facilities, by way of shelter from rain and sun, are afforded at the Chittagong Railway Station, to passengers who board the trains for Hathazari, Nazirhat and Dohazari ? Is it a fact that there is no water closet in third class waiting rooms at Chittagong Railway Station ? Is it a fact that the third class Booking Office is far away from the platform at the Chittagong Railway Station ? Do Government propose to see that these tickets are available on the main platform during rains ?

Mr. A. A. L. Parsons : Passengers travelling from Chittagong can use the waiting rooms and waiting hall accommodation provided at the station for passengers generally, but similar accommodation has not been provided on the branch line platform from which trains leave for Hathazari, Nazirhat and Dohazari stations.

No water closet has been provided in the third class waiting hall, but there is a latrine about 58 yards away from the entrance to the hall.

The third class Booking Office is situated in the third class waiting hall, and the distance from the waiting hall to the foot of the overbridge on the branch line platform is 112 yards.

I am bringing the Honourable Member's question to the notice of the Agent, A. B. Railway, for such action as may be considered feasible to remove any inconvenience that passengers may be experiencing.

EXTENSION OF THE ASSAM BENGAL RAILWAY TO THE BORDER OF BURMA.

79. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state what is the position of the Assam Bengal Railway with regard to its extension up to the border of Burma ? When is that likely to be completed, and when is that to be taken up ?

Mr. A. A. L. Parsons : I presume that the Honourable Member is referring to the Chittagong Dohazari Branch, which follows the alignment which an Indo-Burma-Railway connection might conceivably take. This was opened for traffic on the 10th June, 1931.

WORK AT THE CHITTAGONG JETTIES.

80. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state if it is a fact that the Honourable Member in charge of Railways promised to the Assembly to examine whether it would be economical to work the "handling" work at the Chittagong jetties by the Assam Bengal Railway ? If so, when, and what has been the result of that promise ?

Mr. A. A. L. Parsons : I presume the Honourable Member is referring to the reply the Honourable the Railway Member gave to his question No. 179 on the 29th January, 1931. If he will read that reply again, he will see that the Honourable the Railway Member promised to ask the Agent of the Assam Bengal Railway to look into the question whether any more economical arrangement was feasible. The result of the reference made to the Agent was communicated to the Honourable Member on the 2nd April, 1931.

Dr. Ziauddin Ahmad : I thought, Sir, that it was the Government of India which was going to inquire into this affair, as was promised at the Simla Session of the Assembly in 1930 ?

Mr. A. A. L. Parsons : The question, Sir, relates to the working of jetties at Chittagong by the Assam Bengal Railway, and I am not quite sure that for the purposes of that question, this is really relevant.

ALLOWANCES OF THE FRONTIER REGULATION COMMITTEE AND CERTAIN OTHER COMMITTEES.

81. ***Mr. Muhammad Anwar-ul-Asim :** Will Government please state what is the difference between the Frontier Regulations Committee that is sitting in Peshawar, and the Cinema Committee and the Banking Enquiry Committee, which finished their labour some years ago in the matter of travelling and halting allowances ?

Mr. E. B. Howell : The information required regarding the travelling and halting allowances granted to the three committees referred to by the Honourable Member is given in the form of a comparative statement which is placed on the table.

Statement showing travelling and halting allowances granted to the Frontier Regulations Enquiry Committee, Indian Cinema Committee and Banking Enquiry Committee.

Name of Committee. 1	Travelling allowance or equivalent concession granted. 2	Halting allowance or equivalent concession granted. 3
Frontier Regulations Enquiry Committee.	<p><i>Official members (including the President and Secretary) :</i> have been granted travelling allowance admissible under the Government of India Supplementary Rules.</p> <p><i>Non-official member :</i> have been allowed travelling allowance as far first class officers on tour for journeys by rail and annas 12 per mile for journeys by road (journeys being other than those within 5-mile radius in places of halt of the Committee).</p>	<p><i>President :</i> has been granted a daily allowance of Rs. 10 a day at headquarters or any other place of halt.</p> <p><i>Secretary :</i> has been granted daily allowance admissible under the rules at headquarters or any other place of halt.</p> <p><i>Non-official Members :</i> No daily allowance has been sanctioned. But each member has been granted a subsistence allowance of Rs. 1,200 per mensem and, in addition a tour allowance of Rs. 300 per mensem, provided that his ordinary residence is not within 10-mile radius from the headquarters or the place of halt of the Committee in which case conveyance allowance at rate not exceeding Rs. 100 per mensem will be granted. No other remuneration was granted to any member.</p>

Name of Committee. 1	Travelling allowance or equivalent concession granted. 2	Halting allowance or equivalent concession granted. 3
Indian Cinema Committee.	<p><i>Chairman (a non-official):</i> was entitled to reserve a 1st class compartment for himself.</p> <p><i>Members (including Secretary):</i> Any two members were similarly allowed to reserve a 1st class compartment for themselves.</p>	<p><i>All members (including the Chairman and Secretary):</i> A subsistence allowance of Rs. 15 per diem was sanctioned for each continuously while on duty with committee in addition to a daily remuneration of Rs. 50 in the case of two non-official members. The non-official Chairman received Rs. 3,000 per mensem in addition to the subsistence allowance of Rs. 15 a day above mentioned.</p>
Banking Enquiry Committee.	<p><i>All members (including Vice Chairman):</i> were granted travelling allowance at 1st class rates under the Government of India Supplementary Rules. The Chairman, Sir B. N. Mitra, was provided with a saloon when travelling by railway on duty connected with the Committee.</p> <p>There was one official member on the Committee and he was paid travelling allowance under the supplementary rules.</p>	<p><i>Non-official members (including Vice Chairman):</i> Each was granted a subsistence allowance of Rs. 15 a day for each day of halt at places away from headquarters, in addition to a remuneration of Rs. 50 a day. But members of the Council of State and the Legislative Assembly when attending the meeting of the Committee at Delhi or Simla during the Legislative session were not permitted to draw the subsistence allowances for the days of their residence at these places.</p> <p>The Chairman was granted a compensatory allowance of Rs. 1,500 per mensem plus a subsistence allowance of Rs. 15 a day.</p> <p>The official member drew halting allowance under the supplementary rules.</p>

TEMPORARY CLERKS RETRENCHED BY THE ASSAM BENGAL RAILWAY.

82. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state how many temporary clerks have been retrenched by the Assam Bengal Railway since 1931, and how many of them are Moslems ?

Mr. A. A. L. Parsons : Thirty-three temporary clerks have been retrenched since January, 1931, of whom 3 were Moslems.

UNFUNDED DEBT OF THE GOVERNMENT OF INDIA.

83. *Mr. Muhammad Anwar-ul-Azim : Will Government please state what was the unfunded debt of the Government of India on the 31st March, 1931 ?

The Honourable Sir George Schuster : The amount of debt under the heading of " unfunded debt " in the Government of India accounts, outstanding on the 31st March, 1931, was as follows :

	Lakhs.
Post Office Cash Certificates	38,44
Post Office Savings Banks	37,08
Provident Funds, etc.	71,26
	<hr/>
Total ..	146,78
	<hr/>

The figures are provisional as the accounts of the year have not yet been made up finally.

REPAIR OF THE ARRACAN ROAD IN THE DISTRICT OF CHITTAGONG.

84. *Mr. Muhammad Anwar-ul-Azim : Will Government please state if they have undertaken to repair Arracan Road, in the district of Chittagong, under their road development scheme ? How long will it take them to make it fit for motor traffic ?

Mr. J. A. Shillidy : The Honourable Member is referred to the Resolution on roads adopted by this Assembly on February 4th, 1930. Under the terms of clause (5) of that Resolution the Governor General in Council has, with the advice of the Standing Committee for Roads, approved as one of the schemes put forward by the Government of Bengal, the provision of certain bridges on the Chittagong-Arracan Trunk Road. Government have thus not undertaken to repair the road, as suggested by the Honourable Member. The second part of the Honourable Member's question does not, therefore, arise.

RAILWAY TO PATUNGA POINT AND THE COST OF THE AERODROME THERE.

85. *Mr. Muhammad Anwar-ul-Azim : Will Government please state who is the owner of the railway line, that runs from Chittagong up to Patunga Point ? What is the relation of Government with that railway line ? Have they considered the desirability of making a railway station at the Patunga Point for the convenience of the public ? How much has it cost Government up to now to make the aerodrome at the Patunga Point ? From which Budget has it been met ?

The Honourable Sir George Rainy : The railway line referred to belongs to the Commissioners for the port of Chittagong and Government have no special relation with it. As the Port Trust railways are not intended for the conveyance of passengers Government have not considered the desirability of making a railway station at the Patunga

Point for the convenience of the public. The actual expenditure incurred on the acquisition and preparation of the landing ground at the Patunga Point up to the 31st March, 1931, was Rs. 1,37,445 including departmental charges, and since then a further sum of Rs. 72,000 including departmental charges has been allotted for the completion of the work. The cost is debitable to the Civil Aviation Budget.

COST OF THE DREDGERS "KARNAFULI" AND "PATUNGA."

86. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state how much the Port authorities at Chittagong have lost by way of repairs of the dredgers, "Karnafuli" and the "Patunga"? How much has it cost them to purchase them initially?

The Honourable Sir George Rainy : A sum of Rs. 12,03,901 including pilotage and docking charges, has been spent on repairs to the dredgers "Karnafuli" and "Patunga". The expenditure cannot, nowever, be described as loss, since repairs are necessary to ensure the prolonged life and efficient working of the vessels. The initial cost of purchase of these dredgers was Rs. 23,91,137.

EMPLOYMENT OF INDIANS BY PORT TRUSTS.

87. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state what control the Government of India exercise over the Port Trusts in India, and what is the position of the Indians on those Port Trusts, as regards their representation by way of a percentage?

The Honourable Sir George Rainy : With regard to the first part of the Honourable Member's question, I would invite his attention to the reply given to the first part of his question No. 176 in the Legislative Assembly on the 29th January, 1931. As regards the second part of his question, a statement showing the percentage of Indians on the various Ports Trusts in India is laid on the table.

STATEMENT.

<i>Ports.</i>	<i>Percentage of Indians.</i>
Calcutta	26.3
Chittagong	33.3
Madras ..	26.6
Rangoon	29.4
Bombay ..	45.4
Karachi ..	42.8
Aden	27.3

POWERS OF THE PRIVY COUNCIL IN RESPECT OF ORDINANCES PROMULGATED BY THE GOVERNOR GENERAL IN COUNCIL.

88. ***Mr. Muhammad Anwar-ul-Azim :** Will Government please state if it is a fact that His Majesty's Privy Council has opined that the Ordinances promulgated by the Governor General in Council are beyond their powers and that this is not contemplated by the Government of India

Act? If their power in Ordinance making is imperfect, do they propose to make it perfect in that behalf? If so, how soon?

The Honourable Sir James Crerar : The reply to the first part of the question is in the negative. The second part of the question does not arise.

PROPOSED LICENSING OF "MUALLIMS".

89. ***Mr. Muhammad Anwar-ul-Asim :** Will Government please state whether they are aware that the "muallims" (Guides) give the Hajis the greatest amount of trouble by cheating and molesting them? Are Government prepared to issue orders for the licensing of these "muallims"?

The Honourable Khan Bahadur Mian Sir Fazl-i-Husain : The Government of India are aware that some muallims' conduct towards Indian pilgrims has given rise to complaints. The question of controlling the activities of muallims and their agents in India is at present under consideration in connection with the recommendations made by the Haj Inquiry Committee.

COMMUNAL INEQUALITY IN GOVERNMENT SERVICES.

90. ***Dr. Ziauddin Ahmad :** (a) Has the attention of Government been drawn to the article "Communal inequality in Government Services" published in the *Muslim Outlook*, dated the 24th April, 1931?

(b) Is it correct that the Mussalmans in the Civil Accounts Department are only about 5½ per cent.?

(c) Are Government contemplating to take special steps to remove this communal inequality?

The Honourable Sir George Schuster : (a) Yes.

(b) No. The correct percentage is 10.5.

(c) The instructions already issued are apparently proving effective. Muslim representation has gone up from 8.15 per cent. in 1925 to 10.5 in 1930. It is necessary to emphasize that since the instructions relating to communal representation refer to recruitment their effect must necessarily be gradual.

REPORTS FROM CERTAIN PROVINCIAL GOVERNMENTS ON FINANCE AND POPULATION OF ORIYA-SPEAKING TRACTS.

91. ***Mr. B. N. Misra :** (a) Are Government aware that the Provincial Governments of (1) Madras, (2) Central Provinces, (3) Bengal and (4) Bihar and Orissa, furnished reports as called for by the Subcommittee appointed by the Simon Commission presided over by Major Attlee as regards (i) finance, and (ii) the population of the Oriya-speaking tracts under their administrations?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to place the reports referred to on the table?

The Honourable Sir George Rainy : (a) Government have not seen the reports referred to by the Honourable Member.

(b) Does not arise.

PROVISION OF AN EXTRA GATE AT BURHANPUR RAILWAY STATION.

92. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : (a) Is it a fact that on the 31st January, 1931, about one hundred leading merchants of Burhanpur applied to the Agent, Great Indian Peninsula Railway, stating that there was only one gate provided at the Burhanpur Railway Station, for passengers and goods traffic, motors, tongas and carts, and that this congestion was causing people some inconvenience ?

(b) Did they ask for another gate being provided ?

(c) If so, what steps have been or will be taken in the matter and when ?

Mr. A. A. L. Parsons : With your permission, Sir, I propose to reply to questions Nos. 92, 93 and 95 together. Government are aware of the general complaint that the accommodation and facilities existing at Burhanpur Railway Station are not adequate to meet all public requirements, but, owing to the financial position, it has not been found possible to provide the funds necessary for improving these facilities. Plans and estimates have, however, been drawn up to effect the necessary improvements, and these will be taken in hand, when funds are available.

INCONVENIENT USE MADE OF THE PASSENGER SHEDS AND PLATFORMS AT BURHANPUR RAILWAY STATION.

†93. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : (a) Is it a fact that the passenger sheds and platforms both for the Up and Down trains at Burhanpur are also used for storing parcels and goods ? Is it a fact that people complained that this was causing them inconvenience ?

(b) If so, what action do the Railway Department propose to take to remove this inconvenience ?

PROVISION OF A ROAD TO THE NORTH OF BURHANPUR RAILWAY STATION.

94. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : (a) Is it a fact that there is no proper approach to the goods shed or the temporary goods siding towards the north at Burhanpur Railway Station ?

(b) If so, will the Railway authorities kindly state if they will provide a proper road to remove the great inconvenience during the rains ?

Mr. A. A. L. Parsons : (a) and (b). Government have no information, but if the lack of a proper approach road, mentioned by the Honourable Member, is an inconvenience to the travelling public, I would suggest that this fact be brought to the notice of the Great Indian Peninsula Railway Administration through the Local Advisory Committee.

†For answer to this question, see answer to starred question No. 92.

**STORAGE OF DRY FISH AND HIDES ON THE PASSENGER PLATFORM AT
BURHANPUR RAILWAY STATION.**

†95. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : Is it a fact that packages of hides and dry fish are kept on the passenger platform at Burhanpur ? If so, will the Railway authorities kindly state if they intend to take steps to stop this ?

**REMOVAL OF A PUBLIC LATRINE FROM THE PROXIMITY OF THE THIRD
CLASS WAITING ROOM AT BURHANPUR RAILWAY STATION.**

96. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : (a) Is it a fact that a public latrine is situated close to the third class waiting room at Burhanpur ?

(b) If so, will the Railway authorities state if they intend to take steps to have it shifted from there ?

