

13th March 1940

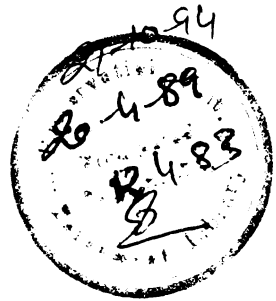
**THE**  
**LEGISLATIVE ASSEMBLY DEBATES**

**Official Report**

**Volume II, 1940**

*(6th March to 26th March, 1940)*

**ELEVENTH SESSION**  
**OF THE**  
**FIFTH LEGISLATIVE ASSEMBLY,**  
**1940**



PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI.  
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# Legislative Assembly

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## CONTENTS.

VOLUME II.—6th March to 26th March, 1940.

	PAGES.		PAGES.
<b>WEDNESDAY, 6TH MARCH, 1940,—</b>		<b>MONDAY, 11TH MARCH, 1940,—</b>	
Member Sworn . . . . .	957, 979	Starred Questions and Answers	1087—98
Starred Questions and Answers . . . . .	957—75	Unstarred Question and Answer . . . . .	1098
Unstarred Questions and Answers . . . . .	975—79	Short Notice Question and Answer . . . . .	1098—1100
Publicity of the Proceedings of the Meetings of Select Committees . . . . .	979	Statements laid on the Table . . . . .	1100—04
The Excess Profits Tax Bill—Presentation of the Report of the Select Committee . . . . .	979	The General Budget—List of Demands . . . . .	1104—58
Messages from the Council of State . . . . .	980	Demand No. 12—Executive Council . . . . .	1104—58
The Drugs Bill—Extension of the time for the presentation of the Report of the Select Committee . . . . .	980—87	Forward Policy of the Government of India in the North-West Frontier Province . . . . .	1104—17
The Coal Mines Safety (Stowing) Amendment Bill—Passed . . . . .	987—92	Government of India's Policy <i>re</i> Recognition of Unions . . . . .	1117—20
The Agricultural Produce Cess Bill—Referred to the Select Committee . . . . .	992—1025	War aims of the British Government . . . . .	1120—58
<b>FRIDAY, 8TH MARCH, 1940,—</b>		<b>TUESDAY, 12TH MARCH, 1940,—</b>	
Starred Questions and Answers . . . . .	1027—40	Starred Questions and Answers . . . . .	1159—76
Unstarred Questions and Answers . . . . .	1040—42	Unstarred Questions and Answers . . . . .	1176—83
The General Budget—List of Demands . . . . .	1042—86	Publicity of the Proceedings of the Meetings of the Select Committee . . . . .	1183—84
Demand No. 12—Executive Council . . . . .	1043—86	The General Budget—List of Demands— . . . . .	1184—1249
Importance of initiating a decisive policy of training Indians to undertake the defence of the Country and of establishing a Defence Advisory Committee . . . . .	1043—70	Demand No. 12 —Executive Council— . . . . .	1184—1237
Indianisation of the Indian Army . . . . .	1071—82	Taxation Policy of Government . . . . .	1184—1206
Forward Policy of the Government of India in the North-West Frontier Province . . . . .	1082—86	Grievances of Government Employees . . . . .	1207—23
		Indifferent Attitude of the Government towards the welfare of the Scheduled Castes . . . . .	1224—36
		Demand No. 1—Customs . . . . .	1237

TUESDAY, 12TH MARCH, 1940,—  
*contd.*

The General Budget—List of  
Demands—*contd.*

Demand No. 2—Central Ex- cise Duties . . . . .	1237
Demand No. 3—Taxes on Income including Corpo- ration Tax . . . . .	1237
Demand No. 4—Salt . . . . .	1237
Demand No. 5—Opium . . . . .	1237
Demand No. 6—Provincial Excise . . . . .	1238
Demand No. 7—Stamps . . . . .	1238
Demand No. 8—Forest . . . . .	1238
Demand No. 9—Irrigation (including Working Ex- penses), Navigation, Em- bankment and Drainage Works . . . . .	1238
Demand No. 10—Indian Posts and Telegraphs De- partment (including Work- ing Expenses) . . . . .	1238
Demand No. 11—Interest on Debt and other Obligations and Reduction or Avoid- ance of Debt . . . . .	1238
Demand No. 13—Council of State . . . . .	1239
Demand No. 14—Legislative Assembly and Legislative Assembly Department . . . . .	1239
Demand No. 15—Home De- partment . . . . .	1239
Demand No. 16—Legislative Department . . . . .	1239
Demand No. 17—Depart- ment of Education, Health and Lands . . . . .	1239
Demand No. 18—Finance Department . . . . .	1239
Demand No. 19—Commerce Department . . . . .	1240
Demand No. 20—Depart- ment of Labour . . . . .	1240
Demand No. 21—Depart- ment of Communications . . . . .	1240
Demand No. 22—Central Board of Revenue . . . . .	1240
Demand No. 23—India Office and High Commis- sioner's Establishment charges . . . . .	1240

PAGES.

TUESDAY, 12TH MARCH, 1940,—  
*contd.*

The General Budget—List of  
Demands—*contd.*

Demand No. 24—Payments to other Governments, De- partments, etc., on account of administration of Agency Subjects and management of Treasuries . . . . .	1240
Demand No. 25—Audit . . . . .	1241
Demand No. 26—Adminis- tration of Justice . . . . .	1241
Demand No. 27—Police . . . . .	1241
Demand No. 28—Ports and Pilotage . . . . .	1241
Demand No. 29—Lighthouses and Lightships . . . . .	1241
Demand No. 30—Survey of India . . . . .	1241
Demand No. 31—Meteorolo- gy . . . . .	1242
Demand No. 32—Geological Survey . . . . .	1242
Demand No. 33—Botanical Survey . . . . .	1242
Demand No. 34—Zoological Survey . . . . .	1242
Demand No. 35—Archæology . . . . .	1242
Demand No. 36—Mines . . . . .	1242
Demand No. 37—Other Sci- entific Departments . . . . .	1243
Demand No. 38—Education . . . . .	1243
Demand No. 39—Medical Services . . . . .	1243
Demand No. 40—Public Health . . . . .	1243
Demand No. 41—Agricul- ture . . . . .	1243
Demand No. 42—Imperial Council of Agricultural Research . . . . .	1243
Demand No. 43—Scheme for the improvement of Agri- cultural Marketing in India . . . . .	1244
Demand No. 44—Imperial Institute of Sugar Techno- logy . . . . .	1244
Demand No. 45—Civil Vete- rinary Services . . . . .	1244
Demand No. 46—Industries . . . . .	1244
Demand No. 47—Aviation . . . . .	1244
Demand No. 48—Broad- casting . . . . .	1244

PAGES.

	PAGES.
<b>TUESDAY, 12TH MARCH, 1940,—</b>	
<i>concl.</i>	
The General Budget—List of Demands— <i>concl.</i>	
Demand No. 49—Capital outlay on Broadcasting . . . . .	1245
Demand No. 50—Indian Stores Department . . . . .	1245
Demand No. 51—Commercial Intelligence and Statistics . . . . .	1245
Demand No. 52—Census . . . . .	1245
Demand No. 53—Emigration—Internal . . . . .	1245
Demand No. 54—Emigration—External . . . . .	1245
Demand No. 55—Joint Stock Companies . . . . .	1246
Demand No. 56—Miscellaneous Departments . . . . .	1246
Demand No. 57—Currency . . . . .	1246
Demand No. 58—Mint . . . . .	1246
Demand No. 59—Civil Works . . . . .	1246
Demand No. 60—Central Road Fund . . . . .	1246
Demand No. 61—Superannuation Allowances and Pensions . . . . .	1247
Demand No. 62—Stationery and Printing . . . . .	1247
Demand No. 63—Miscellaneous . . . . .	1247
Demand No. 64—Grants-in-aid to Provincial Governments . . . . .	1247
Demand No. 65—Miscellaneous Adjustments between the Central and Provincial Governments . . . . .	1247
Demand No. 66—Delhi . . . . .	1247
Demand No. 67—Ajmer-Merwara . . . . .	1248
Demand No. 68—Panth Piploda . . . . .	1248
Demand No. 69—Andaman and Nicobar Islands . . . . .	1248
Demand No. 70—Indian Posts and Telegraphs . . . . .	1248
Demand No. 71—Indian Posts and Telegraphs—Stores Suspense (not charged to revenue) . . . . .	1248
Demand No. 72—Indian Posts and Telegraphs—Capital outlay on Telephone Projects (not charged to revenue) . . . . .	1248