Mr. A. A. L. Parsons : (a) and (b). Government have no information, but this is a matter which can most suitably be taken up in the Local Advisory Committee.

**EXPENDITURE ON OVERSEAS PAY, EXCHANGE COMPENSATION ALLOWANCE
AND PASSAGES.**

97. ***Dr. Ziauddin Ahmad** (on behalf of Khan Bahadur H. M. Wilayatullah) : (a) Will Government be pleased to refer to their reply to part (a) of unstarred question No. 157 on the 2nd February, 1931, and state separately the total expenditure during the last three years, on

- (i) overseas pay,
- (ii) exchange compensation allowance, and
- (iii) free passage for Government servants of non-Asiatic domicile and their families ?

(b) What is the total budget provision under the above heads separately in 1931-32 ?

The Honourable Sir George Schuster : The information is being collected.

LOSS OR GAIN BY THE MAINTENANCE OF EXCHANGE AT 1s. 6d.

98. ***Sardar Sant Singh** : Will Government be pleased to lay on the table a statement showing :

- (a) the amount of remittances to England required in 1929-30, after deducting the trade balance in favour of India ;
- (b) the cost to Government if exchange had stood at 1s. 4d. and the savings by maintaining exchange at 1s. 6d. ; and
- (c) the loss caused to India by fall in prices due to action of Government of India in maintaining exchange at 1s. 6d. ?

The Honourable Sir George Schuster : (a) The attention of the Honourable Member is invited to paragraphs 6—9, 20 and 27 of the Report of the Controller of the Currency for 1929-30.

†For answer to this question, see answer to starred question No. 92.

(b) The only direct effect on the Government Budgetary position of maintaining the ratio at 1|6 instead of say 1|4 is to reduce the amount of rupees which have to be raised to meet the Government's annual sterling obligations by 1|9th. That is to say, taking the normal sterling obligation at £30 millions per annum, if the rupee stands at 1|6 the Government have to raise Rs. 40 crores to meet them, whereas if the rupee stood at 1|4 the Government would have to raise Rs. 45 crores. Therefore the immediate effect on the Government's Budget of dropping the rupee value to 1|4 would be to make it necessary to raise over 5 crores more of revenue.

(c) I regret that I do not understand the question. The fall in prices has been due not to the maintenance of exchange at 1s. 6d. but to general world causes. If, for example, exchange had been fixed at 1s. 4d. in 1927, India would have felt the full shock of the fall in world prices for all her main commodities just as much as she is feeling it now. The percentage fall would have been the same.

IMPORT OF WHEAT UNDER THE WHEAT (IMPORT DUTY) ACT.

99. *Sardar Sant Singh : (a) Will Government be pleased to state how much wheat has been imported to India since the passing of the Wheat (Import Duty) Act ?

(b) Are there any contracts exempted from duty under section 3 of the Wheat Import Duty Act, still outstanding ? What steps did Government take to check the genuineness of the contracts before permitting exemptions ?

(c) What steps have Government taken to improve the prices of wheat or stabilise them ? Do Government intend to take any steps for the future ?

(d) How much wheat is at present in excess of the requirements of the country ?

The Honourable Sir George Rainy : (a) 118,579 tons of wheat have been imported into India during the period from the 20th March, 1931, the date when the Wheat (Import Duty) Act, 1931, came into force, to the 20th August, 1931.

(b) Contracts covering not more than 2,549 tons of wheat were reported to be outstanding on the 20th August, 1931. The duty of checking the genuineness of the contracts rests on the Collectors of Customs under section 3 of the Act, and, under section 29 of the Sea Customs Act, they have the power, in cases of doubt, to require any documents bearing on the contracts to be produced before them.

(c) Government do not consider that any steps they could take would be effective in improving or stabilising the price of wheat. They have, however, taken much steps as they have found possible to assist the sale of Indian wheat, in the first place, through the Wheat (Import Duty) Act which has enlarged the internal market, and, in the second place, by reducing the railway freight on wheat from stations in the Punjab to Karachi with the object of assisting export sale. Government have also appointed a representative to the Standing Committee recently set up in London by all the principal wheat exporting countries with a view to exploring avenues for the greater utilisation of wheat. It is not

possible to say at present whether any further action will be found practicable or necessary.

(d) Government have no data on which a trustworthy estimate could be framed of the quantity of wheat in the country in excess of its requirements.

Dr. Ziauddin Ahmad : Are Government aware that on account of the time concession given in the Delhi Session of the Assembly, the importers have imported wheat equivalent to the total amount which they would have imported under normal conditions ?

The Honourable Sir George Rainy : No, Sir. If by normal conditions the Honourable Member means, if there had been no import duty on wheat, then I cannot accept his statement as correct. If there had been no import duty, the imports would probably have been twice as large.

Sardar Sant Singh : If the reduction in freight granted during the last two or three months comes to an end on 14th September, does the Honourable Member intend to keep that reduction in freight on ?

The Honourable Sir George Rainy : The concession expires on 14th September. The object of that concession was to promote the export of Indian wheat and for that purpose it has not proved effective because exports of wheat to foreign countries have been very small indeed. The actual effect has been to stimulate the transport of wheat *via* Karachi to Calcutta, and in effect, I am afraid, it is merely a transfer from one route to another. In the ordinary course, that wheat would have gone by rail from the Punjab to Calcutta. In these circumstances, it is very difficult to make out a case for the continuance of the concession.

Sirdar Harbans Singh Brar : Why not send the wheat direct from the Punjab to Calcutta rather than send it *via* Karachi to Calcutta ?

The Honourable Sir George Rainy : Looking at it as a question of purely railway economics, at a time when railway revenues are falling, it is a serious business to make such changes in freights as will reduce heavily what the railways receive without doing any particular benefit to anybody else.

Sirdar Harbans Singh Brar : Is it not a fact that about 500 wagons go empty every week to Calcutta to fetch coal from Bengal, and if you reduce the rates you will make some money on them ?

The Honourable Sir George Rainy : It is quite true that, if I reduced the freight on the all rail route from the Punjab to Calcutta, so that it would be the same as *via* Karachi, more traffic would go that way. That, I do not doubt. But the Honourable Member must remember that the reduction *via* Karachi was not made in the interests of sending wheat to Calcutta, but in the hope that it would promote the export of wheat out of the country and so diminish the surplus.

STATEMENT LAID ON THE TABLE.

REPORT OF THE COMMITTEE ON THE PURCHASE OF THE BENGAL AND NORTH-WESTERN AND ROHILKUND AND KUMAON RAILWAYS.

The Honourable Sir George Rainy (Member for Commerce and Railways) : I lay on the table the report of the Committee appointed by the Legislative Assembly on 1st April, 1931, to consider what action should be taken when the opportunity to purchase the Bengal and North Western and Rohilkund and Kumaon Railway systems occurs on the 31st December, 1932, and to make recommendations.

Report of the Committee appointed by the Assembly on the 1st April, 1931, to consider what action should be taken when the opportunity to purchase the Bengal and North-Western and Rohilkund and Kumaon Railway systems occurs on the 31st December, 1932, and to make recommendations.

At the outset we wish to emphasise that in considering our recommendations we have had constantly before us the strong feeling which we know to exist in this country, and to which expression has often been given both in the Assembly and elsewhere, in favour of the State-management of railways and the termination of the contracts of railway companies at the earliest possible opportunity. We have also not overlooked the fact that the Bengal and North-Western and Rohilkund and Kumaon Railway Companies' management of their lines has frequently given rise to adverse public criticism, and that consequently a desire has been expressed that these lines in particular should be transferred to State management. But we have been compelled to recognise the practical obstacles to meeting at the present moment what we believe to be a general demand.

2. In our examination of the question we have had the advantage of receiving from the Honourable Finance Member very full explanations both of the present financial position and of the financial effects of purchasing the lines under the terms of the agreements with the Companies.

On the first point, the aspect chiefly emphasised by the Finance Member was that in present conditions the very large sterling sum (nearly £12 million) required to purchase the railways could not be raised without unduly straining India's credit with possible detrimental effects to existing securities, or without reducing the power of the Government to finance new expenditure in other directions to such a degree as seriously to prejudice their ability to maintain the railways of India in proper condition or to provide employment in India and place orders with Indian factories. Railway expenditure has, in view of the present financial position, already had to be reduced to a minimum. If the financial resources of the Government were further strained by providing money at the present juncture for the purchase of existing lines, a still more severe restriction on new expenditure and even on renewals would have to be imposed. The results of such a restriction would be so detrimental to India as to constitute a grave objection to purchase at the present time.

On the second point, an examination of the figures supplied to us demonstrates that having regard to the terms on which money would at the present time have to be raised and having regard to the prospects of railway earnings for the next few years, the purchase price to be paid under the terms of the existing contracts is extremely unfavourable. We observe incidentally that the purchase price payable under the terms of the agreement with the Bengal and North-Western Railway Company would apparently suffice for a distribution to the ordinary stock-holders of the Company of about £260 for every £100 of stock held, while on the basis of the last balance sheet, the other assets of the Company would seem to allow a further distribution of about £40 per £100 stock. The market quotation of the stock in London on July 22, 1931, was only £214.

On these grounds it was argued that, if regard were to be had only to financial considerations, the purchase of the railway on the contract terms could be justified only if there were very material improvement both in the terms on which the Government could raise sterling loans and in the prospects of earnings from the two railways; and that even with the maximum improvement in these respects, which it is possible to expect, it is hardly likely that the transaction would prove to be, on financial grounds, favourable within the next few years.

2. For these reasons the Government members on our committee consider that it would most probably be in the best interests of India to allow the option of purchasing the railway on December 31, 1932, to lapse, and to rely on negotiating independently with the company. They consider that it should be possible to make an offer which, while much more favourable to the Government than the contract terms, would nevertheless be sufficiently favourable to secure agreement to a sale by the company. They consider, moreover, that by negotiating on these lines it is much more probable that an arrangement could be made which would be within the financial resources of the Government of India during the next few years.

The remaining members of the committee, however, have been more impressed by the fact that if the option to purchase on December 31, 1932, is not exercised, the Government will, under the existing agreement, be left with no absolute right to purchase until 49 years later. While they recognise the possibility of purchase by negotiation at any time independently of the agreement, nevertheless, having regard to the general public feeling, as expressed in the Assembly and elsewhere, in favour of the purchase of all companies' railways and of these two railways in particular, they feel themselves unable to recommend a course which would leave the Government without any legal right of acquisition for so long a period. They consider therefore that every effort should be made to obtain such a right. The Government members, recognising the strength of Indian opinion in this matter, are anxious to respond to this view as far as that is possible without committing the Government to financial obligations which it cannot discharge, or to unreasonably onerous terms. In these circumstances we have been able to reach agreement in recommending the following course.

We recommend that Government should enter into negotiations with the two companies to obtain from them an option to purchase the lines on the most favourable terms on the 31st December, 1937, subject to one year's notice, or, if possible, on the 31st December, of any earlier year, again subject to one year's notice.

4. We observe that the contracts relating to the working of the Tirhoot Railway by the Bengal and North-Western Railway Company terminate automatically on the 31st December, 1932. We recommend that the question whether the working of the Tirhoot Railway should be entrusted to the Bengal and North-Western Railway Company during the five years (or shorter period) for which we suggest that the option to purchase the Bengal and North-Western Railway should be obtained, should be determined by the terms on which it is possible to obtain this option and to arrange with the company for working the Tirhoot Railway during this period.

The contracts relating to the working of the Lucknow-Bareilly State Railway by the Rohilkhand and Kumaon Railway Company can be terminated on the 31st December, 1932, or on the 31st December, in any subsequent year. We recommend that the question of the Lucknow-Bareilly State Railway should be entrusted to the Rohilkhand and Kumaon Railway Company during the five years (or shorter period) for which we suggest that the option to purchase the Rohilkhand and Kumaon Railway should be obtained should be determined by the terms on which it is possible to obtain this option and to arrange with the company for working the Lucknow-Bareilly State Railway during this period.

5. In the event of its proving impossible to reach agreement with the Bengal and North-Western and Rohilkhand and Kumaon Railway Companies on the terms recommended in paragraph 3, we recommend that the Government should explore other lines for reaching agreement which would ensure to the Government the opportunity to purchase on reasonable terms, and that the Government should again consult a committee of the Assembly for the purpose of reconsidering the position as regards the management of the Tirhoot and Lucknow-Bareilly Railways.

G. RAINY.
 GEORGE SCHUSTER.
 M. A. AZIM.
 M. MASWOOD AHMAD.
 RAM KRISHNA JHA.
 MOHD. AZHAR ALI.
 HARI RAJ SWARUP.
 B. N. MISRA.
 ZIA UDDIN AHMAD.
 GAYA PRASAD SINGH.

SIMLA,

The 5th September, 1931.

THE INDIAN INCOME-TAX (SECOND AMENDMENT) BILL.

The Honourable Sir George Schuster (Finance Member) : Sir, I beg to move that the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, be referred to a Select Committee consisting of the Deputy President, Sir Hari Singh Gour, Sir Cowasji Jehangir, Mr. S. C. Mitra, Mr. Muhammad Anwar-ul-Azim, Mr. L. V. Heathcote, Mr. N. N. Anklesaria, Sir Abdullah Suhrawardy, and the Mover, and that the number of Members whose presence shall be necessary to constitute a meeting of the Committee shall be five.

Sir, this is an important measure. It was introduced in the last session and a motion for circulation was carried. Numerous opinions have been received and I trust that Honourable Members have had time to study those opinions. Before I deal with any of the detailed measures of the Bill, I wish to clear the air as to its general purpose. One must recognise, of course, that a measure of this kind, which affects the whole basis on which the income-tax is assessed can be represented as being open to very many objections. It will interfere with a good many existing positions and no doubt a good many hard cases will arise. But I wish to impress upon Honourable Members the importance of their not being distracted from the main purpose of the Bill by detailed objections of this kind. I would ask them to put before themselves this very simple question. Can the Government of India, can the public of India, possibly justify not passing of a measure of this kind ? Is it fair that a man who has money to invest should be put into this position, that if he invested in Government securities in India or if he invested in business enterprises, commercial concerns, banks or other propositions in British India, he is subjected to the burden of the British Indian Income-tax, but if he sends it away to the United States, to France or Germany, he can get the whole of his income and contribute nothing towards the cost of the Government of this country ? I would submit that on that main principle the answer must be clear to every public spirited man in this country. This is a measure, which, as I have said, undoubtedly will affect certain interests. It will undoubtedly be embarrassing to certain people. I would suggest to this House that there is no class of Members in this House who will be more embarrassed by it than those of us who sit on these Benches. But we felt it to be our duty to put this measure before the House. I want to put it before the House in the fairest possible way ; I want to give the House the fullest time for considering it. There is no intention of rushing it through, no intention of neglecting any opportunity to correct details where by detailed improvements you can remove obvious injustices. But I think this House should consider very seriously what they will commit themselves to if they reject the principle of this Bill. We, of course, shall accept the opinion of the House, and it is with you, gentlemen, that the responsibility mainly lies.

Again, before entering into real details of the Bill, I wish to deal with one objection to the Bill as it stands at present, which has been brought out very clearly in the opinions which we have received. I refer to the principle of discrimination between domiciled and non-domiciled residents. Now, Sir, I made it clear in introducing this Bill that in adopting that discrimination, we had followed the principle

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followed by the British Government. We recognised fully that a very difficult point was raised in this matter. But we had to include some provisions for dealing with it and we thought that the simplest method would be, inasmuch as we were following the British practice in the general principle, the simplest method would be to include in the Bill a provision which was in accordance with the British practice on this particular point. I fully recognise the force of the objections which have been raised to this principle of discrimination ; but I would ask the House to consider that it is not merely a case of slavishly following the British practice. The provision of the British law on the subject is based on a substantial principle ; it is based on the principle of making a man pay tax to some extent according to the economic allegiance which he owes, and a domiciled resident does owe an economic allegiance to the country of his domicile which a temporary resident does not owe. After having said that much, I fully recognise that the case of India is rather a special case. There is in India a community which is resident but not domiciled in the technical sense, which lives in India under very special conditions. I refer to all that class of officials and business men who spend the greater part of their working lives in India, and yet are not in the technical sense domiciled in India. I freely admit that in the case of the United Kingdom there is no parallel to that particular class and that, I fully recognise, does give a point to some of the objections which have been raised to this provision.

Now, Sir, on this point I am particularly anxious to make the attitude of Government clear. We have, for the reasons which I have explained, inserted that particular provision in the Bill, but it would be perfectly open to the Select Committee—if this House agrees to send the Bill to Select Committee—to amend that particular provision. If they do so amend it, Government will accept their amendment. Government will not say that this defeats the principle of the Bill and therefore they will not proceed with it further. I trust, Sir, that this will resolve a good many of the doubts which are felt on the other side.

Now, Sir, on the main issue, Honourable Members who have read the opinions will see that here has been a considerable divergence of opinion. Several Local Governments and such important bodies as the Bombay Chamber of Commerce, the Bengal National Chamber of Commerce, the Indian Chambers of Commerce, Lahore and Calcutta, and several Trades Associations have expressed their general approval of the principle that foreign income of residents should be made liable to Indian income-tax, although in one or two cases opinions so expressed have been made subject to important qualifications. On the other hand a number of Local Governments and public bodies have opposed this principle and a variety of reasons have been put forward. I do not propose to spend much time at the present stage in referring to those who apprehend serious administrative difficulties, and that my anticipation of a substantial increase of revenue from this source will be falsified owing to evasion and so forth. This was a matter which was considered very carefully before the Bill was drafted, and the departmental officers responsible advised me that the passage of this Bill would not introduce any serious new administrative problem, but that on the contrary it

would relieve them of various more or less insoluble problems with which they have constantly to deal under the present system, for example, those arising out of the difficulty of determining whether a remittance from abroad is a remittance of profits or a remittance of capital. That point will be entirely eliminated if the present Bill is passed. As regards the yield that we may expect from this measure, it is in the nature of things impossible for the Income-tax authorities to give any accurate estimate. They have never been in a position to get returns of foreign income and they have no basis on which to make their calculations. I think I need only say that at least it will be a possible source of revenue and I do not think that any Honourable Member will quarrel with me in attempting to discover any new possible source of revenue to-day which can fairly be tapped without putting an unfair burden on any class of the community. Indeed at times like the present, quite apart from the revenue which we may expect, there is a special reason for introducing a measure of this kind ; for this measure, if it is effective, will remove a force which is operating as a magnet to withdraw funds from the country. It will remove a particular inducement to invest money abroad, and I am sure Honourable Members will agree with me that all the money which is available for investment in India to-day ought to be invested in India and not in the United States or other foreign countries.

Now, Sir, several opinions have referred to the fact that the Indian Taxation Inquiry Committee, which reported some years ago, did not recommend this measure. I do not think that, because a Government Committee which reported six years ago failed to recommend a measure, I am precluded from taking a different view and introducing it. But there are other circumstances which operate to-day. First of all, when the Indian Taxation Inquiry Committee reported, income-tax was not nearly as high as, unfortunately, it stands to-day. Therefore that magnetic force to which I referred as tending to draw capital from this country was not nearly so strong then as it is now. Secondly, we had not the same need of revenue, and the reasons for introducing such a measure are on these two grounds much stronger to-day than they were in 1925.

I am also told—and the point has been made frequently in the opinions received—that if the main object of the Bill is to prevent the withdrawal of capital from India, it will fail to achieve this purpose because the causes which are now promoting such withdrawal are of a very different nature to the inducement of escaping income-tax to which I have referred. It is quite true that there may be other causes ; but this at least is one important cause which, in the absence of all other causes, would operate most strongly, and this measure proposes to remove that cause and as such I think it is a measure worth passing.

I now come to what I conceive to be the main criticisms of the Bill, criticisms to which I should most seriously address myself, criticisms which are aimed at the justice and legitimacy of this form of taxation. It has been argued as a general proposition that restrictions on the free movement of capital, and thereby upon the spirit of enterprise, are undesirable in themselves ; and it has been added that it is particularly undesirable to unsettle trade relations between British India and the States. I am

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afraid that I cannot subscribe to those arguments. Whatever advantages there may be to a country in its becoming a country which has foreign investments, such advantages are too dearly bought if they are obtained at the price, not of removing an unfair barrier, but of creating an artificial stimulus to people to send their money out of the country in which they live, money which might otherwise be invested in India. That is a point which I emphasized at the beginning and which I want to emphasise again, that the object of this Bill is to remove the artificial stimulus to the export of capital, and therefore it is most unfair to describe it as the erection of a barrier.

With regard to the Indian States in particular, I cannot myself see, to take a practical example, why an investor in British India who wants to put his money, let us say, into putting up a new cotton mill, should be swayed in favour of building that mill in an Indian State rather than in British India, because, if he erects it in an Indian State, he will escape income-tax. Surely that is a condition which cannot appeal to any Member in this House. In most of the Indian States he would have to pay no income-tax, and if that condition continues, it will eventually prove very detrimental to the interests of British India. I ask Honourable Members to consider that point very carefully.

Others again, to deal with criticisms on the fairness of the principle of this Bill, have urged that it is unfair for British India to tax money earned, let us say, in the United States, because the Government of India performs no service to the investor to help him to earn that money. That, if I may say so, is a very extraordinary argument. The Government of India levy taxation on the people who reside in India, let us hope mainly according to the principle of ability to pay. And to exempt a man who earns the whole of his income by investing it abroad because the Government of India have nothing to say in protecting the interests and the conditions under which that money is earned, is, I think a most preposterous proposition.

Then I turn to another extremely important point, the question of double taxation. That again is one of the objections which have been urged in very general terms. I think that there is a great deal of misunderstanding on that point. In the first place, if a man does want to invest his money abroad, there is a very wide selection of countries and of investments which he can choose, on which he will be able to draw interest or dividends without any deduction of income-tax by that foreign country whatever. If he wants to put his money in the United Kingdom, even there, although in the main income-tax is deducted at the source, he can find investments like the 5 per cent. War Loan or the "Funding Loan", or the Government of India's own sterling securities, or the bonds of any foreign country or of any Dominion, on which he can draw interest without any deduction of income-tax at the source. That money he gets, and according to this Bill he would only be subjected to Indian income-tax upon it. There will be no sort of case of double taxation. Then again he can go to a great number of countries and also draw his dividends without any deduction of local income-tax. I am afraid it is much too easy, and I do not want to continue the list by suggesting to Honourable Members ways in which they can invest their money without any levy of income-tax.

But on this question of double taxation I want to pursue the matter rather further. The Government of India has arrangements with the British Government and with the Governments of the Indian States where income-tax is levied, according to which no investor really has to submit to the burden of double taxation. As far as England is concerned, the case is very simple, and I would like to put a practical case to Honourable Members which I think will bring home to them something of what this Bill, if passed, would achieve. Let us take a man who has £20,000 to invest. He puts it into some British investment which yields him 5 per cent. The income which he will draw is thus £1,000. Supposing the British income-tax deducted at the source is 4s. in the £, that is to say a tax of 20 per cent., he will pay a tax of £200 to the British Government. If this measure is passed, what would be the position? The British Government would still deduct that £200. Supposing the income-tax in India is 10 per cent. or 2s. in the £. In that case the investor would have to pay £100 in income-tax on his income of £1,000 to the Government of India; but he would get that £100 refunded out of the tax which he pays to the British Government. The result of that would be that the investor himself would be no worse off; but instead of the whole of the £200 going to the British Exchequer, £100 of it would come to the Government of India. Therefore; so far as money invested abroad represents money invested in England, on which tax is deducted at the source, the result of this measure will be not to subject the investor to any new burden, but that the Government of India will recover from the British Exchequer a very large income which at present the British Exchequer recovers on Indian investors' money. I trust, Sir, that that is a point which will appeal to some at least of the Honourable Members in this House.....

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot : Non-Muhammadan Rural) : What about the United States ?

The Honourable Sir George Schuster : We have no arrangements for double taxation relief with the United States; but as my Honourable friend, I am sure, is aware, he can buy dollar bonds and draw full interest without paying any income-tax at all to the United States; and if he is in that happy position, I do not see in the least why I should not come down upon him and say "You are paying no income-tax to any other Government: please pay it to me.".....

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : What about Indians trading in East Africa or South Africa ?

The Honourable Sir George Schuster : As a matter of fact they are already, under our existing income-tax law, liable on business profits which are remitted to this country. It is quite true that under the present Bill, if it becomes an Act, they would be liable to tax on profits whether they are remitted to this country or not; and I suggest to the House that there is no unfairness involved in that result.

Sir Cowasji Jehangir : Would they not be liable also to income-tax in the country in which they are carrying on their trade ?

The Honourable Sir George Schuster : I think my Honourable friend is raising a number of points which I hope he will have ample opportunity to raise in Select Committee....

Sir Cowasji Jehangir : But the answer is very simple: it must be in the affirmative; that there will be double taxation.

The Honourable Sir George Schuster : Then it will be left to the ingenuity of my Honourable friend to devise some means to avoid such a harsh operation of this measure, and I am sure it will not be beyond his ingenuity to suggest some amendment which we shall be able to accept.

I do not propose to explain to the House in further detail all the measures for avoidance of double income-tax and the arrangements which exist as between the Government of India and the Indian States. We have as a matter of fact different arrangements with Mysore from certain other States. I propose to supply a note on that point to the members of the Select Committee, and if any Honourable Member of this House wishes to have that information I shall be very pleased to furnish him with it.

Then, Sir, I would turn to another point. Special mention has been made in some of the opinions of the case of Indian holders of Indian sterling securities who bought those securities in the belief that they would enjoy the yield without having to pay Indian income-tax, and the suggestion has been made that it will be a breach of faith on our part to introduce a measure now which would defeat them of their expectation. Again I think that that is rather a preposterous suggestion. These investors live in India and are fair subjects of Indian taxation, and that one Indian citizen should be allowed to invest in a sterling loan and escape income-tax while his neighbour who invests in a rupee loan has to pay income-tax, and income-tax I say with regret in ever increasing measure—and that the correction of that disparity should be regarded as a breach of faith is I consider to be a preposterous criticism of the Bill. It is no more a breach of faith than it is for us, as we did last session, to introduce an increase in the Indian income-tax, and many a holder can say, “ I invested my money in the Indian rupee loan thinking that the tax was going to be put on at a certain level and you have defeated, most unfortunately, that expectation ”. I think, Sir, the argument has only to be mentioned to be dismissed.

Then, Sir, before I conclude, I would like to clear up one field of misunderstanding. Several bodies have construed the amendments made in clauses 6, 7, 8, 13, 14 and 17 as creating some new exemption from liability to Indian income-tax on salaries or interest on securities paid abroad. That is a complete misconception, as I think should have been obvious to any one who really perused the remarks on those clauses in the explanation of the Objects and Reasons of the Bill. The true position is this. The amendments merely deal with machinery sections and do not make any difference to the liability to tax. On the contrary, what we are now proposing by those amendments is the removal of a possible loop-hole in the existing system under which a resident might arrange to have his salary or interest on securities paid outside India and yet escape income-tax which would be adjusted uniformly. That, Sir, is a point upon which I do not think I need dwell further, for it can be further discussed in the Select Committee.

I have detained the House for some time on this measure, Sir, because I thought it necessary that I should, before anything further was said, clearly explain the Government's position on certain fundamental points, and also remove certain misunderstandings which it is clear from the nature of the opinions received, already exist. Such contact, as I have been able to establish with some of my friends on Benches opposite, leads

me to suppose that there will be a certain amount of opposition to this Bill. It was in order to dispel what I believe to be the misunderstandings on which that opposition would be based that I have emphasised so strongly what I considered to be the main purpose of the Bill. Now it lies with the House. The principles are clear; the objects which we are aiming at are clear, and I say with all the emphasis that I can command and although I myself, speaking personally, will be very severely hit by this Bill, that I think that it is a measure which nobody who has the interests of India at heart could possibly reconcile it with his conscience to reject.

Mr. B. K. Shanmukham Chetty : Mr. President, my Honourable friend the Finance Member spoke of the possible conflict of personal interests that this measure might give rise to, and I am free to confess to this House, Sir, that I am in the happy position of one who is not personally affected by this new measure that is proposed to be enacted. I am patriotic enough to place all my investments in my own country (Hear, hear), and I have not yet sought investments abroad, in spite of the inducements that a certain class of investments abroad have offered in the way of escape from income-tax from any country in the world. My Honourable friend, in his Statement of Objects and Reasons and when he introduced the Bill, mentioned to us that the chief objects which induced him to attempt to put a measure of this nature on the Statute-book were firstly, to fill up a lacuna in the Indian income-tax law as it exists at present, to prevent the flight of capital abroad, and to earn additional revenue by the income-tax. In analysing the object which I have just enunciated, I may at once concede, Sir, that the want of a measure of this nature leaves a lacuna to be filled in the Indian income-tax law as it exists at present. My Honourable friend wants this measure not so much to fill up this technical defect that at present exists in the Indian income-tax law, but to prevent primarily the flight of capital abroad. In examining the nature and extent of the flight of Indian capital abroad, it would be necessary for this House to assess what exactly are the reasons that have led to this recent flight of capital abroad. If it is the contention of my Honourable friend opposite that the defect in the income-tax law is the primary inducement for this flight of capital, then I might at once say that I most respectfully beg to differ from him, and in this connection, Sir, my opinion is supported by the valuable testimony of the Commissioner of Income-tax, Burma. In the note that he has submitted on this Bill, he clearly says :

“ In the Statement of Objects and Reasons it is contended that the freedom of Indian taxation on income received by British Indian residents outside India offers an inducement for the investment of money abroad. This, in my opinion, is largely a theoretical argument, and I doubt very much if in practice this feature of the law has induced many persons in India to invest their money abroad.”

And he goes on to say that,—

“ if this is the main reason for the Bill, therefore, it cannot very well be justified.”

My study of this phenomenon of this flight of capital from India also confirms me in the view taken up by the Commissioner of Income-tax in Burma. Sir, this is not the opportunity to dilate upon the various economic causes that have led to the flight of capital, especially in recent times from India to foreign countries. But it is enough for the purposes of my argument that this inducement mentioned by my Honourable friend is not the primary cause of the flight of capital from India to foreign countries.

[Mr. R. K. Shanmukham Chetty.]

Coming now to the third object of the Bill, namely, to secure additional revenues, I doubt very much whether my Honourable friend would be in a position to collect, to any appreciable extent, additional revenue from this new measure. He himself referred to the administrative difficulties mentioned by the Indian Taxation Committee, and he assured this House that he was informed by his administrative officers that no serious administrative difficulty would stand in the way of the collection of the income-tax proposed. But, Sir, taking it on the whole, it might safely be said that as a result of this measure the honest man will have to pay more and the dishonest man will just pay what he has been paying all these years. (Hear, hear.) I know that every law must rope in dishonest persons also, but the value of a law in roping in dishonest persons must be judged from the procedure that it lays down which would effect the roping in of these dishonest persons. And I would submit to the House that, in spite of the vigilance of the income-tax officers and the Income-tax Department, it would be absolutely impossible to detect evasions as a result of this measure. I therefore contend that, whatever might be the hopes of my Honourable friend, he would not realise any appreciable increase of revenue as a result of this measure.