	PAGES.
<b>TUESDAY, 12TH MARCH, 1940,—</b>	
<i>concl.</i>	
The General Budget—List of Demand— <i>concl.</i>	
Demand No. 73—Capital outlay on Vizagapatam Harbour . . . . .	1249
Demand No. 74—Delhi Capital outlay . . . . .	1249
Demand No. 75—Commuted Value of Pensions . . . . .	1249
Demand No. 76—Interest-free advances . . . . .	1249
Demand No. 77—Loans and Advances bearing Interest . . . . .	1249
<b>WEDNESDAY, 13TH MARCH, 1940,—</b>	
Starred Questions and Answers . . . . .	1251—71
Election of the Standing Committee for Roads . . . . .	1272—73
Election of the Standing Committee for the Department of Communications . . . . .	1273—75
The Excess Profits Tax Bill—Discussion on the motion to consider not concluded . . . . .	1275—1308
<b>THURSDAY, 14TH MARCH, 1940,—</b>	
Member Sworn . . . . .	1309
Starred Questions and Answers . . . . .	1309-15
Unstarred Questions and Answers . . . . .	1316
The Agricultural Produce Cess Bill—Appointment of Khan Sahib Abdul Hamid to the Select Committee . . . . .	1317
The Excess Profits Tax Bill—Consideration of clauses not concluded . . . . .	1317—61
<b>FRIDAY, 15TH MARCH, 1940,—</b>	
Starred Questions and Answers . . . . .	1363—73
Unstarred Questions and Answers . . . . .	1374—76
The Drugs Bill—Presentation of the Report of the Select Committee . . . . .	1376
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . . . .	1376—1424

	PAGES.		PAGES.
<b>MONDAY, 18TH MARCH, 1940,—</b>		<b>WEDNESDAY, 20TH MARCH, 1940,</b>	
Member Sworn . . . . .	1425	— <i>contd.</i>	
Starred Questions and Answers . . . . .	1425—56	Notification <i>re</i> certain amendments to the Motor Vehicles International Circulation Rules . . . . .	1612
Unstarred Questions and Answers . . . . .	1456—58	The Excess Profits Tax Bill—Passed as amended . . . . .	1612—60
Statements laid on the Table . . . . .	1458—60	<b>THURSDAY, 21ST MARCH, 1940,—</b>	
Election of the Standing Committee for the Department of Communications . . . . .	1460	Members Sworn . . . . .	1661
Election of the Standing Finance Committee for Railways . . . . .	1460—65	Starred Questions and Answers . . . . .	1661—71
Election of the Central Advisory Council for Railways . . . . .	1466	Short Notice Question and Answer . . . . .	1671—73
Election of the Standing Committee for the Labour Department . . . . .	1466	Election of the Standing Committee for the Labour Department . . . . .	1674
Election of the Standing Committee for the Department of Commerce . . . . .	1466—68	Statement laid on the Table . . . . .	1674
Election of the Standing Committee on Emigration . . . . .	1468—70	The Agricultural Produce Cess Bill—Presentation of the Report of the Select Committee . . . . .	1674
Election of the Standing Finance Committee . . . . .	1470—75	The National Service (European British Subjects) Bill—Introduced . . . . .	1674
The Indian Mines (Amendment) Bill—Introduced . . . . .	1476	The Petroleum (Amendment) Bill—Introduced . . . . .	1675
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . . . .	1476—1511	The Indian Tariff (Amendment) Bill—Introduced . . . . .	1675
<b>TUESDAY, 19TH MARCH, 1940,—</b>		The Insurance (Amendment) Bill—Introduced . . . . .	1675
Starred Questions and Answers . . . . .	1513—23	The Indian Tariff (Second Amendment) Bill—Introduced . . . . .	1675—76
Election of Members to the Standing Committee for Roads . . . . .	1523—24	The Indian Finance Bill—Discussion on the motion to consider not concluded . . . . .	1676—1725
The Excess Profits Tax Bill—Discussion on the consideration of clauses not concluded . . . . .	1524—81	<b>TUESDAY, 26TH MARCH, 1940,—</b>	
Report of the Committee on Conveyance Allowances admissible to Members of the Indian Legislature . . . . .	1581	Starred Questions and Answers . . . . .	1727—35
Appendix . . . . .	1582—84	Unstarred Questions and Answers . . . . .	1736
<b>WEDNESDAY, 20TH MARCH, 1940,—</b>		Election of the Standing Committee for the Department of Commerce . . . . .	1736
Starred Questions and Answers . . . . .	1585—1602	Message from the Council of State . . . . .	1737
Unstarred Questions and Answers . . . . .	1602—11	The Motor Vehicles (Amendment) Bill—Introduced . . . . .	1737
Statement of Business . . . . .	1611	The Indian Finance Bill—Discussion on the motion to consider not concluded . . . . .	1737—90

# LEGISLATIVE ASSEMBLY.

*Wednesday, 13th March, 1940.*

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

## STARRED QUESTIONS AND ANSWERS.

### (a) ORAL ANSWERS.

#### REMARKS OF SIR LEONARD WOOLLEY ABOUT CONSERVATION OF ARCHÆOLOGICAL REMAINS.

**357. \*Mr. Umar Aly Shah:** (a) Will the Education Secretary kindly state if Government have taken notice of Sir Leonard Woolley's remarks that in conserving archæological remains public money has been wasted and scientific aims defeated?

(b) Is it a fact that the work at Sirkap is done directly under the charge of the Director General? Is it a fact that Sir Leonard considers the considerable amount of money spent there as worse than wasted?

(c) What steps do Government propose to take to remove the defects pointed out by Sir Leonard?

**Sir Girja Shankar Bajpai:** (a) Yes.

(b) The work at Sirkap has been carried out under the direction of the Director General. It is a fact that Sir Leonard Woolley considered that from the scientific point of view certain expenditure on conservation of excavated remains was ill advised.

(c) Government have under consideration the action to be taken on Sir Leonard Woolley's recommendations.

**Dr. Sir Ziauddin Ahmad:** May I know whether Government contemplate to issue a communiqué about the action which they propose to take, so that we may know the situation is improving?

**Sir Girja Shankar Bajpai:** Sir, the recommendations of Sir Leonard Woolley involve, briefly, an addition to the budget of the Archæological Survey of India of roughly two lakhs of rupees. I doubt whether it would be possible for us to get that additional two lakhs while the war is on, but with regard to those of the recommendations of Sir Leonard Woolley which do not involve additional expenditure, I shall consider my Honourable friend's suggestion for the issue of a communiqué as soon as a decision has been reached.

**Maulvi Muhammad Abdul Ghani:** Do Government propose to give a copy of the Woolley Report to the Members of this House?

**Sir Girja Shankar Bajpai:** Well, the Report is already available to Honourable Members in the Library. If any Honourable Member shows a special interest in the subject, I shall be glad to provide him with a copy.

#### DISTRIBUTION OF INDUS WATERS BETWEEN THE PUNJAB AND SIND.

**358. \*Mian Ghulam Kadir Muhammad Shahban:** (a) Will the Honourable Member for Labour be pleased to state whether Government have received a representation from Sind Government in connection with construction of irrigation projects by the Punjab Government, which take away a large share of Indus water leaving a very small share for irrigation in Sind? If so, how has the same been disposed of?

(b) Is it a fact that the Government of India had appointed a committee of two engineers—one from the Punjab and the other from Sind—to work out figures of possible discharge of water in Indus and how the same should be divided between the two Provinces?

(c) Did the Government of India, as a result of this enquiry, issue any orders regarding distribution of Indus waters between the Punjab and Sind? If so, what was the nature of those orders?

(d) Have the Punjab Government followed those orders? If not, why not? What action do Government propose to take to see that there is a fair distribution of Indus waters between Sind and the Punjab? If not, why not?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** (a) Such a representation has been received and is under consideration.

(b) An expert committee consisting of eight members was appointed in 1935 to consider the distribution of the waters of the Indus.

(c) After consulting the interested parties the Government of India passed orders on the Distribution Committee's report in 1937. As the Committee's report has not been published, the nature of the orders cannot be disclosed.

(d) The Government of India have no reason to suppose that the Government of the Punjab have not followed the orders passed by them. The remainder of the question does not arise.

**Mr. Lalchand Navalrai:** In view of the fact that the Sind Government has been complaining that the Punjab Government is not following what the directions were, will the Honourable Member have that matter decided by some of the representatives of the Punjab and the Sind Governments meeting together and finding out their difficulties?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** Sir, I said the matter was under consideration and the Honourable Member will realise that if there is a difference of opinion between two Provincial Governments, the machinery that could be devised for solving those difficulties cannot be stated in such simple terms.

#### CONDITION OF THE DOME OF THE TAJ MAHAL.

**359. \*Dr. Sir Ziauddin Ahmad:** (a) Will the Education Secretary be pleased to state whether Government invited the Central Public Works Department to examine the Taj and submit a report for necessary repairs?



(b) Will the Honourable Member be pleased to state when the report was submitted by the Central Public Works Department?

(c) Will the Honourable Member lay a copy of this report on the table? In case the report is very long, will the Honourable Member be able to place a copy in the library of the House?

(d) What is the report of the Department about the general condition of the dome of the Taj?

(e) What action do Government propose to take to carry out the repairs?