Having stated these preliminary objections against the Bill, I would now proceed to analyse my main objections to the clauses of the Bill. The present law of income-tax in India with regard to foreign investments is this, that a person is assessed to income-tax on the profit derived from a business abroad if it is brought into the country within three years of the end of the year in which the income is derived. That is the present position. How does the Bill seek to alter this law? It provides that in the case of residents of India the income received in the country from investments abroad will be liable to Indian income-tax, and in the case of persons resident and domiciled in India the Bill seeks to provide that they will be liable to taxation in respect of incomes not merely received in the country but even of incomes which have accrued abroad. That, in short, is the main provision of the Bill.

Now, coming to the objections to these provisions, my Honourable friend himself mentioned to us an objection on the ground of double taxation, and he made some attempt to explain the position and wanted to convince the House how people will not seriously suffer as a result of this double taxation coming into operation. But, Sir, my Honourable friend did not inform this House that England, which has an income-tax law similar to the present Bill, has entered into reciprocity arrangements with other countries by which this double taxation is avoided, and I would ask my Honourable friend whether it is not a condition precedent to the placing of such a measure on the Statute-book that such reciprocity arrangements should be arrived at between the Government of India and the foreign Governments. So long as such reciprocity arrangements have not been entered into, I contend that the operation of double taxation would be a very serious injustice to the Indian subjects.

Sir, the Bill seeks to make a distinction between those who are only residents of India and those who are resident and domiciled in India. To my great relief, my Honourable friend the Finance Member assured this House that the decision on this point would be left to the Select Committee of the House and that if the decision went against the provisions

of this Bill, he would not treat it as affecting the main principles of the Bill. I would submit to the House that, even if this Bill goes to a Select Committee, there is not the slightest justification for maintaining this difference between residents and persons who are both resident and domiciled. The whole question of the theory of double taxation was very carefully gone into by a special Committee appointed by the League of Nations, and on this Committee there were some very eminent economists, and it reported to the Financial Committee of the League of Nations. The report says :

“ The basis of taxation should be economic allegiance, that is, only those who owe economic allegiance rather than political allegiance to the country should be subjected to its tax laws.”

That is the main conclusion that this expert Committee arrived at. Now, I would put to my Honourable friend the Finance Member and to this House whether the European residents in India who carry on their trade in India owe economic allegiance to India or not ; and if it is agreed that their economic allegiance is to India, then there is not the slightest justification to make a distinction between those who are resident and those who are both resident and domiciled.

Sir, this provision that my Honourable friend has put in in clause 4 is interesting from another point of view. It throws a great deal of light on an important constitutional question which is being discussed elsewhere, I refer to the question of the equality of trading rights claimed by the resident European community in India. Well, if the principle enunciated in this clause is to be carried to its logical conclusion, if it is conceded that a person who is only resident in a country has got only limited obligations to that country, then *per contra* it must be conceded also that a person who is resident in this country must have his rights and liberties restricted in that country. I do hope that the principle enunciated in this clause will be discussed in its logical sequence when the theory of equality of trading rights comes to be discussed in another place. But whatever might be the decision on that point, so far as this House is concerned, even if this Bill goes to a Select Committee, there will not be the slightest justification for maintaining this distinction between residents and those who are both resident and domiciled. In practice, if this distinction is maintained, it will certainly operate as a serious hardship upon individuals and business firms. If two business firms in a place are carrying on trade and they trade in competition with one another, and if one of these is to be exempted from Indian income-tax in respect of incomes received from its foreign investments, then, surely, you place the other firm and other individual in a position of serious disadvantage. In practice, therefore, I submit that if this provision is retained it will work serious hardship.

My Honourable friend referred to the possible complications that this measure may give rise to in our relation with Indian States and I do not think that I am competent at this stage to go into all the details of the relation between Indian States and British India, especially with regard to income-tax law, but I would only mention this, that when the whole constitutional question is now being discussed—and I take it that this question of income-tax law and income-tax rights as between Indian States and British India will be one of the subjects that will be discussed in the constitutional discussions—this is not the time to enact a measure of this nature.

[Mr. R. K. Shanmukham Chetty.]

Apart from all these objections, I would submit that the time is not opportune for placing a measure of this kind on the Statute-book. Already trade, industry and commerce are seriously hit by the economic depression through which we are all passing and I would only submit to this House that, at a time of economic crisis like this, it would not be justifiable to impose an additional burden on trade, industry and commerce. My Honourable friend the Finance Member has mentioned in the Statement of Objects and Reasons and also in his speech that this Bill is in conformity with the English law on the subject. I wish, Sir, that my Honourable friend had given us a little more enlightenment on the exact provisions of the English law in this point. Income-tax is certainly a nuisance, but income-tax law is a greater nuisance. I do not know whether there is any person who can claim to understand the income-tax law of any country thoroughly, and I am free to confess that when I attempted to understand the principles of English law on this point, I found very great difficulty indeed, but this much I was able to see—that the provisions sought to be introduced in this Bill are not exactly similar to the English law on this point. The English law on this point makes a distinction between persons who are resident and persons who are ordinarily resident. I find in some papers containing the opinions on this Bill a misconception that there is no distinction at all between resident and domiciled persons in English law. I must inform the House that that impression seems to be a wrong one. But this much can be said with confidence, that the non-domiciled resident gets more favourable treatment as compared with the domiciled resident. Under the English law, if a business is carried on entirely abroad, then it comes under the classification of foreign possessions, and the income derived from such business is exempt from British income-tax, and I find no such provision in the present Bill, and I would therefore submit that on a very fundamental point there is a great difference between English law and practice on this point and the Indian law as sought to be amended by my Honourable friend.

I will not dilate upon the value of consular services referred to by my Honourable friend Sir Hari Singh Gour, but I would only mention this—that it is the measure of protection that a country gives that justifies the taxation that it imposes, and judged from this criterion, I can say with confidence that the measure of protection given by the Government of India to the Indians abroad does not justify the imposition of this additional burden.

These are my main objections to the provisions of the Bill. It might be said that these defects could be remedied in the Select Committee, but I beg to submit that some of the objections that I have mentioned are fundamental objections, which cannot be remedied in the Select Committee. No doubt the distinction sought to be made between residents and domiciled persons can be remedied in the Select Committee, but beyond this the other fundamental defects cannot be remedied in the Select Committee. If I oppose this Bill even at this stage, it is not because I refuse to subscribe to the principle, and a very healthy principle too, enunciated by my Honourable friend, that no encouragement should be given to an Indian citizen to invest his money abroad and thereby escape taxation—it is not because I refuse to subscribe to that principle—I whole heartedly subscribe to the

principle—but, Sir, I oppose this Bill at this stage, and I would have no hesitation in advising my Honourable friends to throw out this motion, because there are not existing those conditions precedent which alone can justify the enactment of a measure of this nature, and so long as those conditions precedent are not satisfied, it will not be justice on the part of the Government to impose this additional burden on the trade, commerce and industry of this country.

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

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

Mr. L. V. Heathcote (Nominated Non-Official) : Sir, the Honourable the Finance Member at the close of his speech told us that from certain conversations he had had with Honourable Members on the other side of the House, he gathered the impression that there was some opposition to this Bill. He will since have heard from the Deputy President that there is very considerable opposition to the Bill, and I propose now, Sir, with your leave to add myself and the interests that I represent as also being opposed to this Bill. I think that we might, however, be grateful to the Honourable the Finance Member for having proved himself to have been as good an exponent of the reasons for the rejection of this Bill as we could have expected even among the Government Benches. What actually did he tell us ? What were the reasons for which this Bill was introduced ? On the paper, the only reason that is given for the introduction of this Bill is to prevent the flight of capital from India ; and the Honourable the Finance Member said that, in normal conditions, this measure would have some effect upon preventing capital from leaving India. I think we will all agree with that. It will have some effect. But what effect ? I agree with the Honourable the Deputy President in saying that the effect will be almost nil ; and yet this is the principal reason advanced by the Government for the measure. It is the general opinion and my opinion—I do not propose to ask Honourable Members to believe that mine is very valuable opinion—that capital is not caused to fly from the country because of taxation, but that security of capital is what is the main idea in the mind of any one who prefers to invest abroad. Those who have exported and are perhaps now exporting capital from India can be divided into the genuine investor and the speculator. The genuine investor is definitely concerned with the security of his capital, and, however regrettable it may be, conditions in India during the last year or so have not been such as to instil any feeling of security in those with capital to invest ; and for that reason alone, the imposition of a tax which is a fraction of the income which is itself a fraction of the capital is not going to deter people from putting their money where they think it safe to invest it. They will put their money where the capital is more secure, even if the return on the capital is smaller. The speculator is in a different class. He is the man who hopes, by criticising the exchange policy of the Government of India, so to bear the market that he will be able, having sent his money home or abroad, at the rate of 20*d.* to the rupee to bring it back after some years at 10*d.* ; 100 per cent. profit ! Now is he to be deterred from speculating in that fashion by the possibility that he may have to pay a tax upon that money when it is brought back to India ? That, I feel certain, is not the case ; and that

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being the major reason at least, and the only reason on the paper for this Bill, I feel that there can be no justification for carrying it through. We learnt, however, that revenue was also an object of the Government ; and here also the Honourable the Finance Member says that this Bill will provide a " possible " source of revenue. Now there can be no doubt that it will provide a source of revenue of some sort. But is the whole basis of income-tax law for India to be changed for some small sum of revenue ? We have not been told what the Government expect to receive in additional revenue. We know that the Government are extremely hard put to find money in order to balance their Budget, and I think that, generally speaking, this House would assist the Government in carrying through a measure to provide the Government with any large amount of revenue even if the conditions of that measure were not entirely satisfactory. But no hope is held out to us that any large revenue is coming as a result of this Bill. We have heard it said that Rs. 40 lakhs or 50 lakhs may be expected. But are 40 lakhs or 50 lakhs worth the introduction of a measure changing the whole system of income-tax law in India and a measure moreover which has many essential defects in it which I very much doubt can be removed by the Select Committee ? So here again I am afraid that the Honourable the Finance Member has failed to justify the need of a measure of this importance. He has no doubt cleared up some misapprehensions which exist in regard to this measure, but I am inclined to think that he has created almost as many as he has cleared up. He refers to the Bill as a justifiable Bill and he asks whether it is fair for a man who invests his money in the rupee loans of the Government of India to be taxed on the income arising from that investment, while another man working in India has sent his money to England and invested in British securities and thereby avoided the payment of Indian income-tax ? But has that man avoided the payment of income-tax ? Why did he invest his money ? To allow it to grow, or to use it himself for his own expenditure ? In the majority of cases it must be for his own use, and he brings it back to India. He therefore pays income-tax. Is not that sufficient....

The Honourable Sir George Schuster : I am afraid my Honourable friend is under a misapprehension as regards the law on the subject. Income derived from *investments* abroad is not liable to income-tax in India, but income from *business profits* brought into India is liable to tax if brought in within three years. One of the points of this measure is that there is no chance of getting income-tax out of income earned from *investments* even if it is brought to India on the very day that it is earned.

Mr. L. V. Heathcote : I stand corrected. I thank the Honourable the Finance Member for his statement.

Sir Cowasji Jehangir : Was not that point contested ? Was not there a difference of legal opinion on the point whether income from securities can be brought to India within three years without paying income-tax ? Or is it a perfectly clear point now ?

The Honourable Sir George Schuster : As far as I know it is a perfectly clear point. I am not aware that that particular point has ever been contested.

Sir Cowasji Jehangir : Is the Honourable Member unaware that it was once contested ? If the point is perfectly clear now, I have nothing more to say.

Mr. L. V. Heathcote : In that case the argument advanced by the Honourable the Finance Member seems a justification for the institution of the Bill to tax income arising from foreign investments and brought into India but only provided the administration can undertake its proper assessment. One of our strongest objections to the Bill is the fact that it is extraordinarily difficult to assess income arising abroad whether it remains abroad or whether it is brought into India : and, although we have been told that no new problems of administration will arise if this Bill is brought into law, and on the contrary that the administrative problems will be eased, I am not satisfied, and many others are not satisfied, that the existing problems of income-tax assessment are being handled as they should be. We wish to give no further scope for the evasion of income-tax in a manner which is rendered so easy by the institution of this nature.

Dealing with the Bill itself and particularly with clause 4 (c), which is the clause which allows the resident who is not domiciled in India to avoid the effect of this Bill, I think that it may assist matters if I try to make our position clear. If it had been the opinion of Members on the other side of the House that this Bill should be made law as it stands, British trading interests in India would not have refused benefits which would thereby accrue to them. But in the very difficult times through which we are passing, we have decided that we would not support the Government in forcing this clause through, if there was a clear feeling on the other side that with this discrimination it should not be passed. Having said that I think I am possibly entitled to clear up some of the misapprehensions which seem to rest with the other side of the House. The British are referred to as the only people, or mainly the only people, who will obtain a benefit from this Bill. That is by no means the case. There are large trading sections in India who come from Indian States. As an example, I may refer to Marwaris. Unless I am mistaken again, they will secure exactly the same benefits in the matter of avoiding taxation as the British. There are others in India, such as the Armenians and the Japanese. They also will avoid taxation if British interests avoid it. So, possibly, it is a little unfortunate that the only people who are supposed to benefit from this Bill are the British. There is, at least, an argument of some sort which justifies discrimination. There are many people who come out to India from England with private means. Those private means arose without any connection with India at all : and there might be some truth in the general statement that the class with private means is the class which it will be best for India to attract from England. But if they are to be taxed on their private means—not only on the means themselves, but so as to be rated at a higher rate of income-tax by the inclusion of these private means—, then certainly there will be greater difficulties in obtaining the right type of people from England to serve India. There is at least a section of Britishers in India to be found in the Army where private means is common among the officers, and it is not unlikely that the effect of the removal of this discrimination would be to make them pay in income-tax more than the salaries which they earn in India. If it were possible to devise a plan which differentiated between an income arising to a resident who is not domiciled in India and which had no connection with India and an income which accrued to a resident who is not domiciled in India and which had accrued to him from connection with India, then I feel that many Honourable Members on the other side of the House would be only too glad to give us the benefit of such

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discrimination. However, as the Government have clearly agreed to withdraw the discriminatory clause, should the Bill get as far as the Select Committee, there is no need for much more to be said with regard to discrimination.

A good deal has been said in regard to double taxation, and the Honourable the Finance Member made it quite clear that in so far as money is invested in England, the effect of this Bill on the capitalist in India who has invested his money in England will be *nil*. But he has put it in a way which would remove or appear to remove all the deficiencies in this respect which we see in this Bill. He told us that if, as a result of an investment of £20,000 in England, an income-tax of £200 was paid in England and £100 was paid in India, the Government of India would recover that £100 from the British Exchequer, but that, I am afraid, is not exactly what would happen. That unfortunate individual will have to pay his £200 in England and he will have to pay his £100 in India, and if he takes sufficient trouble and waits long enough, he will be able to get back the £100 from the British Government. But it is going to be a great bother and in the case of many people with possibly small incomes, they may not be in a position to worry the authorities sufficiently to obtain their legitimate claims. On that point at least the Honourable the Finance Member has created as great a misapprehension as he removed.

It was urged that trading advantages would result to sterling firms who trade in India as compared to Indian firms. But there, I think, there must be some mistake, because the sterling trading firm pays its income-tax in England, and in so far as the total taxation is concerned, I should imagine that it is at no advantage over an Indian concern trading in India. The objections which we take to this Bill are based upon the fact that it will secure very little money and it will not achieve the object which the Government have at heart in introducing this measure. It is the evasion which is certain to follow upon the introduction of this Bill which makes us strongly opposed to it.

Mr. H. P. Mody (Bombay Millowners' Association : Indian Commerce) : Mr. President, my Honourable friend the Finance Member at the end of his speech stated that he did not think that anybody looking at this Bill dispassionately could possibly think of opposing it. The Deputy President and Mr. Heathcote have given the answer, and I join them in whole-heartedly opposing the motion for reference of this Bill to the Select Committee. I am surprised that the Government of India should have elected to go on with the Bill in face of the very vehement opposition, not of capitalists or professional politicians or lawyers, but of the very people on whom they invariably in the past have been apt to lean. I do not think there has been any single Government measure which has encountered such stout opposition from those who may be regarded as the colleagues of the Government of India in the administration of the country, namely, the Provincial Governments and the district officers who form the backbone of the administration, as this measure. In the past we have known the Government of India to be unresponsive to opinion in this House and outside. I think this is the first time the Government of India have shown themselves to be unresponsive to the opinion of their own colleagues in the provinces, and of all those whom they have always regarded as infallible guides in matters of this description.

Before I come to the various objections which I have to the clauses of the Bill, there are three considerations of a general character which arise from this Bill on which I would like to dwell as briefly as possible. The Honourable the Finance Member both in the Statement of Objects and Reasons and in what he stated to the House this morning has tried to make out that this Bill is going to affect only a limited class of capitalists, only too anxious to take their investments out of this country, and therefore not entitled to the least sympathy at the hands of this House. I warn my Honourable friends on this side of the House not to be taken in by that plea. It is not merely the so-called limited capitalist class which makes investments in foreign bonds and in British securities that is going to be affected if this Bill becomes law, but there are thousands and thousands of small traders in various parts of India, not by any means confined to the Bombay Presidency, who have traded for generation upon generation with places outside British India long before the Income-tax Act was even thought of, who will suffer by this Bill. Their position is going to be affected very seriously. In the various papers which have been circulated to us you will find a representation from the Chettiyar community of South India who claim that they have for over a century traded with the Straits Settlements, Malay Peninsula, Ceylon and various other places, whose business is sorely afflicted as it is and who will be penalised equally with the so-called capitalists. I ask my Honourable friends to disabuse their minds of any idea that this Bill is going to affect a small class supposed not always to be influenced by considerations of patriotism or public good.

The second consideration which arises from the Statement of Objects and Reasons is that the law is sought to be brought into line with that obtaining in England. I have got a great deal to say about that argument. The House will remember that during the last Budget debate, I pointed out how the income-tax operated in England in favour of the small investor. I gave a list of various exemptions and I pointed out to the House that the small investor in England was a great deal better off than his counterpart in India. Then I raised the question of the carry forward of losses, which is admitted in England and other places, but which the Honourable the Finance Member has expressed his inability to admit in India because of financial considerations. My question is, if you are going to follow the English law and hold it up as a model and as one of the main reasons for the enactment of this measure, why is it that you are selecting exactly what suits you and you are not following the English law in all essential respects? I would draw the attention of my Honourable friends to an article in the *Statesman* of the 19th July. It says :

“ If the Finance Member were to give the small income-tax payer all the concessions which are made to him in England, he would, thanks to joint families and large families, not to mention plurality of wives, get considerably less revenue. When the treasury would suffer unduly there is no attempt to follow the English model. Therefore the argument for the English model where the treasury stands to gain loses force. The issue has to be considered on its merits.”

That much, Sir, for the argument that it is sought to bring the Indian law into line with the English law on the subject. But I would like to point out that there are special reasons why the English law is what it is. England being immensely rich cannot find profitable employment for all its capital in the country itself, and from time immemorial, at least after the industrial age came into existence, its capital has found employment in all parts of the world, and has found it very profitable too. It is natural that England, with such enormous capital all the time going out of the

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country for profitable employment in various parts of the world, should think it necessary to tax it. Those conditions do not exist here. Therefore to hold up before us the model of the English law is, I think, entirely irrelevant. But there is another point and it is this, that even the English law on the subject has not been followed in all respects. It is true that in England a man who is ordinarily resident, or what is the equivalent of domiciled, a man who is ordinarily resident pays generally on his income invested abroad, whether it is remitted to England or not. But a notable exception has been made, and it is that income from foreign possessions is exempted unless it is remitted to the country. Employment which is wholly outside the British Empire, trading which is wholly outside the British Empire, the profits accruing out of these, unless they are remitted to England are exempt from taxation. There is no such exemption in the measure which is placed before us. Let me read to you from the various opinions we have got on his particular aspect of the question. The Legal Remembrancer of the Punjab Government says :

“ On the question of principle the application of a law found suitable to a highly industrialised country is of doubtful expediency to an almost entirely agricultural province like the Punjab.”

And what applies to the Punjab in respect of its being an agricultural province can I think be more or less said to apply to the whole of India.

Now, Sir, the third argument and the strongest argument of the Finance Member is that it is necessary to prevent the flight of capital. I am surprised that the Finance Member should think that, because investments up to now have not been taxed in places outside British India, that is one of the principal reasons for capital going out of India. I will confront the Finance Member with the opinions found in practically every page of this file of opinions received from various Governments and officials. Everybody knows that the political and economic conditions of India have facilitated the flow of such capital as has actually gone out. I am afraid the inclination is to exaggerate the actual amount, but even assuming that capital has gone out of this country on any very considerable scale, the reasons certainly are not that there is no income-tax on investments abroad, but because the political and economic conditions of India are not at present favourable for the investment of capital ; and I may say that considering the various handicaps which trade and industry in India have to put up with—handicaps not altogether arising out of the world-wide trade depression, but peculiar to India,—I am not surprised that some part at least of the capital should go out from this country. My Honourable friend the Deputy President read out an extract this morning on more or less the same point. I should like to read out something which I think is even stronger, and that is the opinion of the Commissioner of the Bhagalpur Division. He says—and I am afraid with a little acerbity—

“ The most ignorant of us know perfectly well that the flow of money for investment outside India has very little to do with the income-tax but is mainly due to the lack of opportunity for profitable investment in the country and the shaken condition of India's credit.”

Sir, I am not arguing as to whether it is only the ignorant who do not know this, or whether people in exalted places do not know it. I am only concerned with this that your own officials— not one or two but a score— and various Provincial Governments, have stated deliberately that the

reason why capital is going out of India is because of the disturbed economic and political conditions in India. And, after all, I regard it as a very questionable policy that even if capital is going out of India you should seek by a statutory handicap to keep it in this country. I can quite agree with Government that every possible effort should be made to mobilise all the available resources of the country for the development of the country's trade and industries, but that is something very different from seeking to impose a positive handicap by statute upon capital going out of the country. I think that all of us sympathise with the very legitimate object that capital as far as possible should be mobilised in the service of Indian trade and industry, but we cannot deal with the matter by a statutory provision such as the one before us.

My Honourable friend the Finance Member this morning stated that one of the reasons why textile mills were going out of British India and were locating themselves in Indian States was that there is no income-tax to pay. I hope I am not doing him any injustice when I state the position so badly ; but if he really did say this and no more, then I am afraid he does not know the facts of the case. It is notorious that mills, and for the matter of that other industrial concerns, are going out of British India purely because labour conditions are much more favourable, labour is cheaper, taxation is much lighter, and what is more, the Government of India have never thought fit to impose on the Indian States all the obligations of labour conventions and conferences which have been imposed upon British India. I do not know, Sir, how far even the Factory Act is in operation in most places ; I do know of one or two places in the Indian States where a Factory Act more or less analogous to the Act in India does obtain. But I have reasons to say that so far as even factory legislation is concerned, the conditions in the Indian States are somewhat primitive. If there are these conditions which make for profitable working, and can you wonder that those who are confronted with high labour costs, high taxation and all sorts of labour legislation in British India should seek fields far out, and should go to the territories of the Indian States ? I say, Sir, that the Finance Member was altogether wrong in suggesting that Income-tax has had any influence in inducing people to go out into the Indian States and plant industrial concerns there.

These are the three general considerations which have been urged before us, and I hope I have shown that there is not the slightest justification for entertaining any one of them. I come now to the objections to the measure which I have, but before I deal with those, I would just like to have one point made clear. My Honourable friend stated this morning that if there was a feeling in this House that the most controversial clause in the measure should be altered and that the principle of discrimination should be done away with, he was prepared to have that examined in the Select Committee. Well, Sir, so far so good. What I want to know, however, is how he is going to deal with salaries paid out of British India. As I understand the position—and I shall ask my Honourable friend to correct me if I am wrong—at the present moment salaries paid out of British India are not subject to tax either in England or in India in most cases. As the Bill stands, it is intended that, so far as persons who are domiciled in this country are concerned, their salaries even if they are paid outside British India will be taxed. May I know from my Honourable friend if that statement is correct ? I take it that it is correct and so I will go on with my argument.

The Honourable Sir George Schuster : My Honourable friend must not take my silence as signifying assent to his proposition. But I would suggest that points of this kind are points to be taken in Select Committee and not on this motion when I am simply asking the House to accept a reference of this Bill to Select Committee.

Mr. H. P. Mody : I am thankful to my Honourable friend, even though he suggested that his silence was not to be construed as assent. I shall construe it as I like, and I hope he will forgive me for doing so. But I am grateful for his explanation, and what I want to say is that these are matters of importance and on them depends very much whether we are going to accord our sanction even to the principle of the Bill. And I want to know whether, if my reading of the Act is correct, he is going to do away with the principle of discrimination even in this particular ; because if he is not going to do so but is only going to deal with section 4, then I am afraid that it will become a matter of principle with some of my friends who at present seem inclined to send the Bill to the Select Committee. Considering that my Honourable friend is not disposed to be very communicative I shall not pause for an answer.

I will now come to the actual objections to the Bill, and I hope the Finance Member will not think that these are matters which should be thrashed out in Select Committee. For one thing I am not on the Select Committee, and therefore I shall not have an opportunity of making such points as occur to me, and I am entitled, therefore, in fairness to myself at any rate, to make those points here.

An Honourable Member : We can add your name.

Mr. H. P. Mody : That is not wanted. Coming to the objections to the Bill, my first point is that the measure will lead to a lot of evasion. It may be a small point in some people's eyes ; to my way of thinking it is a very serious matter. Every one knows that the present number of assesses to income-tax in the whole of British India is something which is ridiculously low. I feel that there are a great many people, perfectly honest, perfectly honourable, who regard it almost as a sort of religious duty to dodge the income-tax and to cheat the Government out of their exactions. I do not think it is thinking ill of humanity to suggest that there are many honourable men who do not scruple for one moment to try and get out of the clutches of the Income-tax Collector. If Government want more revenue, they ought surely to go to the people who are dodging them ; they ought to tighten up their control ; they ought to strengthen the agencies they have for ferreting out the people whose income ought to be taxed rather than come forward with proposals for fresh exactions on the very classes who are bearing the burden now. The position is that those people who are evading income-tax will continue to evade it, and to their list will be added a fresh number of people who are paying up now but who in view of the very exacting nature of the provisions which are sought to be translated into law will not disclose their foreign income, and there will be no means of checking it at all. In this connection I would like to refer to the opinion of another Commissioner of a Division who says .

“ All he can hope to do is to find out what income is received in the country. If this is the case, it must be admitted that the provisions of the Bill are quite unorthodox from a legislative point of view as well as entirely impractical as no adequate means can exist for enforcing them. All that could be hoped if the Bill were passed would be that the conscientious would pay and the unscrupulous would not.”

I leave it to the Government of India to say whether they actually suggest that the conscientious should go on paying, cheerfully submitting to the burdens which are being imposed upon them, year after year, and sometimes twice in the year, as is the case with this year, and the unscrupulous should go on escaping these burdens.

I come now to what I think is one of the principal objections to the Bill, and that is on the score of double taxation. In England where a person ordinarily resident cannot hope to escape paying income-tax, whether his investments are outside the country or not, he has this consolation that there are reciprocal arrangements with various countries which enable him to be saved from the imposition of double taxation. These reciprocal arrangements do not obtain in India, and I think, as has been stated in some opinion which I cannot lay my hands upon just now, the first step should have been to ascertain what countries were prepared to reciprocate with India in this matter before putting on what will undoubtedly be a source of double taxation for a great number of years to come; and I do not think it can be suggested that double taxation is a thing to which anybody can be asked cheerfully to assent.

But there is another point which has not been brought out and which possibly may not be brought out, for the simple reason that it is not in the materials that are before the House, and it is that if this Bill becomes law, Indian insurance companies will be hit in such a way as will seriously cripple them. The Indian Insurance Companies Association has submitted to the Government of India a very well argued memorandum showing how the measure is calculated to hit them. I think it is a matter of common knowledge, that insurance business has got to be international in character. It cannot be circumscribed within the country itself, and insurance risks have got to be spread out everywhere. The Indian insurance

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companies state that actually 60 per cent. of their revenue is derived from this re-insurance in foreign countries. What happens is this: they have reinsurances in the United States, in Canada, in France, in Germany, in England and various other places. Insurance companies which reinsure with foreign companies have got, by the laws of foreign countries, to place very large deposits there, either in the shape of securities of those countries or in the shape of deposits. What will be the position then? First of all, the Indian insurance companies will have to pay tax on such securities in foreign countries which they are bound to keep under the laws of those foreign countries; and they will also have to pay tax here. Then again their profits accruing in those foreign countries will have to pay tax under the laws of those countries, and they will again have to pay tax here under the present measure. Therefore, the insurance companies are justified in stating—and I do not think there is any exaggeration—that the Bill will pretty well kill all their enterprise and activity; and I want to ask the Government of India whether they seriously suggest that the Indian insurance companies should be allowed to be hit, when it should be the duty of everybody to foster what is undoubtedly to be regarded as a national industry.

Then, think of the handicap to trade and industry. My Honourable friend is continually suggesting, that it is only the capitalist class, sending out their investments abroad and earning interest, who are sought to be taxed. Why does he ignore or make light of this circumstance that there are thousands of people trading with Zanzibar, South Africa, East Africa, the Persian Gulf, the Straits Settlements, the Malaya Peninsula, Ceylon

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and places all over the world, who, if this measure is to become law, will have to bear a double burden of taxation. The Finance Member is not right in laying so much stress on investments outside. The case of these traders has got to be considered as even stronger than that of people who are merely sending out their money for investment in securities.

There is another point, and that is with regard to the investments of Indians in sterling securities. I do not know whether the object of the Finance Member is to discourage such investments. I think I am right in stating that a considerable portion of the money obtained for sterling securities recently has been obtained from the coffers of the people of India. These sterling securities have escaped taxation hitherto. You now propose to tax them. May I take it that it is your object to discourage investment in sterling securities, which, not only for the purpose of ordinary borrowing but for purposes of exchange operations you will have to float from time to time? If you will allow me a little personal note, I may say that I am on the Board of a bank which was perhaps the largest subscriber to the last sterling loan of the Government of India. I am also on the Board of a shipping company which has got very large investments in sterling securities. Is it intended that these and various other concerns similarly placed should go in for other kinds of investments? Does the Finance Member desire that sterling securities should no more be supported by the people of this country, because so far as I can see I cannot imagine anybody investing in sterling securities if he finds that the one advantage which there was before, namely, escaping income-tax, was going to be no longer there?

Then there are two or three small points: one of them is in connection with the difficulty which Government will experience in determining what is domicile and what is residence. They will have to determine that for various purposes. I do not know whether these questions which have troubled many countries are also going to trouble the Government of India, and whether the Government of India are going to undertake the expense and labour of determining such problems.