**Sir Girja Shankar Bajpai:** (a) Yes.

(b) to (e). The report of the Central Public Works Department was received in September last. It is of a purely provisional and departmental character and cannot, therefore, be placed on the table of the House. As I have already stated in my reply to the Honourable Member's starred question No. 117 on the 16th of last month the main conclusion in the report is that a close examination of the dome is necessary before any final conclusion as to the condition of the dome and the repairs necessary can be arrived at. Scaffolding will shortly be erected to enable that examination to be made.

**Dr. Sir Ziauddin Ahmad:** In view of the fact that the public is specially interested in the question that the dome of the Taj may not fall down in the same manner as the roof of the Idgah mosque at Agra fell down soon after the repairs, may I know if the Honourable Member will take every precaution to see that proper repairs are done?

**Sir Girja Shankar Bajpai:** Sir, as a matter of fact, it is because of a difference of opinion between the Archæological Department, the Archæological Engineer and the Superintendent of Agra on the one hand and the P. W. D. on the other that instructions have been issued for the setting up of a scaffolding to complete the investigation as soon as possible. I can assure my Honourable friend that we recognise the unique importance of this building, and that everything that the Government can do will be done to preserve this historical monument.

**Dr. Sir Ziauddin Ahmad:** In view of the fact that the P. W. D. have trained engineers and that the officers of the Archæological Department are experts in archæology only, but not necessarily in engineering, will he give a preference to those who know the subject?

**Sir Girja Shankar Bajpai:** As regards the first part of what my Honourable friend said, one of the examiners on the part of the Archæological Department is an engineer, Dr. Ansari; but, in addition to that, the P. W. D. representatives themselves say that they cannot express a definite opinion until the close examination, which a scaffolding would enable them to do, has been made. That is why we are getting on with that.

**Dr. Sir Ziauddin Ahmad:** May I know whether, if the Central P. W. D. are unable to give a definite opinion about the repairs, they will seek the aid of engineers from abroad?

**Sir Girja Shankar Bajpai:** No, Sir, it is not that the Central P. W. D. are unable to give an opinion. What they have said is that it is not possible to undertake a close examination of the dome without the mechanical device, viz., scaffolding, to which I have already referred, and that is what we are now going to set up.

**Maulana Zafar Ali Khan:** How long will it take to undertake the examination?

**Sir Girja Shankar Bajpai:** As to that, we shall impress on the P. W. D. to complete the examination as quickly as possible.

**Dr. Sir Ziauddin Ahmad:** In view of the fact that the public in India and the public all over the world are vitally interested in the Taj Mahal, will Government consider the desirability of issuing some kind of communiqué to satisfy the feelings of the public about the Taj?

**Sir Girja Shankar Bajpai:** I can only tell my Honourable friend this that, as soon as we receive the final report of the Central P. W. D., we shall consider his suggestion.

**Mr. Muhammad Azhar Ali:** Will Government consider the suggestion that as the Taj was built by old-time dome engineers of world-wide experience and not by a new type of engineers, will Government consider securing the services of any of such engineers of world-wide experience who can advise on the dome of the Taj?

**Sir Girja Shankar Bajpai:** I regret that unless we were to exhume the old-time engineers, we could not find them.

#### ARRANGEMENTS FOR THE SUPPLY AND PURCHASE OF GHEE FOR THE TROOPS.

**360. \*Khan Bahadur Nawab Siddique Ali Khan:** (a) Will the Honourable the Leader of the House please state the names of the firms or the individuals with whom the arrangements for the supply and purchase of ghee for the troops have been made?

(b) Were such arrangements made after inviting tenders or not? If not, why not?

(c) When will the existing arrangements terminate?

(d) Do Government, on the termination of the present arrangements, propose to invite tenders?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) Messrs. Alopi Parshad and Sons, Limited, of Delhi.

(b) The reply to the first part of the question is in the affirmative. The second part does not, therefore, arise.

(c) The current agreement is for an unspecified period subject to termination at nine months' notice on either side.

(d) This will receive consideration if and when the current contract is terminated. The normal policy is for Government to call for tenders in such a case.

**Dr. Sir Ziauddin Ahmad:** May I know how long these gentlemen mentioned by him have been holding this contract,—for how many years?

**The Honourable Sir Muhammad Zafrullah Khan:** I believe the contract was originally given to this particular firm in 1932 for a period of three years and that period was extensible for a further period of two years, so that the present contract was given to the firm in 1937.

**Dr. Sir Ziauddin Ahmad:** So that the company consists of the father and the son, and the father is dead?

**The Honourable Sir Muhammad Zafrullah Khan:** I imagine it is a firm.

**Dr. Sir Ziauddin Ahmad:** May I know whether the Honourable Member has ever inquired how much loss Government have sustained by this method of contract?

**The Honourable Sir Muhammad Zafrullah Khan:** Not a penny.

**Mr. Muhammad Azhar Ali:** Will this be a permanent arrangement, from generation to generation, from father to son?

**The Honourable Sir Muhammad Zafrullah Khan:** How can I say?

**Khan Bahadur Nawab Siddique Ali Khan:** Will the Honourable Member lay on the table a copy of the terms arrived at between the Government and the firms or individuals with whom arrangements for the supply of ghee to the troops have been made?

**The Honourable Sir Muhammad Zafrullah Khan:** A copy of the terms of agreement with this firm?

**Khan Bahadur Nawab Siddique Ali Khan:** Yes.

**The Honourable Sir Muhammad Zafrullah Khan:** I do not know, I shall look into the matter, but I shall be prepared to answer any questions.

**Dr. Sir Ziauddin Ahmad:** Will the Honourable Member lay it on the table of the House?

**The Honourable Sir Muhammad Zafrullah Khan:** I cannot promise; I shall look into the matter.

**Dr. Sir Ziauddin Ahmad:** Will the Honourable Member also examine it himself and calculate for himself how much Government have lost under the wrong system of this contract?

**The Honourable Sir Muhammad Zafrullah Khan:** I have looked into it. The Government have lost nothing. The contract is worked on the agency basis and not on the basis of any prices previously settled. What is paid to the firm is the actual cost of the purchases of the ghee subject to maximum prices first fixed plus the marketing charges and the cost of carriage, and so on. For their trouble, the firm are paid a certain amount of commission.

**TRADE CARRIED ON BY FOREIGN COMPANIES OR FOREIGNERS IN INDIA.**

**361. \*Khan Bahadur Nawab Siddique Ali Khan:** (a) Will the Honourable the Commerce Member please state whether Government have got any statistics about the foreign companies or foreigners who are carrying on trade, or who have established any factory, in India? If not, why not?

(b) Will Government be pleased to state the dividends paid by these companies and in case of individuals, the net profits?

(c) Is it not a fact that these foreign companies, banks and individuals, employed foreign labour in almost all higher appointments? Have Government considered the question of regulating the conditions of services of these foreigners?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:**

(a) The only information readily available is in regard to "Number, description, and capital (in sterling) of Companies incorporated elsewhere than in India but working in India in the year ending 31st March, 1936", which is published in Table No. 5 of the Annual Statement of Joint Stock Companies in India for 1935-36. Copies of this publication are in the Library of the House.

(b) Government have no information.

(c) As regards the first part, Government have no information. The answer to the second part does not arise.

**Dr. Sir Ziauddin Ahmad:** May I ask whether these foreign companies who are trading in India pay the income-tax, the super-tax or the excess profits tax?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** My Honourable friend may address the question to my Honourable colleague.

**Dr. Sir Ziauddin Ahmad:** In view of the fact that these foreign companies must be paying all these taxes, may I ask why it is not possible for the Commerce Member to know the dividends that these companies must be paying?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** They do pay all these taxes so far as their business in India is concerned.

**RENT CHARGED FOR OFFICERS' BUNGALOWS AND UNORTHODOX QUARTERS IN NEW DELHI.**

**362. \*Mr. Muhammad Azhar Ali:** Will the Honourable Member for Labour please state:

(a) the percentage of pay recovered as rent for officers' bungalows and unorthodox quarters for the ministerial establishment, respectively;

(b) the cost of each type of bungalows and quarters, respectively;

(c) the reasons for charging a higher percentage of rent from the ministerial establishment; and

(d) in detail the different needs of the two types of residences referred to in the reply to starred question No. 68 on the 12th February, 1940?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:**

(a) In both the cases the rent recoverable is the standard rent calculated under Clause III of Fundamental Rule 45A, or 10 per cent. of the occupant's monthly emoluments, whichever is less.

(b) A statement is laid on the table.

(c) Does not arise.

(d) I would refer the Honourable Member to the statement laid on the table in connection with my reply to starred question No. 68 and to my replies to parts (c) and (d) of starred question No. 810. The provision of refrigerators is the only amenity which has been sanctioned exclusively for officers, and rent will be payable in all cases at 20 per cent. of the capital cost per annum. The electric current charges will also be borne by the officers.

*Statement*

BUNGALOWS, NEW DELHI.

Class.	Maximum cost. Minimum cost.	
	Rs.	Rs.
"A"	72,910	36,656
"B"	47,884	24,428
"C"	30,413	17,318
"D"	19,754	11,872

UNORTHODOX QUARTERS, NEW DELHI.