There is another very serious objection, namely, that we shall make it now possible for people to acquire domicile in Indian States, and outside British India in other parts of the world. It is common knowledge that many traders in the Bombay Presidency at any rate, come from Indian States—Jamnagar, Cutch and various other places; they have lands there; they have businesses there; they have their families there and houses, and it will be easy for them to claim a domicile in those Indian States. It will be the easiest thing in the world to say that they are the domiciled residents of those Indian States. What will happen? Will you be keeping the wealth of British India in British India, or will you be driving it to the Indian States? Let me read, the opinion of the Commissioner, Central Division, Bombay Presidency:

“It would be equally impossible to find out what was the income in foreign territory of this kind and if there were any serious attempt to enforce the provisions of the Bill, it is probable that large numbers of the income-tax paying classes would establish their residences in such foreign territory and the result would be the exact opposite of that sought, *viz.*, it would drive capital out of British India rather than prevent that movement.”

Then, Sir, the Honourable the Finance Member made light of the argument that was advanced by certain people that the State was doing

nothing to protect or foster the trade and enterprise outside British India on which it is seeking to impose this tax, and he said that that argument was not worth consideration. I think, that argument is very well worth consideration, not because it comes from me,—of course I cannot hope that the Honourable the Finance Member will regard it seriously if it comes from me or any other Member but he will certainly regard it with respect if it comes from no less an authority than that of the Madras Government. The Madras Government say that they had received various opinions and they had classified them. One of them was :

“ that the taxing in India of income earned abroad without any assistance from the Government of India is unjust. The analogy with the English system is unsound, in that the Government of the United Kingdom contribute towards the protection of British trade the whole world over, and render political, commercial and financial assistance to such trade.”

And the Madras Government go on to say :

“ The Madras Government consider that there is much force in these criticisms, and endorse them for the consideration of the Government of India.”

Well, Sir, I have dealt with some of the objections. I could multiply them, but I shall not weary the House. All that I want to add is that there are various loopholes provided in this Bill, loopholes which have been referred to by the Commissioner of Income-tax, Burma, in a very able minute on the whole Bill, where he talks of certain taxes from income which are now derived by the Burma Government and which under this Bill will no longer be available. There is also the question of professional fees earned outside British India which may escape taxation, but it is not my purpose to take up every single point. All that I would like to say is that, in view of the fact there is no analogy between the English law and the Indian law, that no reasons have been shown why when the English law has not been followed in various other particulars it should be followed in this particular, that the flight of capital has got very little to do with the question of income-tax, that this Bill will affect not merely a small class of bloated capitalists but also a very large number of genuine traders in a small way of business, in view of all these circumstances, Mr. President, I feel that the Government have made out no case whatsoever for sending this Bill to the Select Committee.

I shall wind up, not by reiterating any opinion of my own, but an opinion which I think may be regarded as fairly authoritative, namely the opinion of the Commissioner of Income-tax, Burma. He says :

“ On the whole I am inclined to think that the Bill should be dropped because the change to a residence basis is unlikely owing to evasion to produce results worth the trouble. Increased hostility to this Department and consequent friction will be the first result of the change and under these conditions a Department is not likely to function with success. We shall also unfortunately be antagonising the very assesses on whom we can now depend for honest returns. And while the unscrupulous escape, the honest assessee who very often is the poor assessee will have claims for double income-tax relief which will cause more work than perhaps the revenue involved will justify. On the whole therefore as I see no great prospect of increased revenue I am not in favour of the Bill.”

Sir, I must apologise to the House for detaining it for over half an hour, which is rather unusual with me, but in view of the fact that I may not have another opportunity of placing my views before the House, I thought it necessary to express at some length the very strong objections I feel, objections which I happen to know are entertained by a

[Mr. H. P. Mody.]

large body of commercial opinion throughout the country. Sir, I stoutly oppose the motion to refer the Bill to the Select Committee.

Kunwar Hajee Ismail Ali Khan (Meerut Division : Muhammadan Rural) : Sir, I regret very much to open my mouth to oppose this Income-tax Bill. Much has been said in opposition by the previous speakers so there is very little left for me to say on this Bill. However, I will try to save myself from repeating the arguments. My reasons for opposition are as follows. First of all, Sir, at this juncture when the economic and political condition of this country is not very sound, every one of us will prefer to invest his capital in a foreign country and he will pay the tax there. It will be very unjust and unfair to charge the additional tax in this country, which will be a great hardship on our brethren who are doing business in foreign countries.

Secondly, Sir, this Bill is showing a certain amount of favouritism to a certain community who have much larger interests and capital investments in foreign countries. With your permission, Sir, I want to read to the House the opinion of two learned Judges of the Punjab High Court namely Mr. Justice Harrison and Mr. Justice Broadway. Mr. Justice Harrison says this :

“ I do not think the qualification of domicile is sound. I do not see why non-domiciled businessmen, and more especially Jews, Greeks and Armenians who have made vast fortunes out of this country, should receive specially favourable treatment. If it is desired to temper the wind to the non-domiciled official, let all Government salaries be put in a specially favoured class as earned incomes—as pointed out by Goldstreams J. Not taxing over investments out of India is no doubt kindly meant but is an empty boon for none of us have any to speak of.”

This is also supported by Mr. Justice Broadway. Sir, I feel that I shall be failing in my duty if I do not say a few words about the viewpoint of the agriculturists. In this connection it may be pointed out that agricultural income in British India is exempt from income-tax on the ground that it pays land revenue. The agricultural land owned by British subjects in Native States pays similar land revenue there and that income ought to be exempt from income-tax. For such income the expenses to be incurred are considerable, and the Act does not define those that are admissible and those that are not. It looks very objectionable to make a distinction between land in British India and that in the Indian States, especially in these days when we hear so much about the idea of federation. It is impossible to fix such taxable income accurately and the hardship involved in keeping and producing accounts is likely to harass those concerned. For the land a person owns in a British district he pays no income-tax, but only the land revenue, and for the land which he owns in an adjoining Native State he will have to pay income-tax even if the whole of the income after paying the land revenue assessed by the Native State is kept or used there. Such double taxation should not be allowed by a civilised Government. Moreover, such landowners are generally illiterate and do not keep any accounts, and in that case they will be assessed according to the estimate to be made by the Income-tax Officer, who will not take into account the expenses incurred in a tract of which he has no knowledge. There will be no appeal as no accounts will be produced, and such zemindars will be driven from pillar to post—I mean from the revenue officer's office to the income-tax officer's office and *vice versa*. I do not want to say anything more, but I appeal to the good sense of this House to reject this Bill *in toto*.

Mr. B. Das (Orissa Division : Non-Muhammadan) : When I came here this morning, I came with the positive idea that I should support this reference to a Select Committee. I was guided by the impression formed when the Bill was discussed last session on the floor of this House. Since then various things have happened. I must congratulate my Honourable friend, Kunwar Hajee Ismail Ali Khan, on his very able maiden speech, and I think he has played no small part in making me hesitant in my support for a reference to Select Committee. The speeches of my Honourable friend Mr. Deputy President and my Honourable friend Mr. Mody have done a good deal to outweigh the views that I formed when I entered the floor of this House. But one particular matter outweighs all considerations that my Honourable friends Messrs. Chetty and Mody have advanced, and it is this. I thought that this piece of legislation would do away with a certain racial discrimination that exists even in the taxation policy of the Government. The Honourable the Finance Member said that if the Select Committee did away with the idea of discrimination between residence and domicile, he would have no objection. What I want to know from him is this. Will he support that view in the Select Committee, and will the Government accept that decision ?

The Honourable Sir George Schuster : I have already said so.

Mr. B. Das : What I want to know is whether the Honourable the Finance Member would himself propose the deletion of this discrimination in the Bill ?

The Honourable Sir George Schuster : I am not quite sure what assurance my Honourable friend wants. I am perfectly prepared to give him any assurance which he can possibly want on that particular subject:

Mr. B. Das : I thank my Honourable friend. I am satisfied. I feel that the Honourable the Finance Member has given me a reply that he is whole-heartedly with me and this side of the House and that he will himself propose the deletion of this clause doing away with discriminating system of taxation. If that be so, I will support the motion. I have no objection if some stalwart Member will rise after me and draw the Honourable the Finance Member again into an argument and disprove what I have stated to be his view. As a member of the Indian mercantile community, I know the serious troubles that will come in the way. But as an Indian I feel that the State is losing money because certain people who are not residents here are evading payment, and even the Government officials are evading this taxation. For that one purpose I want to support a reference to Select Committee, but if I find in any subsequent speeches of the Honourable the Finance Member that he is half-hearted in his idea of deleting these clauses, then I may not support the idea of a Select Committee.

Rai Sahib Harbilas Sarda (Ajmer-Merwara : General) : Sir, I can very well understand the anxiety of the Honourable the Finance Member during this period of financial stringency to explore all avenues of adding to the revenues of the country. He has also our sympathy if he has been able to lay his hands on some kind of income which should, in all fairness, have been taxed and which so far has escaped taxation. The result of his efforts to find out such income is embodied in this Bill. As

[Rai Sahib Harbilas Sarda.]

he comes before us and asks to accept his proposals and pass this Bill, we have to see whether he has been just and fair in his efforts to levy a tax on incomes which should have been taxed and which have so far escaped taxation.

There are two glaring defects in this Bill, and both of them have already been pointed out by my Honourable friends Messrs. Chetty and Mody, but I want to find out exactly how the thing stands so far as the Honourable the Finance Member is concerned. He has made all incomes from foreign investments held by people domiciled in India taxable, but he has omitted from this category incomes from foreign investments held by people resident in India but not domiciled in India. Is that omission due to an oversight, or is it because of a set purpose? If he has done it with a deliberate purpose, then he must explain to us why he has done that, why in this Bill he has not included the incomes from foreign investments of those who reside in India but who are not domiciled in India. But if it be due to an oversight or want of proper consideration given to this particular point, now that he knows that this point has been raised, the justice of which he must admit, let him give a clear assurance to this House that he is prepared to support an amendment to the Bill making all such incomes liable to income-tax. Let him in unequivocal terms say that he is willing to support an amendment making the incomes from foreign investments held by people not domiciled in India taxable under this Bill.

Another point is this. While he was exploring all avenues for adding to the revenues of this country, why did he omit to levy income-tax on salaries and pensions which are paid out of the revenues of India and which are paid for work done in India, but paid to people outside India? Sir, all pensions and salaries when paid out of the Indian Treasury are taxed at the source. Before a man gets his salary or his pension, the tax is collected. That being so, what objection could there be for deducting at the very source, moneys paid as salaries or pensions to people who do not reside in India. If a man goes to England and draws his salary there, he does not pay income-tax. The next month he draws his salary here and he pays the tax. Why is this anomalous position continued? At a time like this when all avenues of adding to the revenues have to be explored, why has the Finance Member not taken this into account? When several crores of rupees are paid every year on account of salaries and pensions, a very large amount of income could be collected by taxing the salaries and pensions paid to people out of the country. I should like to know his reasons for not doing it. There is no question of British income-tax involved in this. Even if it were so involved, why should not the Government of India fight it out and say plainly that they are entitled to deduct income-tax on these moneys before they are paid to people residing out of British India? If he answers these two questions satisfactorily and gives us an assurance that he is prepared to tax the salaries and pensions paid out of Indian revenues to people residing outside India and that he is willing to make the income from foreign investments held by people residing in India but not domiciled in India taxable under the Act, we will favourably consider the matter and support the motion before the House.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : I expected, after reading the opinions on this Bill, the Finance Member would himself withdraw the Bill and would not trouble the Assembly any more. I oppose this motion on two grounds, on the ground of expediency and on general grounds. Among the opinions, I entirely agree with the Secretary of the Bar Association at Jorhat—who said, “ The Bill is inopportune when India is on the eve of constitutional changes and when India is expected to have a federal constitution and that it may be useful to leave the reformed legislatures to deal with this important subject ”. The Indian States are joining this federal system in the near future and it is desirable to treat the Indian States on the same footing as the provinces of British India. Now if these taxes are to be a central subject, then the taxes should be collected from all the units which form part of the federal system. Therefore, either the taxes should become a provincial subject, or the Indian States should also be included in their contribution to the Central Government. This is really a very important point, which will affect the entire policy of taxation, and it is not desirable to take up this very important question on the eve of our constitutional changes, as we do not know whether the Indian States should be treated as outside British India or should be included in British India as far as taxation is concerned.

Coming to the general grounds, I shall first tell a little anecdote. Two persons were fighting and a third man came along and gave them very noble advice, “ Please don't fight ”, but actually he got hold of the less favoured man and tied his hands and thus gave the opportunity to the other man to beat the less favoured man all the time. This is practically what the Finance Member is doing in this case. He has really given very noble advice that we ought to check the flight of Indian capital, but in actual practice he has crippled his less favoured friend the Indians.

Now, I first take up the case of the distinction between domiciled and non-domiciled residents in India. I do not dilate on this, as the Finance Member, in reply to Mr. B. Das, promised to withdraw the distinction altogether. In fact in the Round Table Conference the Members representing the Europeans in this country clearly said that they did not want any differential treatment. They ought to be treated like Indians in every respect. If they themselves do not desire this differential treatment, I do not see why the Finance Member, on the eve of constitutional changes, should produce a motion which does introduce this invidious distinction between the Europeans and Indians. I am open to correction, but I think the present Bill will provide a ready way to dodge the payment of income-tax. If I be an European in the Government service, I can manage to evade paying income-tax altogether. I would have asked the Government to pay my salary not in India but outside India, and therefore, according to the income-tax rule, this salary would not be taxed. Since the interest alone, if brought into this country, would be taxable. I would never bring my income into this country, but I would sell some of my securities and would bring the capital for my expenditure in this country. Therefore by having my salary paid in England and bringing to this country for my expenses, not the income but the capital, I can manage to evade the payment of

[Dr. Ziauddin Ahmad.]

all income-tax in this country. I will be living in this country and pay no income-tax. By this process any person in Government service can evade payment of the income-tax both here and in his own country. I entirely sympathise with the Finance Member in his anxiety to raise the income of the Government of India, but the method he employs is open to serious objection. If he was really honest in raising the income, he would have taxed all payments made in England on account of pensions, salaries and other contributions. This particular source of income has never been tapped and he is trying to tap sources which practically would lose the credit of this country.

There is one other aspect which we should not entirely ignore. If India did not invest money in foreign countries, then the credit of India would be very much minimised and it would be exceedingly difficult for India to borrow in the open market. Now, the Finance Member will bear me out when I say that in the recent loan of 10 millions which he raised in England, he had a very great relief from the Indians. Had Indians not come forward to take up this sterling loan, the interest which India would have had to pay would have been increased. We were able to get very easily 10 million pounds at 6 per cent. interest. Had the Indians been handicapped from purchasing this loan on equal terms with the people of the countries, then it would have been very difficult for the Finance Member to collect this loan within a short period. The other day the Finance Member said that the credit of India was so low, that it was absolutely impossible for India to borrow money for the purchase of the B. N. W. Railway, which is really a paying concern. Today I find that he has succeeded in taking a loan of 10 million pounds not for any profitable purpose, but really for meeting the day to day expenses of the administration of the Government of India. When he could succeed in raising a sum of 10 million pounds for unprofitable purposes, he would certainly have been able to get a loan for the purchase of the B. N. W. Railway, which is paying a dividend of 18 per cent.

Sir, the question of domicile which has been discussed becomes very complicated when we consider the Indian States outside British India. There are many persons who are really domiciled in Indian States, but they carry on their trade in British India. If these people are exempted from income-tax, I am afraid most of the trade will pass out from the hands of British Indians to those belonging to the Indian States, and a large number of people will begin the dodge of disowning themselves from British India and establishing their connections in the Indian States. Now this particular question in fact will be automatically solved if we can wait for six months till the Round Table Conference has given its decision.