Class.	Average cost.†
	Rs.
"A"	12,628
"B"	8,692
"C"	9,905
"D"	7,348

RESEARCHES FOR UTILISATION OF MOLASSES IN MAKING PETROL.

363. \*Bhai Parma Nand: Will the Education Secretary be pleased to state:

- (a) whether any research is being made by the Agricultural Research Department to find some subsidiary industry which will use the *shira* (molasses), and whether Government propose to permit the sugar factories to utilise it in making alcohol; and
- (b) whether the Imperial Council of Agricultural Research are taking steps to find out some means to prevent deterioration of the productive power of the soil in some parts of India and find a remedy to combat the evil which has grown rapidly during the last few years?

† The cost of the quarters in each class is pooled.

**Sir Girja Shankar Bajpai:** (a) Research is being conducted by the Imperial Council of Agricultural Research and the Imperial Institute of Sugar Technology on—

- (1) the manufacture of cattle-feed from molasses;
- (2) the utilisation of molasses as a road surface material;
- (3) the utilisation of molasses as manure;
- (4) the utilisation of molasses for the manufacture of yeast; and
- (5) the utilisation of molasses for the manufacture of acetic acid.

The second part of the question concerns Provincial Governments.

(b) Government are not aware that the productive power of the soil has deteriorated rapidly during the last few years. Research into problems of soil fertility is being constantly pursued.

**Dr. Sir Ziauddin Ahmad:** May I ask whether any result of commercial value has been obtained by the research of the Technological Institute?

**Sir Girja Shankar Bajpai:** As regards that, I should have to resort to the report of the Imperial Council of Agricultural Research. That does set out what has been done.

**Dr. Sir Ziauddin Ahmad:** May I ask if the sugar manufacturers derive any monetary profit by the sale of the molasses in any way?

**Sir Girja Shankar Bajpai:** I could not say that any process which these people might have discovered has yet been put to commercial use.

**Dr. Sir Ziauddin Ahmad:** Then, it practically comes to this that no result has so far been obtained?

**Sir Girja Shankar Bajpai:** I do not think my Honourable friend is justified in drawing that inference. All that he can legitimately say is that the research has not yet reached a point when its results can be put to a commercial use.

**Dr. Sir Ziauddin Ahmad:** How long has this research been going on?

**Sir Girja Shankar Bajpai:** I should say for the last three years.

**Bhai Parma Nand:** May I know, if some distillery is established for the manufacture of power alcohol, Government will allow its manufacture?

**Sir Girja Shankar Bajpai:** That is a hypothetical question to begin with, but in any case the manufacture of power alcohol is a Provincial subject and not a Central subject.

**Bhai Parma Nand:** It is not a hypothetical question. A distillery has been established and they have got the permission of the Provincial Government, but now an objection has been raised not to allow them to work.

**Sir Girja Shankar Bajpai:** I am not aware of any objections having been raised by the Central Government.

## ALLEGED IRREGULARITIES IN THE SUPPLY DEPARTMENT.

**364. \*Maulvi Muhammad Abdul Ghani:** (a) Will the Honourable the Leader of the House be pleased to state if the 'Supply Department' is authorised to take in unpaid apprentices?

(b) If the reply to part (a) be in the negative, will the Honourable Member be pleased to state if a candidate (nominee of the Under Secretary II), who failed in the open test, was allowed to pick up speed in type-writing and at the same time do official work?

(c) Was the Official Secrets Act operative on him while so employed?

(d) Does the Honourable Member propose to see that such irregularities do not recur in the Department of Supply?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) No.

(b) I have made enquiries and find that the allegation is not correct.

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

## RECRUITMENTS BY COMMUNITIES IN THE SUPPLY DEPARTMENT.

**365. \*Maulvi Muhammad Abdul Ghani:** (a) Will the Honourable the Leader of the House be pleased to state if the cycle prescribed for various communities at the time of recruitment under the Home Department orders, is worked to in the Supply Department?

(b) If the reply to part (a) be in the negative, will he be pleased to state what other steps have been taken to ensure that each community would get its due share?

(c) Are any returns by communities submitted to the Home Department?

(d) If the reply to part (c) be in the affirmative, what action, if any, has been taken on the remarks of the Home Department on the statements referred to above?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) Yes.

(b) Does not arise.

(c) Yes.

(d) It is not the practice of Government to give information regarding inter-departmental communications.

## GRANT OF ALLOWANCES TO ASSISTANTS-IN-CHARGE OF BRANCHES IN THE SUPPLY DEPARTMENT.

**366. \*Maulvi Muhammad Abdul Ghani:** (a) Will the Honourable the Leader of the House be pleased to state the rules for grant of charge allowance to Assistants-in-charge of various sections of the Supply Department?

(b) What provision, if any, exists in the rules for members of various communities?

(c) Will the Honourable Member be pleased to state the reasons, if any, for Muslims running the Branches or Sections without any allowance, while all non-Muslims were granted and are now being granted charge allowance on joining this Department?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) and (b). There are no such rules.

(c) There are no such cases.

#### CONTROL OF THE CONTRACTS DIRECTORATE.

**367. \*Sardar Sant Singh:** (a) Will the Honourable the Leader of the House please state whether the Contracts Directorate has been put under the Department of Supply?

(b) Have Government considered whether it is not possible to amalgamate permanently the Indian Stores Department and the Contracts Directorate? If not, why not?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) Yes, for the period of the duration of the war.

(b) Government have considered the matter on several occasions but are not prepared to take up the consideration of this question during the pendency of the war.

#### RECRUITMENT OF STAFF IN THE CONTRACTS DIRECTORATE.

**368. \*Sardar Sant Singh:** (a) Will the Honourable the Leader of the House please state whether it is a fact that a number of new officers have been appointed on the staff of the Contracts Directorate?

(b) How many of these new officers recruited from outside are Indians?

(c) If no Indian has been appointed, why not?

(d) What are the commercial qualifications of the newly recruited officers of the Contracts Directorate?

(e) What efforts, if any, were made to recruit Indians with commercial and general experience of stores as officers in the Contracts Directorate?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) Yes, eight temporary officers have been recruited.

(b), (c) and (e). Officers are not normally recruited from outside, but are generally selected from amongst officers belonging to the Indian Army Ordnance Corps and the Royal Indian Army Service Corps which at present contain very few Indian officers. No Indian officer has been recruited as none was nominated by these two corps.

(d) Of the eight officers recently appointed, two are senior Superintendents promoted as Officer Supervisors and are Anglo-Indians, five are British officers nominated by the Corps mentioned, and the remaining officer is a retired Captain of the British Army Reserve of Officers who has had long and extensive commercial experience in the hides and leather trade.

**Dr. Sir Ziauddin Ahmad:** Will the Honourable Member be able to explain the advantages or otherwise of establishing two parallel Departments—the Indian Stores Department and the Supply Department—to make purchases on behalf of the Government.



**The Honourable Sir Muhammad Zafrullah Khan:** Is not the Honourable Member rather late? He is thinking of 'the previous question' and not this one.

**Dr. Sir Ziauddin Ahmad:** I am not at all late, because this is the first time we have got the opportunity to discuss this matter in the House.

**The Honourable Sir Muhammad Zafrullah Khan:** The Honourable Member has misunderstood me. His question might have been relevant to the previous question, but it does not arise out of this question, and, therefore, he is rather late in putting it.

**Dr. Sir Ziauddin Ahmad:** My question is about the necessity of establishing the Supply Department at all. I do not want to go into the details. All I am asking is why it should be kept up?

**The Honourable Sir Muhammad Zafrullah Khan:** I have twice made an attempt to convey to the Honourable Member that his supplementary question is not relevant to the question I have just answered.

**Dr. Sir Ziauddin Ahmad:** All right. There will be further opportunities to put questions about the new Department.

#### RECRUITMENT OF STAFF IN THE CONTRACTS DIRECTORATE.

**369. \*Sardar Sant Singh:** (a) Will the Honourable the Leader of the House please state the number of additional clerical establishment recruited in the Contracts Directorate after 1st September, 1939?

(b) How many of the new entrants possess the degree of B.Com. and/or have previously worked in commercial firms?

(c) How many candidates with B.Com. qualifications applied and how many have not been taken?

(d) Why has not the entire recruitment been confined to those holding B.Com. qualifications and/or having experience of commercial firms?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) and (b). The Honourable Member is referred to the reply I gave to part (c) of Mr. Surrya Kumar Som's starred question No. 320 on the 8th March, 1940.

(c) Altogether 228 had applied—of these 166 were selected for interview but only 80 presented themselves and 40 were selected. The remaining posts were given to non-commercial graduates with only one exception in favour of an Anglo-Indian, who has passed the Senior Cambridge examination.

(d) It is not possible nor desirable to give all the vacancies to commercial graduates or those having commercial experience but these qualifications are given due weight at the time of making selections.

**Dr. Sir Ziauddin Ahmad:** Is it necessary to appoint even a single man when persons of equivalent qualifications are working in a parallel Department of the Government of India?