Sir, I shall just mention one or two minor points which ought to have been provided in this Bill, but nothing has been mentioned with reference thereto. Now, as pointed out by the Honourable the Deputy President, if a person borrows money from a bank in order to buy certain securities, the question arises whether this income from the securities will or will not be taxed. The second point is that if a man's income is derived from foreign countries, it is quite possible that in one case there may be a loss, while in another case there may be a gain,

and the net result may be a dead loss instead of a gain. Now the question arises whether the interest will be charged only in the case where there is a gain ; in other words, is it the case that the State is only interested in our good fortune, but it does not sympathise with us in our bad luck ? Will the State sympathise both in our good and bad luck, and will charge the tax on the net result, that is, the profit and loss taken together ?

Sir, as regards the principles of the Bill, I would ask three questions which I consider fundamental. In the first place, I would like to ask whether the Finance Member is prepared to disregard and to reject the invidious distinction between domicile and non-domicile. Now as regards this, I have got the answer that he is so prepared. I would then ask two more questions. Will it, or will it not, be open to the Select Committee to tax the salaries and pensions paid out of Indian revenues to people residing in England, that is outside India ? I would like to know before I vote whether the Committee will be able to charge income-tax on all pensions, on all salaries and on all interests paid outside British India. The last thing which I would like to know is whether it would be open to the Select Committee to charge income-tax on the interest of all the securities in rupees or sterling, whether they are held by British Indians or by other persons. Now these are the three fundamental questions, and if they are not open to the Select Committee to discuss, then I say it is useless to appoint a Select Committee, because these fundamental things will not be open to them ; and I will just finish by saying that we ought to adopt a more direct method for stopping the flight of capital from this country than the present method suggested by the Honourable the Finance Member which, as has been repeatedly pointed out by several speakers and the large number of persons who have submitted their opinions, will really constitute a tax only on honest persons, and that all the persons who are really clever will be able to evade the tax. I have already given one example by which payment of income-tax can be avoided.

Mr. N. N. Anklesaria (Bombay Northern Division : Non-Muhamadan Rural) : Sir, I am in entire agreement with the principle of the Bill. But I confess I have got very serious doubts about the present time being opportune for putting such a very important and controversial measure on the Statute-book, more especially in face of the very substantial and solid opinion of the various Governments, Associations and individuals who have expressed their views. The Honourable the Finance Member told us that he and his colleagues would be sufferers by this Bill. That, Sir, only goes to show that the Honourable the Finance Member's sole thought and sole concern in connection with measures which are brought before this House has been the interests of Indian revenues, but I submit there are higher things, more important things than the interests of Indian revenues. It is surprising how solidly and how substantially the opinion which has been elicited on this Bill is against this Bill. Of the nine Governors' Provinces, six are against it, and of the Minor Administrations also there are more than one who have got nothing to say in its favour. The income-tax is a particularly unpopular tax, and we have strained the principle of the equality of burden or sacrifice to breaking point against the trading classes of India—only at the last session we increased the rates of income-tax.

[Mr. N. N. Anklesaria.]

Sir, this Bill has been creating serious discontent among the trading classes of Guzerat, which is my constituency. I speak from personal knowledge, and I would appeal to the Honourable the Finance Member to postpone consideration of this Bill to a more opportune time so that that discontent may not turn into disaffection. Then I ask, Sir, is it worthwhile to incur the risk of such serious trouble? I submit respectfully, not; and I think only a cursory examination of the Objects and Reasons appended to the Bill and of those stated by the Honourable Finance Member in his speech will completely bear me out. It is said, Sir, that on account of this particular lacuna in the present Act capital is flying away from India to foreign countries. It is then said, Sir, that this flight of capital can be checked by the present Bill. Thirdly, Sir, it is said that there is nothing novel about this Bill and it follows the English law on the subject. And, fourthly, it is said that the Bill will bring substantial revenues to the exchequer. As regards the first point, I doubt very much that the flight of capital is due to the present income-tax alone. Sir, if I take away my ginning or pressing factory to the neighbouring Native State of Baroda, it is not because of the present Income-tax Act, because there is a similar Income-tax Act in the State of Baroda also. It is because the factory legislation there is less galling and less oppressive. Sir, I take away my money-lending business to the Native State not because of the Indian Income-tax Act, but because there is no D. A. R. Act in the Native State. Sir, I invest my savings in foreign securities, not because of the Indian Income-tax Act alone, but because I get a better return and I feel that my money is more safe in foreign investments than it is in India. On this point, Sir, the Commissioner of the Central Division of the Bombay Presidency, Mr. Smart, has put his views in a very succinct and convincing form. I will not read it out because the printed papers are in the hands of every Honourable Member in the House. Then, it is said that the flight of capital to foreign countries will be checked by this measure. I doubt that view and this is also the opinion of many competent authorities who have expressed their views on the subject. My reasons are two-fold for saying why the flight of capital will not be checked by this measure. Firstly, there can be found so many loopholes for evasion in the present measure and, secondly, not only the flight of capital will not be checked, but I think there will soon be a flight of capitalists themselves from British India to Native States and other foreign countries, as has actually happened during the last couple of years. I can cite instances within my knowledge where ginning and pressing factories have been taken away from British territory to the neighbouring Native States which are only separated from the British territory by a railway track—a distance of 50 yards only.

Then, Sir, it is said that the Bill follows only the British law. I say that that is not a valid reason for the enactment of the Bill into law. In the second place, I maintain that India is not England. They do not have in England a large class of people, I mean the Native States people, who can easily evade with impunity the tax. Then, I say, Sir, that if the English law on the subject is to be the model, that model should be followed in its entirety. There are allowances in English law in respect of the wife, children, house-keepers, dependent relatives, age and so on. If the English law is to be followed, why should we not get the same privi-

leges ? Lastly, Sir, I submit that the Bill as framed gives scope for many loopholes for evasion. It is in the nature of things and no human ingenuity could possibly prevent these evasions. Unless the Bill is minutely and oppressively "extensive", it cannot possibly stop evasion. Take, for instance, the taxation of the earnings of the British officials. I submit it will be manifestly unjust to tax the savings of the British officials from their Indian salaries which are invested in foreign countries. But if you let go the British officials, you are bound also to let go the British traders, the Japanese traders and other foreign traders who are trading in this country, including the large class of people who can resort to the Native States for evasion. Then, Sir, we have got several foreign companies which are trading in India. Take, for instance, the Ralli Brothers. It will be manifestly unjust to tax the Ralli Brothers in respect of the earnings made outside India and not brought into British India. But if you let go the Ralli Brothers by retaining the domicile provision people can easily evade the payment of the income-tax by forming one man companies and making their headquarters in a neighbouring Native State, with some figurehead as the managing director of the concern. I submit therefore that the utility of the Bill is of a doubtful character and it had better be dropped till more opportune times. I will appeal to the Honourable the Finance Minister to stay his hand at least till the next session of the Assembly and thus add to his popularity, popularity such as, I am happy to say, has not been acquired by any of his predecessors.

Mr. Jagan Nath Aggarwal (Jullundur Division : Non-Muhamanadan) : When the Honourable the Finance Member introduced the Budget, we were promised legislation to prevent the flight of capital. It was a very admirable sentiment. At that time most of us looked upon it with great admiration. All of us welcomed the suggestion that the flight of capital, which we understood at that time to mean investment in foreign securities by persons in this country, would be prevented. We had our doubts at the time whether it was possible for the Finance Member of the Government of India or, for the matter of that, any Finance Member to compel persons to invest money in some particular concerns, but since the Finance Member promised legislation on the subject, we all welcomed it. But as time has passed and as the scope of legislation has come to be examined, doubts have arisen in various quarters, and I can safely say from the opinions received outside the House and inside the House that this measure has been assailed practically from every quarter. It is well, therefore, to look at this measure dispassionately to see why it is that this change of opinion has come about. Originally we thought this measure was to be confined to securities and shares, but we now find that it is aimed at business as well. A question was put in the earlier part of the debate which the Honourable the Finance Member, according to my humble way of looking at it, has not answered satisfactorily. The Indian scheme of Income-tax Act is distinct from the English one where residence is the test. Under the Income-tax Act, we tax income which has accrued or arisen in this country or which has been received in this country. Just look at it. The idea is if any person enjoys an income in this country, he is to be taxed, no matter whether he is a foreigner, an Armenian or a Jew or any foreigner resident in this country or a domiciled subject of this country, and his income is to be taxed for a very good reason. There was a time when in this country all kinds of foreigners could come and make profits and go away. Therefore, as distinct from the English

{Mr. Jagan Nath Aggarwal.]

practice, the Indian law took up the line that it is only the locality of income that we have to look to for purposes of taxation. This section was subjected to very severe strain in a case in my own province. It was the case of a certain contractor who made money in Baluchistan to which the Indian Income-tax Act did not apply, when he received considerable money in that province and then brought it over to the Punjab. The question arose whether the profits received by such person outside the area where the Income-tax Act was operative and then brought to the Punjab were to be taxed. That was the case which my Honourable friend Sir Cowasji Jehangir had in mind and that case was ultimately decided in favour of the assessee, namely that that income could not be taxed having been received outside the area in which the Income-tax Act applied. Even though the profits were subsequently brought into this province, he could not be assessed as if he had received his income here a second time. Therefore that income was held to be exempt from taxation. As a result of this, the Act was amended in section 4 (2) to this extent, that profits and gains will be deemed to have been received in this country if they are profits of a business and are received within three years from the last day of the year in which they accrued. The modification of that rule means that profits which accrue outside will be taxed in this country to this extent only that they must be profits of business carried on outside and if they are brought in within three years, the idea being that after three years they become capital. Now, we are departing from this basis and we are now embarking upon this new scheme of taxation that we are going to tax on the basis not of the locality of the income but on the status of persons who are in this country. I use this phrase advisedly, "who are in this country". As the Bill stands at present, it appears that a very invidious distinction is made in the case of persons who are only residents in this country but who are not domiciled in this country. Persons who are residents and who are domiciled in this country, wherever their income may accrue, whether in a foreign country or by holding land or carrying on trade or from securities, they are all roped in. With regard to persons who are only residents but who are not domiciled, they are left severely alone and incomes in this country alone are taxed. That, I submit, is a very invidious distinction on which the opinions received from various parts of the country have laid stress, though we are promised they will be subject to revision in the Select Committee.

Leaving that aside, there are very many contentious points that arise in this Bill which call for enquiry. First, I may point out that so far as the analogy of English law is to be applied to this subject, I submit we are entirely mistaken. Under the English law, so far as the foreign possessions of a person are concerned, if a person is resident and domiciled, you tax only his income from shares and securities and not from business or lands. In this aspect the Honourable the Finance Member has gone wide of the mark. Let me point out that it is so. The idea originally was that we were to prevent persons from making investments in foreign countries, in securities, shares and so on. That was the idea. If I may say so, that seems to have been dropped. Of late people have been making investments in foreign countries in stocks, shares and securities, and I do not know the extent to which capital, that shy bird which is very often hiding in this country, has taken flight abroad. It is very difficult to catch this bird "capital" and keep

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it in the country. Still if the Honourable the Finance Member has thought that capital was going abroad, then my submission is, it is not because of the Income-tax law. Capital has been flying to the United States and to Wall Street from all over Europe because of the huge fluctuations in prices. Yet no European country has thought fit to stop the flight of capital by a legislative measure like this. At any rate, we will examine the proposition whether under the English law—that was the stand taken by the Honourable the Finance Member—he was justified in going into this question and roping in not only persons who have invested in securities, but also in foreign possessions, *e.g.*, lands and business, etc. Let me point out that all that we are concerned with at present is to see if there is any justification for taxing a man who not only invests in securities and thus gains unearned income, but also invests in foreign possessions, lands and so on. The Honourable the Finance Member jumps at this latter class also. What is the justification for our taxing a man who takes his goods into a Native State and carries on business and for all practical purposes gets the protection of the law of the State where he is and gets no protection from British India whatever? That is a proposition which I propose to examine at the outset. Does the English law offer a precedent for it? I turn to Law of Income-tax by Konstam, where at page 221, it is said :

“ With regard to the income from, first, securities, and secondly, stocks, shares and rents, it depends on the status of the recipient or on the distinction between residence and ordinary residence, whether the whole of the income is charged with the tax, or only that portion which is brought to the United Kingdom, that is to say, it depends on the recipient being a British subject or being domiciled or residing or being ordinarily resident in this country.”

Then, at page 223, it goes on :

“ The income of a person residing in this country from possessions out of the United Kingdom (other than securities or stocks, shares and rents) is charged only to the extent to which it is received in this country.”

Again at page 232, he says :

“ Apart from stocks, shares and rents, the most important kind of income arising from possessions out of the United Kingdom, which is charged under Case V, is the profits of a trade or of an interest in a trade, which is owned by an individual or a company residing in the United Kingdom, but which is in no sense carried on in this country. The tax in such a case is charged, not on the whole income, but on the actual sums annually received in this country.”

Therefore so far as any help is to be derived from the analogy of English law, I submit the Bill goes far beyond the immediate object we have in view. There is no justification to tax people whose business is outside or who, for reasons best known to themselves, do not choose to avail themselves of the protection of the laws of this land. If they go into a Native State and carry on business there, I do not see why we should tax them here. On the contrary, look at the proposition from another point of view. Persons, who are residents making money in this country in business and in professions whose payments may be made outside the country and whose investments may be made outside the country, are left severely alone. I would therefore say that this Bill attempts to rope in the wrong man and it leaves out persons whom it ought to rope in.

Then, Sir, it has been pointed out with great force that this is hardly the time at which to enter on legislation like this, and for a very good reason. There may soon be a time when possibly legislation in this matter may be undertaken here with regard to incomes arising in the Native States as well. Before that time, it is certainly odd to be taxing

[Mr. Jagan Nath Aggarwal.]
 people for incomes which they may make in the Native States without any system of reciprocity by means of which we may be able to give them relief from double income-tax as is the case in English law or in some other countries with whom we may have reciprocity. We have not been shown any estimates of the extent to which revenue is going to profit from this source, but as things stand at present it has been pointed out to the Finance Member that we have various lacunæ in the Act and he could safely block in those passages through which income is leaking. For instance, all securities of the Government of India either in this country or in England which at present escape income-tax can be roped in. Similarly salaries paid outside India can be roped in. And one of the unfortunate effects and dangers of a measure like this is that we may be putting the axe at the root of capital and by encouraging the distinction between residence and domicile we may not only be sending capital away but people may be encouraged to look to the Native States as places where they are domiciled and residence in this country as merely temporary. In this connection I could read out a host of opinions which would amply repay perusal, but on page 51 we have the opinion of the Commissioner of the Ambala Division of the Punjab, from which I will venture to quote an extract or two. He says :

“ No estimates have been prepared to show the extent to which Indian income-tax and super-tax suffer as a result of the alleged flow of capital out of India, nor have any figures been supplied to indicate the extent to which the alleged flow will be stayed as a result of this special measure. Nor is there any valid proof of the obvious implication that the capital to be thus detained in India can, with equal profit and equal security be invested in this country. The measure has thus perforce to be looked upon merely as a measure of taxation and of taxation alone.

If additional funds are needed this source of additional income must be tapped but the proposed Bill carries with it the grave risk of taxing capital out of existence. It will not be sent out of India to avoid the extra taxation and it will not be invested in India and the result may be serious financial deterioration. The main difficulty in India is not that capital is invested outside India but that it is not invested at all. Capital in this country is shy and buries itself in cheap silver bangles. If the Bill is passed the country may probably have more hoardings but certainly not more income.