**The Honourable Sir Muhammad Zafrullah Khan:** Does the Honourable Member expect an answer?

PURCHASE OF STORES MANUFACTURED IN INDIA FROM ABROAD.

**370. \*Sardar Sant Singh:** (a) Will the Honourable the Leader of the House please state in how many cases the Indian Stores Department and the Contracts Directorate have made purchases of stores from overseas for such stores which are manufactured in India and have been found to conform to the required specifications?

(b) Are such instances in order in view of the Stores Purchase Rules? If not, what do Government propose to do to encourage Indian industry?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) and (b). It is not possible to pick out such cases readily but they are very few. All purchases by the Indian Stores Department and the Contracts Directorate are made strictly in accordance with the Stores Purchase Rules, but these rules, as Honourable Members are aware, permit of only a limited price preference. It is the large disparity in the prices of indigenous and imported goods which sometimes compels the purchase of imported goods.

**Dr. Sir Ziauddin Ahmad:** May I know whether the rules relating to the Contracts Directorate are identical with those of the Indian Stores Department?

**The Honourable Sir Muhammad Zafrullah Khan:** A copy of the Rules is available to the Honourable Member, and he can easily find out whether they are identical or not.

**Dr. Sir Ziauddin Ahmad:** I want to know whether these rules are identical or not? Yes, or no?

**The Honourable Sir Muhammad Zafrullah Khan:** That is exactly what I have suggested. The Honourable Member can himself find out from the rules.

**Mr. President (The Honourable Sir Abdur Rahim):** If the rules are available, the Honourable Member can himself draw the conclusion.

**Dr. Sir Ziauddin Ahmad:** If they are identical, then what is the use of maintaining these two Departments separately? Why not abolish one of them?

**Mr. President (The Honourable Sir Abdur Rahim):** That does not arise out of this question.

PURCHASE OF FIRE EXTINGUISHERS.

**371. \*Sardar Sant Singh:** Will the Honourable the Leader of the House please state whether Government are aware that Army authorities insist on the purchase of fire extinguishers made outside India, and that the manufacture of this store of the required standards has been established in India? If so, what action, if any, has been taken to implement the Stores Purchase Rules?

**The Honourable Sir Muhammad Zafrullah Khan:** No, Sir. On the contrary, the Defence Services have all along been making strenuous efforts to encourage indigenous manufacture of fire extinguishers as they consider it very important. Hitherto the prices quoted by the indigenous manufacturers have been too high to permit of any purchase, even with the assistance of the price preference admissible under the Rules. Recently a new kind of locally manufactured extinguisher has been approved and accepted.

#### ISSUE OF FRESH STORE PURCHASE RULES.

†372. \***Sardar Sant Singh:** Will the Honourable the Leader of the House please state whether Government are prepared to consider the issue of fresh Stores Purchase Rules in view of the great improvement made by the Indian industry, to specify that, wherever available, only Indian made stores shall be purchased?

**The Honourable Sir Muhammad Zafrullah Khan:** No. If the Honourable Member will refer to the existing Stores Purchase Rules (a copy of which is in the Library of the House) he will find that they have been designed to effect the very object which he has in view.

#### SPECIAL TRAINS RUN FOR HAJ PILGRIMS FROM BENGAL, ETC.

373. \***Maulvi Abdur Rasheed Chaudhury:** Will the Education Secretary please refer to the press communiques, dated 9th and 18th December, 1939, in which it was stated that pilgrims from Bengal and Eastern Provinces would be "conveyed by a Special Train or in Specially Reserved accommodation to Bombay on dates which will enable them to go on board the pilgrim ships without having to spend the night at Bombay", and state:

- (a) how many pilgrims from Bengal and Eastern Provinces sailed for Haj through Bombay this year;
- (b) how many of these pilgrims were conveyed to Bombay in special trains or in reserved accommodation;
- (c) how many such special trains were run, and on how many occasions any reserved accommodation was arranged for; and
- (d) the dates of arrival of pilgrims in Bombay by such special trains or reserved accommodation and the time these pilgrims had to spend in Bombay before they got a steamer?

**Sir Girja Shankar Bajpai:** (a) 8,091.

(b), (c) and (d). One duplicate mail was arranged for with the Bengal Nagpur Railway. It left Calcutta on the 13th December and arrived in Bombay on the 15th December, 1939, with 386 pilgrims. It is understood that most of these pilgrims sailed on the 18th December, 1939, by the S.S. "Khosrou" but the actual figures are not known.

**Maulvi Abdur Rasheed Chaudhury:** May I know how many Hajis were carried by the duplicate train arrangement?

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†Answer to this question laid on the table, the questioner having exhausted his quota.

**Sir Girja Shankar Bajpai:** I have said, 386 were carried.

**Maulvi Abdur Rasheed Chaudhury:** May I know whether any arrangement was made for the remaining Hajis?

**Sir Girja Shankar Bajpai:** The steamship company, as I have already stated, was prepared to arrange for a duplicate train, but unfortunately what happened was that the Calcutta Port Haj Committee declined to interest themselves in this matter or to advise the Hajis, as soon as it was decided that no ships would sail from Calcutta. So the Hajis made their own arrangements to go by the ordinary trains as they came in.

**Maulvi Abdur Rasheed Chaudhury:** With reference to part (b), may I know whether any arrangement was made for the accommodation of the Hajis at Bombay in view of the fact that they did not get the steamer on their arrival at Bombay?

**Sir Girja Shankar Bajpai:** As far as I can make out from enquiries which we made in Bombay, there were only 70 pilgrims left out of 386; all the others got into the "Khosrou" on the 18th December and found that suitable arrangements were made for them.

**Maulvi Abdur Rasheed Chaudhury:** My information is that no arrangements were made.

**Sir Girja Shankar Bajpai:** If my Honourable friend will be good enough to furnish to me particulars of the complaints which he has received, I should see to what extent they are correct.

#### SPECIAL TRAINS RUN FOR HAJ PILGRIMS FROM BENGAL, ETC.

**374. \*Maulvi Abdur Rasheed Chaudhury:** (a) Will the Education Secretary please state if it is a fact that throughout the Haj season, only one special train was run from Calcutta to Bombay for the pilgrims, which arrived in Bombay on 15th December, 1939, and the next steamer to sail was three days later?

(b) Are Government aware that all the pilgrims of this special train could not get accommodation on the steamer of the 18th December and consequently a good number of them had to stay in Bombay till 28th December?

(c) Are Government aware of the telegrams that these left-over pilgrims sent to the Calcutta Haj Committee relating their difficulties?

**Sir Girja Shankar Bajpai:** (a) Yes.

(b) The attention of the Honourable Member is invited to the reply which I have given just now to parts (b) to (d) of his previous question.

(c) Yes.

**Maulvi Abdur Rasheed Chaudhury:** With reference to part (c), may I know whether Government enquired into the complaints of the Hajis who sent telegrams to the Haj Committee at Calcutta?

**Sir Girja Shankar Bajpai:** We made enquiries through the shipping companies as also our own officers in Bombay and the information we received was that, to a large extent, these complaints were exaggerated.

**Dr. Sir Ziauddin Ahmad:** With reference to part (c), may I know the exact number of pilgrims who were left over for want of accommodation?

**Sir Girja Shankar Bajpai:** I said that 70 could not sail by the ship which left on the 18th; but they sailed later on, ten days after.

**Dr. Sir Ziauddin Ahmad:** Does it not show that the action taken by the Government was not correct, because so many Hajis could not be provided with sufficient accommodation?

**Sir Girja Shankar Bajpai:** My Honourable friend will appreciate the fact that the Government of India merely assist the pilgrims on the one hand and the shipping company on the other. It is impossible for them to arrange for a complete equation of the number of pilgrims arriving and the accommodation available by a particular outgoing ship.

**Dr. Sir Ziauddin Ahmad:** Government were informed by the steamship company that they could not take more than 25 per cent. of the pilgrims, and, in spite of this, Government took no action?

**Sir Girja Shankar Bajpai:** My Honourable friend will probably remember that a series of questions were asked sometime ago whether any pilgrims were actually left over and were unable to perform the Haj. Then I gave figures to show that this was not so, because all that happened in this particular case was that 70 pilgrims had to wait for the next ship.

**Dr. Sir Ziauddin Ahmad:** My question was that these 70 pilgrims were left there on account of the wrong decision of the Government of India in fixing the quota for different companies. Had they allowed the companies to take pilgrims as in previous years, this detention would not have happened?

**Sir Girja Shankar Bajpai:** That, I submit, is not the correct inference to be drawn from the facts.

**Maulana Zafar Ali Khan:** May I know whether Government issued a communiqué declaring the last date of the sailing of the ship to Hedjaz in order to enable the pilgrims to catch that boat?

**Sir Girja Shankar Bajpai:** As far as I know, the Government of India did not issue any communiqué indicating the last date on which Hajis were to sail. The sailings were advertised by the shipping company in the usual way, and what I infer from my Honourable friend's question is that some Hajis were left for want of shipping. Actually that is not the case.

**Maulana Zafar Ali Khan:** Because they were under the impression that the ship would sail on a certain date, whereas the ship actually sailed two days earlier?

**Sir Girja Shankar Bajpai:** As I have repeated more than once, we are not aware that anybody who was in possession of a ticket to the Hedjaz was actually left over for want of shipping.

**UNSATISFACTORY CONDITION OF NAIWALA IN KAROL BAGH, DELHI.**

**375. \*Bhai Parma Nand:** (a) With reference to the reply given to starred question No. 256, dated the 20th September, 1939, will the Education Secretary please state the steps that have been taken by the Health Officer, Delhi, or the Delhi Municipal Committee, to improve the sanitary conditions of Naiwala, Karol Bagh, Delhi?

(b) Is he aware that the sanitary conditions of the lanes and streets of the area are far from satisfactory as yet and are not properly looked after?

(c) Is he further aware that due to the insanitary conditions of the area, it has developed into a breeding ground for sand-flies and mosquitos. etc.?

(d) Is he further aware that due to the breeding of sand-flies, etc., many of the residents of Karol Bagh, Delhi, are now suffering from their bites, which develop into local sores and do not heal up soon and for the treatment of which a hospital had to be opened recently?

(e) What steps does he propose to take to stop the area from becoming a breeding place for germs and to avoid any danger to the public living in New Delhi?

**Sir Girja Shankar Bajpai:** With your permission, Sir, I shall answer questions No. 375 to 377 together. I have asked for information and will furnish replies as soon as it is received.

**Mr. Lalchand Navalrai:** May I know if there is any conservancy established there, why should there be any complaint of insanitation?

**Sir Girja Shankar Bajpai:** I assume there is the usual conservancy established.

**Mr. Lalchand Navalrai:** May I know whether there is any necessity of increasing the conservancy on account of the insanitary condition?

**Sir Girja Shankar Bajpai:** On that point I have asked for information.

**Mr. Lalchand Navalrai:** Is the Honourable Member aware that these parts which are under construction are really insanitary?

**Sir Girja Shankar Bajpai:** If I had the information, I should have supplied the same to the House instead of waiting for a report, for which I have asked.

**BUILDING PLANS RECEIVED BY THE DELHI IMPROVEMENT TRUST.**

†**376. \*Bhai Parma Nand:** Will the Education Secretary please state the number of building plans received by the Delhi Improvement Trust

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† For answer to this question, see answer to question No. 375.

during the year ending on the 31st December, 1939? How many were approved without being required to submit another plan during each of the months as against their receipts?

**PROSECUTIONS SANCTIONED BY THE DELHI IMPROVEMENT TRUST.**

†377. \*Bhai Parma Nand: (a) Will the Education Secretary please state the number of prosecutions sanctioned by the Delhi Improvement Trust during each of the last twelve months ending on the 31st December, 1939, on account of the contravention of the terms sanctioned by it for construction of houses?

(b) How many of these resulted in convictions, and how many of such cases were discharged by the Court?

(c) In how many cases was compromise arrived at between the parties, and how much amount has so far been received by the Trust as compromise fee or penalty from such house-owners with whom compromise took place?

**CREATION OF THE APPOINTMENT OF CONSULTING ENGINEER IN THE CENTRAL PUBLIC WORKS DEPARTMENT.**

378. \*Bhai Parma Nand: (a) Will the Honourable Member for Labour please state the circumstances which led to the creation of the appointment of the Consulting Engineer for the Central Public Works Department, New Delhi?

(b) What pay and allowances have been sanctioned for the post and what will be the duties assigned to it?

(c) Was such a post ever considered necessary and created when the appointment of Chief Engineer was held by other than an Indian? If not, why is it now being allowed when an Indian Chief Engineer is going to take over the charge of Chief Engineer's job?

(d) Will he please state whether the duties proposed to be assigned to the holder of the new appointment of the Consulting Engineer could not be performed by the next Indian Chief Engineer, or one of his assistants? If not, how?

(e) Is he prepared to see that the Indian Exchequer is not burdened with such kind of new appointments under him, particularly, at a time when funds are required for other purposes and to consider the desirability of stopping the creation of this appointment? If not, why not?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:**

(a) The Central Public Works Department will take over responsibility for all Central works in most Provinces with effect from the 1st April, 1940. This is an important administrative change and it was considered desirable to retain Mr. Jones's services for a year so that the new organisation might be set in working order.

(b) Pay Rs. 3,000 per month including pension. The duties of the post will include the organisation of the new Circle for the execution of Central works in the Provinces, the allocation of offices and residential accommodation and Rent Control.

†For answer to this question, see answer to question No. 375.

(c) It is a fact that the appointment is new of its kind, but the circumstances in which it has been decided on are abnormal, as I have already shown in my reply to part (a) of the question.

(d) and (e). I have already explained the reasons for the temporary creation of this post.

**Mr. Lalchand Navalrai:** For how long will this go on?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** I regret that my Honourable friend did not carefully note the answer which I read out. It is for one year.

**Dr. Sir Ziauddin Ahmad:** What will be the position of this new officer? Will he be attached to the Secretariat or to the Public Works Department?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** He will be attached to the P. W. D. Secretariat for special work of this kind.

#### INCREASE IN THE RENT OF NAZUL LAND IN DELHI

† 379. **\*Bhai Parma Nand:** (a) With reference to the statement laid on the table in reply to starred question No. 255, asked on the 20th September, 1939, will the Education Secretary please state if the Delhi Improvement Trust intends to treat those sites which have been or are being allotted by it to the public as poor class building sites? If so, why are the old plots given to the poor people in Naiwala, and other blocks of Karol Bagh, Delhi, not treated as such?

(b) If the reply to part (a) above be in the negative, what are the areas or sites in Naiwala, Shidipura and other localities of Karol Bagh which are being classed by the Trust as poor class sites? If none, why not?

(c) Is he aware that a very large number of poor class houses are still owned by the poor classes in these areas, and how does the Trust propose to distinguish these people from others?

(d) On what basis is the increase in rents being made to the extent of double than what is being paid by them?

**Sir Girja Shankar Bajpai:** With your permission, Sir, I shall answer questions Nos. 379 to 386 together. I have asked for information and will furnish replies as soon as it is received.

#### NOTICES ISSUED FOR CONTRAVENTION OF THE TERMS OF SANCTIONS GRANTED BY THE DELHI IMPROVEMENT TRUST.

†‡380. **\*Bhai Parma Nand:** (a) Is the Education Secretary aware that the Delhi Improvement Trust issue a notice in the following terms to such of the persons who contravene the terms of the sanctions granted by the Trust for the construction of a house:

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† Answer to this question laid on the table, the questioner having exhausted his quota.

‡ For answer to this question, see answer to question No. 379.



"You have erected a house at ..... in contravention of the terms sanctioned by the Trust under section 190 of the Punjab Municipal Act, III of 1911. You are hereby given notice under section 195 of the Punjab Municipal Act, III of 1911, as extended to the Province of Delhi, read with section 49 of the United Provinces Town Improvement Act, VIII of 1919, as extended to the said Province to alter as directed below the building within 30 days of receipt by you of this notice failing which the Trust will be obliged to take legal action against you without further warning"?

(b) Is he also aware that a house-owner who submits an explanatory letter in reply to such a notice is prosecuted without being informed of the fate of his letter in writing? If so, why?

(c) Is he aware that such a procedure is very much resented to by the public inasmuch as, while they depend upon having replied to the Trust in regard to the objections raised by them to the entire satisfaction, they are later on prosecuted without being informed about the result of their reply?

(d) Is he prepared to see that prosecution is resorted to as a last resort by the Trust after considering the written statements of the house-owners and after giving them another warning? If not, what are the difficulties for not changing the present procedure in the interest of the public?

#### COMPLAINTS AGAINST THE BUILDING INSPECTOR OF THE DELHI IMPROVEMENT TRUST.

†:381. \*Bhai Parma Nand: Will the Education Secretary please state how many complaints have so far been received against the Building Inspector of the Delhi Improvement Trust and what action was taken against him in each case?

#### RESIGNATION OF STAFF OF THE DELHI IMPROVEMENT TRUST.

†:382. \*Bhai Parma Nand: Will the Secretary for Education, Health and Lands please state the number of the staff of the Delhi Improvement Trust who have so far resigned from that office and under what circumstances each one of them resigned?

#### NON-NAMING OF CERTAIN ROADS IN KAROL BAGH, DELHI.

†:383. \*Bhai Parma Nand: (a) Is the Education Secretary aware of the fact that the roads in Karol Bagh, Delhi, were completed as far back as June last, but no names have so far been given to these roads?

(b) Is he aware that, without any names to the roads, great inconvenience is being caused to the general public?

(c) Will he state how long will the Delhi Improvement Trust take to name the roads and put up the name boards, and whether he is prepared to have the matter expedited?