The existence of a certain amount of untaxed income is, theories notwithstanding, a source of strength and not of weakness to a country and it should appear to be very unwise for the sake of some additional income-tax and super-tax to drive the recipients of these untaxed incomes into ways of dealing with their capital that may render it idle. Large incomes must pay large income-taxes but no legislature would be justified in laying the axe at the very root of large incomes.”

I therefore suggest that the time is hardly opportune and the scope of the Bill is certainly very wide of the mark, and the Bill should therefore be withdrawn.

Mr. Amar Nath Dutt (Burdwan Division : Non-Muhammadan Rural) : Sir, I have been carefully listening to the arguments which have been adduced to oppose the Bill going to the Select Committee and to throw it out at the initial stage. I have not been impressed by any of the arguments that have been adduced in this connection. I fail to understand how an Indian and a nationalist Indian can be opposed to a very fair and reasonable Bill like the present one. Income-tax is one of the most equitable taxes in the world. It is only people with large incomes who are going to be taxed, and if for the revenues of the country it is necessary to tax any people, it must be the commercial magnates of the country and not the poorly paid clerks, and menials for which the Retrenchment Committee has been started. Sir, I am sorry that there has

been opposition to the well-intentioned provisions of this Bill. Any one who knows the Honourable the Finance Member knows his anxiety to benefit the people of this country, and must be careful before offering any opposition to such a Bill which wants to bring in more revenues at the present time. The times are now very critical, the finances of Government are at a deficit and money has to be found. From whom are you going to find this money ? Are you going to find that money by dismissing or discharging the poorly paid clerks and menials only and not touching those who are able to pay, people whose incomes can be counted not in five or six figures but in seven and eight ? Sir, I beg to submit that what the Honourable the Finance Member has been pleased to ask us is to examine the provisions of the Bill. He does not say that he is a perfect man and that his Bill does not contain any defects, but if there are any defects, go with him to the Select Committee, convince him and others who are there and bring out a good Bill. In this connection I beg to read only one observation for my Indian friends on this side of the House which will convince them what is the opinion of the country and what is the opinion of the nationalists in India about this Bill. It is the opinion of the Bengal National Chamber of Commerce, on page 72. They say :

“ In the opinion of the Committee the adoption of some statutory measure to realise the desired ends in view merits approval and is in fact called for to check the flow of capital outside India, which is obviously detrimental to the economic interests of the country where ample scope should be available for the absorption of such funds seeking investment and also for the purpose of augmenting the revenue resources of the Government which have been seriously affected by the prolonged trade depression and have been fast dwindling away.”

If you really have the interest of your motherland at heart you ought seriously to bestow your attention to this subject. You ought not to be guided by the principle of looking to your own pocket and seeing that it is not affected. If you do that, I may warn you that the time is coming when you will have no income at all. The hungry millions will take away from you what you have got unless you give a little bit to the Finance Member who is asking you in all fairness to give it. And after all, as I was submitting, what is it that the Finance Member has asked for ? He has asked you to consider the Bill and to accept the principle of the Bill. If you say that you do not accept the principle of the Bill, I will tell you that you are not serving the best interests of your motherland. The Bill wants to prevent the flow of capital outside India and the Bill wants to tax incomes which were not taxable hitherto and thus relieve the finances of the country from its present depressing condition. That being so, as reasonable men we ought to sit in Committee and see if there is any defect in the Bill and then improve it. But to oppose its reference to Select Committee and not to accept the principle is going against the interests of the country. With these remarks I beg to support this Bill whole-heartedly.

Sir Hari Singh Gour (Central Provinces Hindi Divisions : Non-Muhammadan) : Sir, at this late hour I do not wish to speak for very long ; but I wish to recapitulate a few facts and leave the Members on both sides of the House to exercise their judgment. I have been in this House ever since its inception in 1921. There has been Bill after Bill referred to the provinces for opinion in which the opinions were divided, sometimes in favour and sometimes against it ; but I can assure the House that there has not been a single Government Bill during the life of this Assembly and of its predecessors in which the provinces and the

[Sir Hari Singh Gour.]

people have combined with such a singular unanimity in opposing it. The Government always rely upon the opinions of the provinces, and when this Bill was circulated to the provinces, it was circulated for the purpose of sounding the opinion of the provinces with a view to enable the Government to make up their mind as to whether they should or should not proceed with the measure.

Now, what are the opinions of the provinces? The Honourable the Finance Member in his opening address today told us that the provinces are opposed to this measure, but he might have gone further and told us with what unanimity the provinces have opposed this measure. Take that oldest of all provinces, the Presidency of Madras; and here I would like Honourable Members to hear what His Excellency the Governor in Council of Madras has got to say on this important measure.

Mr. Amar Nath Dutt : Any patriots or any Congressmen?

Sir Hari Singh Gour : I am coming to the patriots and Congressmen next. The Government of Madras sum up the situation in the following words :

“ It will be observed that the provisions of the Bill have been strongly criticised by most of the authorities who were consulted. The more important of the points urged against the Bill are :—

- (1) that it will not prevent the flight of capital from India; and in any case restrictions upon the free movement of Indian capital are unnecessary and unjustified;
- (2) that it makes no provision for dealing with the problems of double or multiple taxation on the same income;
- (3) that it introduces the principle of differentiation between two classes of persons for purposes of taxation of their foreign incomes;
- (4) that a tax on foreign incomes will be easy of evasion and will merely mean an additional burden upon the comparatively few honest men who bear the main burden of the existing income-tax; and
- (5) that the taxing in India of income earned abroad without any assistance from the Government of India is unjust. The analogy with the English system is unsound, in that the Government of the United Kingdom contribute towards the protection of British trade the whole world over, and render political, commercial and financial assistance to such trade.

The Madras Government consider that there is much force in these criticisms and endorse them for the consideration of the Government of India.”

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

This is a pronouncedly emphatic opinion against this Bill; and if that be all I would ask Honourable Members occupying the Treasury Benches to pause and consider. But that is not all for we find the other two Presidency Governments of Bombay and Bengal reinforcing the decision of the Madras Government. I feel that we stand here on stronger ground because it is one of those measures in which the Government and the people are united in opposing its further progress. Let me give to Honourable Members the opinion of the Bombay Government. They say on page 26 :

“ I am instructed to draw particular attention to the reasoned statements of the Commissioner, Central Division, and of the Bombay Millowners' Association and to say that the Government of Bombay, while unable to go in detail into the merits of the proposed amendments, are impressed by the arguments therein adduced, and fear

that the loopholes for evasion are so many that the main provisions would be unworkable."

Then, listen, what does the Government of Bengal say on the subject ? They say :

"The Government of Bengal would draw particular attention to the serious objections to the Bill raised in the letter of the Bengal Chamber of Commerce." I need hardly point out that the Bengal Chamber of Commerce have seriously criticised the Bill upon the grounds adverted to by the Government of Madras.

I do not wish to take up much of the time of the House : I shall rest content with informing this House that not only the Presidency Governors but the Provincial Governments have all combined in opposing this measure. If that were all, I should say it would be enough as far as the Government were concerned. But all the other constituted bodies in India, the large trade associations, both European and Indian, I find, with a singular unanimity opposed to this measure. We have the United Provinces Chamber of Commerce ; we have the Indian Merchants' Chamber—though they accept the principle, they attack so many of its details that there is nothing of the Bill left after their criticism of the details but the brown paper it was printed on. Then we have the Grain Merchants' Association, the Karachi Chambers of Commerce, European and Indian, the Ahmedabad Millowners' Association ; the Indian Society of Accountants and Auditors, the South India Chamber of Commerce ; the Bombay Shroffs' Association, the Buyers and Shippers' Association, the Bombay Shareholders' Association—every one of them condemns this measure on the ground that it is bad in principle and unworkable in practice.

This unanimity of opinion ought to have weighed with the Honourable the Finance Member and I still ask him to reconsider his decision to push on with this measure in the teeth of such overwhelming opinion against its further progress. If this measure had been introduced in normal times, when the constitution of this country was not on the anvil, I should have considered the opposition of the provinces and of the people sufficient to throw out this measure. But we have on the present occasion an additional reason why this House should hesitate to commit itself to the novel principle which the Honourable the Finance Member wishes to embody in this enactment. It has been pointed out by the Governor of a province and also by an Association that at a time when the whole constitution of India is in the melting pot it would be inadvisable to proceed with this measure which might interfere with the development of a federal constitution in the country. At page 33 I find the following statement made by the Karachi Indian Merchants' Chamber :

"Since the Indian Constitution is being framed on Federal lines, the relations of British India and Indian States will have to be adjusted in many ways. As this Bill would affect the subjects of Indian States in British India its consideration may be postponed till the new constitution is definitely outlined."

Now, this statement is borne out by the view of the Governor of the Central Provinces, and this is what he says at page 78 of the Opinions :

"In view of the general opposition that the Bill is likely to arouse, he is of opinion that the decision on this point might be deferred until the nature of the reforms likely to result from the approaching Round Table Conference is more accurately known."

I therefore submit, Sir, that this is an inopportune time for the introduction of this highly controversial measure.

[Sir Hari Singh Gour.]

I now pass on to the next point. Is it a controversial measure, or if it is a controversial measure, is it supported by any precedent in the history of income-tax in the world? On this point I wish to draw the attention of the Honourable the Finance Member to what is said by one of his own Commissioners of Income-tax. This is what he says on page 68. Referring to the Statement of Objects and Reasons that this measure is on the lines of the English Income-tax Act, the Commissioner of Income-tax, Burma, says this :

"The person from abroad who stays more than six months in one year in the United Kingdom is considered to be 'resident' in the United Kingdom but not 'ordinary resident'. He is taxed only on so much of his foreign income as he brings into the United Kingdom. The non-domicile resident is in the same position. The British subject who is ordinarily resident is taxed on the whole of his foreign income whether he brings it into the United Kingdom or not. To this there is only one exception and that is income from 'foreign possessions'. Employment wholly abroad or a business carried on wholly abroad have been held to be 'foreign possessions'. Of the income from a 'foreign possession' only the amount brought into the United Kingdom is taxed. Now in the present Bill this concession in respect of income from 'foreign possessions' is not given to the domiciled resident. Nor is there any distinction between persons who are resident and persons who are ordinarily resident. And the non-domiciled resident gets more favourable treatment as compared with the domiciled resident than the English law gives him. These are matters in respect of which the Bill might be amended if it is to follow the lines of the English law. There is one very great advantage in adhering as closely as possible to the English law and that is the great body of decided cases."

So, Sir, so far as the reference to the English law is concerned, we have the weighty pronouncement of the Commissioner of Income-tax, Burma, that that law has been departed from and is not being followed in the measure under reference.

Then, Sir, it has been pointed out by numerous bodies and associations that this measure would be unworkable. Let me give you two considered opinions on that subject. At page 30 of these opinions, we read the following statement of the Karachi Chamber of Commerce, supported, as I shall presently point out, by a high official of Government. This is what the Karachi Chamber says :

"That in the opinion of this Chamber the Bill should be opposed on the ground that it will not be workable in practice."

And this opinion is echoed by no less an authority than the Commissioner of Income-tax of Assam. At page 90 he says this :

"The tax will fall on the honest and be avoided by the unscrupulous. In my opinion the distinction between residence and domicile should be dropped."

On another page we have exactly the same opinion given by Mr. Clayton, whose view has been endorsed by the Government of Bombay. He says that all that could be hoped if the Bill were passed would be that the conscientious would pay and the unscrupulous would not. That is the opinion of Mr. Clayton, Commissioner of the Central Division, and his opinion, as I said, has been endorsed by the Bombay Government.

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

Now, Sir, I submit that we have conclusively shown that this measure, which is opposed by the Local Governments and also by a large body of associations throughout the country, is not a measure which the Government can logically push on with in the teeth of such widespread and, I may submit, universal opposition. In the second

place, I submit this is an inopportune time to launch upon a measure of such a highly controversial character. In the third place, I submit this measure is unprecedented, and instead of following the English law, it makes a notable departure from that law. In the fourth place, I submit that this law would be unworkable and will set a premium on dishonesty and evasion, and lastly, Sir, I wish to draw the attention of Honourable Members to what is said by the Southern India Chamber of Commerce. At page 59 we find they say this :

“ As far as South India is concerned, the outward movement of Indian capital has been in the shape of business chiefly of Nattukotti Chettiyars and Tamil Mahomedans in such places as Federated Malay States, Straits Settlements, Ceylon, French Cochii, China and so on. That is due to the traditional enterprising spirit of those people rather than to any desire to escape payment of tax in British India. Their business has been carried on in those places for not less than a century now, and there is no evidence of money leaving this country in recent years.”

I therefore submit, Sir, that this is a measure which will hit these hard working poor traders overseas, and traders, if we had a national Government of our own, whom we would have subsidised. Do we not know that the Imperial Government of Japan subsidises all its overseas traders? Do we not know that all countries in the world for the purposes of fostering their industries and expanding their trade subsidise their overseas trade? Instead of subsidising them, you are going to penalise them. Is this the object for which you have brought forward this measure to thwart all industries, to destroy all enterprise, to penalise the poor traders overseas? Only the other day the Honourable the Home Member published the provisional conclusions of the Census Commissioner's Report in which he points out that of all countries in the world the population of India had increased by 10.2 per cent. and that there has been an accession of 31 million of population within the last decade, and Mr. Findlay Shirras also says in his articles in the *Times of India* that India must now be classed as an over-populated country. Sir, the least service that you can do is to help your countrymen to go overseas and make their living. The worst service you can do is to penalise them. It rests with you to do the one or the other. (Cheers.)

Mr. Arthur Moore (Bengal : European) : I move that the question be now put.

Mr. President : I think it would be best to ask the House to decide whether they wish to carry the debate to another day or vote to-day. I will therefore put the question. The question is that the question be now put.

(Cries of “ Ayes ” and “ Noes ”.)

Mr. S. C. Mitra : I claim a division. So many Members have spoken against the Bill, but there has been no speech on the other side. There may be people who would like to speak in favour of the Bill.

Sir Cowasji Jehangir : I do not know whether you want the House to divide on this question like this. I would submit there are one or two speakers who want to speak, and if they are allowed to speak, we can go to the vote to-day and finish the business.

(An Honourable Member : “ It will be too late.”)

Mr. President ; I have asked the view of the House and a division has been asked for. I do not know on what grounds the Honourable Member, Sir Cowasji Jehangir, thinks that there are only one or two other speakers. Before the closure was asked, I looked up all parts of the House. I was just going to ask the Honourable the Finance Member to reply. In the meantime closure was asked, and I thought that I might consult the House as to whether they wished to go to vote to-day or whether they wanted to adjourn the business to another day. I am in the hands of the House and they may decide as they please. But there is one aspect which appeals to me. This is a taxation Bill and I for one would not like to deprive any Honourable Member of the opportunity of addressing the House on it. (Hear, hear.) It was only when I thought that the whole House was agreed that we should now go to vote that I accepted the closure. If there is any feeling in the House that we should not go to vote to-day, I shall conform to their wishes and adjourn the House. But I ask Honourable Members to make up their minds as to what they desire. In order to save the time of the House, I will ask all those Honourable Members who desire to adjourn and carry the debate over to another day to rise in their places.

(A number of Honourable Members rose in their places.)

I see that there is a substantial minority which desires to carry over the proceedings to another day. I respect their wishes and adjourn further consideration of this Bill to another day. I now adjourn the House ~~till~~ 11 o'clock to-morrow for non-official business.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 10th September, 1931.