#### PROVISION OF LIGHTS ON CERTAIN ROADS IN KAROL BAGH, DELHI.

†:384. \*Bhai Parma Nand: (a) Is the Education Secretary aware that the electric poles and wirings, etc., were put up on almost all the roads in

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† Answer to this question laid on the table, the questioner having exhausted his quota.

‡ For answer to this question, see answer to question No. 379.

Karol Bagh, Delhi, sometime in June last, but on many of the roads which are much in use, no light has yet been provided?

(b) Is he aware that there is always a rush of traffic on the newly built road directly connecting Karol Bagh with Punch Kuin Road, New Delhi, but no arrangements exist for lighting up the road?

(c) Do Government propose to provide lights on the roads as well as in the lanes without further delay?

#### PROVISION OF PARKS IN KAROL BAGH, DELHI.

†‡385. \*Bhai Parma Nand: (a) Is the Education Secretary aware that in the layout shown in the drawing of the Western Extension Area, (Karol Bagh), Delhi, I. T. A. 44/L, dated the 8th and 15th November, 1939, there is a green grassy belt alongside road No. 34, which comes direct from the Pusa Institute to the Bhuli Bhatari Tanks?

(b) What were the circumstances which led the Delhi Improvement Trust to do away with that grassy belt and convert the same land into plots for houses, etc? Why was it not made into a park, which would have been of service and advantage to the public of the locality and Karol Bagh as a whole?

(c) Is he aware that the Delhi Improvement Trust have left out very few plots of very small sizes for purposes of parks making the locality very congested? If not, where and of what sizes have these parks been left out?

#### SHIFTING OF THE TUBERCULOSIS CLINIC FROM KAROL BAGH, DELHI.

†‡386. \*Bhai Parma Nand: (a) Will the Education Secretary please state what are the difficulties in not acceding to the representations from public for shifting the location of T. B. Clinic in Karol Bagh to some secluded place?

(b) Is he prepared to see the desirability of selecting another site for the T. B. Clinic at a secluded place in the large area of land in Karol Bagh and have more parks of big sizes? If not, why not?

#### GIVING OF CERTAIN ASSURANCES TO INDUSTRIES AFFECTED BY THE EXCESS PROFITS TAX.

387. \*Sir Abdul Halim Ghuznavi: (a) Has the attention of the Honourable the Commerce Member been drawn to the circular of the Chamber of Shipping of the United Kingdom dated, London the 2nd January, 1940, on the subject of Finance Act No. (2) 1939—excess profits tax, where the following statement is made:

“When the above Act was passed through all its stages in the early days of October there was no time for the various interests concerned to give proper consideration to the measure and the Chancellor of the Exchequer gave an assurance that detailed examination and criticism of the provisions of the excess profits tax might be postponed until the regular budget in the Spring of 1940”?

†Answer to this question laid on the table, the questioner having exhausted his quota.

‡For answer to this question, see answer to question No. 379.

(b) If the answer to part (a) be in the affirmative, do Government propose to give a similar assurance to the various industries affected by the tax in this country?

(c) Is the Honourable the Commerce Member aware that the following statement is also made in the circular referred to in part (a):

“Strong representations will be made that a special reserve should be allowed out of profits to replace vessels lost during the war, or vessels in commission at the end of the war which would have to be replaced at a cost which would exceed the cost of the fleet replaced. This is of paramount importance if the shipping industry is to be maintained after the war”?

(d) If the answer to part (c) be in the affirmative, will a special reserve for special depreciation be allowed to the shipping industry in this country and the amount of such reserve for depreciation be deducted before ascertaining the profits liable to the proposed profits duty?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:**  
With your permission, Sir, I will deal with questions Nos. 387 and 388 together. These questions should have been addressed to the Honourable the Finance Member.

**ALLOWING OF CARRY FORWARD OF ARREARS AND LOSSES FOR PURPOSE OF CHARGING EXCESS PROFITS TAX FROM THE INDIAN SHIPPING INDUSTRY.**

†388. \*Sir Abdul Halim Ghuznavi: (a) Has the attention of the Honourable the Commerce Member been drawn to pages 81 and 82 of the Annual Report of the Chamber of Shipping of the United Kingdom 1937/38, where the following statement is made in regard to the national defence contribution:

“After full discussion in Parliament, the Government accepted these proposals and the tax as adopted fully met the views of ship-owners. In particular, it preserved the principle of income tax practice of allowing carry forward of all arrears of depreciation as well as six years’ losses before the amount of profits is ascertained, a point of special importance to the shipping industry, who must rely upon good times to make up arrears of depreciation accumulated during depressions”?

(b) If the answer to part (a) be in the affirmative, will such carry forward of all arrears of depreciation as well as six years’ losses be allowed to the Indian shipping industry before the amount of profits is ascertained for the purpose of the proposed excess profits duty?

**§ 19.\***

† For answer to this question, see answer to question No. 387.

§ This question, which was postponed to be answered today, vide page 140 of these Debates, was subsequently withdrawn by the questioner.

## ELECTION OF THE STANDING COMMITTEE FOR ROADS.

**The Honourable Sir Andrew Clow** (Member for Railways and Communications): Sir, I move:

"That this Assembly do proceed to the election, in such manner as the Honourable the President may direct, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Central Road Fund during the financial year 1940-41."

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:

"That this Assembly do proceed to the election, in such manner as the Honourable the President may direct, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Central Road Fund during the financial year 1940-41."

**Babu Baijnath Bajoria** (Marwari Association: Indian Commerce): Sir, may I know how many times this committee met during the last year?

**The Honourable Sir Andrew Clow**: It holds its meetings normally once a Session, but, speaking from memory, I think it met on three occasions during the last year.

**Mr. N. M. Joshi** (Nominated Non-Official): Does this committee make any report, and, if so, is it published and circulated to Members?

**The Honourable Sir Andrew Clow**: Certainly regular minutes are drawn up, but as to whether the report is circulated to Members or not, my Honourable friend probably knows much better than I do.

**Mr. N. M. Joshi**: If the report is not published, will the Government of India publish it and circulate it to the Members?

**The Honourable Sir Andrew Clow**: That is a hypothetical question. I am not sure that it is not distributed.

**Mr. N. M. Joshi**: I am sure, it is not distributed.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member cannot go on like this. If he likes, he can make a speech.

**Mr. N. M. Joshi**: Sir, this committee is appointed to look after the distribution of the roads fund which was created with the sanction of the Legislature which is also represented on this committee. It is, therefore, proper that the Government of India should make a report to the Legislature on the working of this fund and the work which this committee does. It is necessary to enable the House to know whether, in the first place, the fund was properly used or not, and, secondly, whether the elected representatives did their work satisfactorily or not.

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Sir, in the case of other committees, e.g., the Central Advisory Council for Railways, the proceedings of the meetings are always available to us. I think some memorandum should be prepared for these committees which are very useful. I think the House must know the working of these committees instead of the knowledge being confined to the few Members elected on these bodies. So I support the motion of Mr. Joshi that the proceedings of these meetings as well as the memoranda prepared should be circulated like those of other committees under the Honourable Member.

**The Honourable Sir Andrew Clow**: Sir, I am quite prepared to consider that suggestion. As a matter of fact, I was not aware that they were not circulated at present.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to the election, in such manner as the Honourable the President may direct, of six members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Central Road Fund during the financial year 1940-41."

The motion was adopted.

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#### ELECTION OF THE STANDING COMMITTEE FOR THE DEPARTMENT OF COMMUNICATIONS.

**The Honourable Sir Andrew Clow** (Member for Railways and Communications): Sir I move:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, four non-official members to serve on a Standing Committee to advise on subjects, other than 'Roads', dealt with in the Department of Communications, during the financial year 1940-41."

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, four non-official members to serve on a Standing Committee to advise on subjects, other than 'Roads', dealt with in the Department of Communications, during the financial year 1940-41."

**Mr. Muhammad Nauman** (Patna and Chota Nagpur cum Orissa: Muhammadan): Sir, I should like to know what the real functions of this committee are. The Communications Department includes also the Railways, but probably the affairs of the railways will not come within the purview of this committee. There is no exception made like that, and I should like to hear the Honourable Member on this subject.

**Maulvi Muhammad Abdul Ghani** (Tirhut Division: Muhammadan): Sir, as I understand, this committee includes Posts and Telegraphs and also Broadcasting, and . . . .

(Cries of "No, no.").

**The Honourable Sir Andrew Clow**: Sir, my Honourable friend, Mr. Nauman, is incorrect in supposing that the Department of Communications

[Sir Andrew Clow.]

is responsible for Railways. It has no connection whatever with the Railway Department except that the Secretary for Communications is a Member of the Railway Board.

**Mr. Muhammad Nauman:** The Honourable Member is the Member for Railways.

**The Honourable Sir Andrew Clow:** I happen to be in charge of both the Departments, but this committee, being entirely concerned with the Department of Communications, has no concern with the Railways. On that we are advised by the Central Advisory Council of which my Honourable friend is himself a member. On the other hand, the subject of Posts and Telegraphs to which reference was made does come within the purview of the Department of Communications, and subjects relating to it come before the committee.

**Maulvi Muhammad Abdul Ghani:** Sir . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has made his speech.

**Maulvi Muhammad Abdul Ghani:** I was interrupted on the ground . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member cannot have a second chance.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, this committee is appointed for roads and . . . .

**The Honourable Sir Andrew Clow:** My Honourable friend is a little behind the times. We have dealt with the Roads Committee on the previous motion.

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): We will have to make selections for nomination and must choose the best men in the party. In order to make up our mind, we must know what the functions of this committee are. If this committee does not meet at all, we will perhaps draw the names by ballot. But if it does meet, we will have to select the best men in the party. So we must know what Departments are dealt with by this committee, whether it functions at all, how often it meets and what kind of work they are expected to do, etc. If we know all these, it will help us to make our selections.

**Mr. Muhammad Ashar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I do not see why there should be any secrecy at all about the formation of a committee or its functions. How do the Treasury Benches expect us to make a proper selection without knowing those functions? I would, therefore, ask the Government to explain the scope and functions of the committee fully. As my colleague, Dr. Sir Ziauddin Ahmad, has said, how are we to elect our members? Unless we know the functions properly, it would be very difficult for us. We may send in a man merely

as a favour or we may send some one who is not very conversant with the subject. My point is that I do not see any reason for secrecy. Where is the harm if the position is explained fully? I want purposely and very clearly to ask the Honourable the President that he should interfere, because it is one of the rights of the Members of the Assembly that they should know properly what is to be the function of this committee: otherwise it will be very difficult for us to elect members to it.

**The Honourable Sir Andrew Olow:** The secrecy, Sir, is entirely in my Honourable friends' minds. . . .

**Mr. M. S. Aney** (Berar: Non-Muhammadan): You cannot explain that unless the President interferes: that is what Mr. Azhar Ali has asked.

**The Honourable Sir Andrew Olow:** The secrecy regarding the functions of the committee is entirely in his mind. This is not a new motion. These committees attached to various Departments have been in existence for many years, and the elections are held annually. I find it difficult to believe Sir Ziauddin Ahmad's suggestion that all members of his Party are not competent to deal with all subjects that may come up: but the actual Departments attached to the Communications Department, with which I am concerned, are the Posts and Telegraphs Department, the Department of Civil Aviation, the All-India Radio, the Department of Meteorology; the Department is also responsible for the major ports. Roads are excluded, because there is a separate committee for that.

**Mr. President** (The Honourable Sir Abdur Rahim): The question is:

"That this Assembly do proceed to elect, in such manner as the Honourable the President may direct, four non-official members to serve on a Standing Committee to advise on subjects, other than 'Roads', dealt with in the Department of Communications, during the financial year 1940-41."

The motion was adopted.

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**Mr. President** (The Honourable Sir Abdur Rahim): I may inform Honourable Members that for the purpose of election of members to the Standing Committee for Roads and the Standing Committee for the Department of Communications the Notice Office will be open to receive nominations upto 12 Noon on Friday, the 15th March, and that the elections, if necessary, will be held on Monday, the 18th March, 1940. The elections which will be conducted in accordance with the principle of proportionate representation by means of the single transferable vote will, as usual, be held in the Assistant Secretary's Room in the Council House, New Delhi, between the hours of 10-30 A.M. and 1 P.M.

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## THE EXCESS PROFITS TAX BILL.

**The Honourable Sir Jeremy Raisman** (Finance Member): Sir, I move:

"That the Bill to impose a tax on excess profits arising out of certain businesses, as reported by the Select Committee, be taken into consideration."

[Sir Jeremy Raisman.]

Honourable Members have now had in their hands for some days the report of the Select Committee on this very important measure and I think they will agree with me that the labours of the committee have borne substantial fruit. The consensus of opinion throughout the country is that the measure, as it has now emerged from the Select Committee, is a greatly improved measure and I gladly acknowledge the assistance which I received in the Committee in making these improvements. In the course of the debate on the reference to Select Committee I said that I would be prepared and glad to receive advice and suggestions on the way in which this measure could be so adjusted as to eliminate hardships and to make it suitable to Indian conditions, and I claim that I have carried out that undertaking. I will merely draw the attention of the House to the main changes which have been made in this Bill in response to requests and proposals which have been received from various quarters and, particularly, in the earlier stages in this House.

In the first place, whereas the Bill as formerly introduced contained no provision for a periodical review by this House, amendments have now been made which will secure that result. The definition of the chargeable accounting period now confines that period to the time ending on the 31st of March, 1941, which means that only profits earned up to that date will come under charge by virtue of this Bill. If it is desired that profits earned after that date should be charged, it will be necessary for this House to reconsider and amend the Bill. Secondly, clause 4 has been so amended that the percentage of excess profits which are to be taken as tax will also require to be re-enacted in the next and successive Finance Bills, if it is desired to continue the levy of this tax. It will, therefore, be open to the House to suggest changes in the rate of tax when the tax again comes before the House for continuance.

The next point to which I would draw attention is that the date from which the chargeable accounting period begins has been altered from the 1st April, 1939, to the 1st September, 1939. This is in answer to the charge that profits which could not be described as war profits were being brought under assessment by the measure as originally drafted. I myself indicated that I did not think that that charge was well founded or that the measure would have that effect; nevertheless, in response to that criticism I have accepted the change of date.

A third point on which we have responded to a demand made in several quarters, is in regard to Life Insurance businesses. Here, the Committee have proceeded by way of complete exemption, but as explained in the Committee's Report, it is, in any case, a matter of great difficulty to assign to a particular year the profits of life insurance business. Their profits are usually determined by a quinquennial valuation, and since a quinquennium would include both standard periods and chargeable accounting periods, it was obviously unsuitable that businesses of that nature should be subjected to the processes of the Act. We were all the more ready to extend exemption to these companies, because we were conscious that there was a very strong argument that this type of business would not earn considerable profits as a result of the conditions prevailing during the war.

I now come to what I regard as easily the most important modification which has been introduced into this Bill, and that is the additional option



which has been given in the definition of the standard period in clause 6. This was a matter which engaged for a long time the anxious attention of the Committee, and as the House will have seen, it was decided to include a new option, namely, the average of the years 1937-1938 and 1938-1939. The inclusion of this option extends to a large number of businesses, the facility to adopt a level of what is generally regarded as high economic activity as the basis in determining the standard profits. It is a change, the importance of which can hardly be exaggerated, and the effect on the incidence of this tax is very great indeed. I pointed out in the debate on the motion to refer the Bill to a Select Committee that the extension of options to individual companies to choose their standard periods had a very drastic effect on the incidence of this tax. The extension of this particular option has so important an effect that I must make a few remarks at this point upon the criticism which can still be heard regarding the adherence of the Committee to the figure of 50 per cent. . .

**Dr. Sir Ziauddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): Is it not a fact that the loss to the exchequer will be approximately two crores?

**The Honourable Sir Jeremy Raisman**: I have indicated more than once that there is great difficulty in estimating the yield of this tax, and there is, therefore, equal difficulty in estimating the effect of particular changes. Nevertheless, I certainly would not regard as absurd a suggestion that this change made a difference of crores of rupees.

I was saying, Sir, that the critics who still harp on the percentage, which remains in the Bill, appeared to fail to realise that the percentage by itself is entirely meaningless. When you talk of 50 per cent. as being a high percentage, you have to ask yourself 50 per cent. of what? Now, Sir, my point is that the more you isolate and narrow down the definition of excess profits, the more you strengthen the case for adhering to a high percentage. In fact, it is arguable that when you have achieved a measure which is directed simply and solely against extra profits accruing in war conditions, you are entitled to take a very high percentage indeed, and that the State in the circumstances of a war emergency has an undoubted right to a very large proportion of profits which accrue demonstrably and directly as a result of, and in the conditions of, war.

I proceed, Sir, to the next point in which the modified Bill gives a large measure of relief, and that is the raising of what is called the exemption limit from Rs. 20,000 to Rs. 30,000. That will exclude from the operation of the measure a considerable number of smaller businesses who would otherwise have been affected.

Then, again, Sir, clause 26 of the Bill which deals with the powers of the Central Board of Revenue to grant relief in certain types of cases where the operation of the other clauses of the Bill may not have been entirely effective, has been greatly widened in its scope and has become an important feature of the Bill. A careful study of that clause will show that it will enable a large number of businesses to represent their special circumstances and apply for a type of relief which they could not obtain from the Boards of Referees.

[Sir Jeremy Raisman.]

Again, the case of investment companies, a part of whose profits is derived from companies trading in British India who will already have been assessed to Excess Profits Tax—that case was carefully considered by the Select Committee and provision has been made for appropriate relief. Finally, a clause has been introduced into the Bill which carries out the undertaking which I gave to this House, that, in determining what constituted excess profits and in computing the income of the standard period on the one hand and the accounting period on the other, like would be compared with like and that if there were any changes in the law applying to income-tax in the different periods those sources of difference would be eliminated. That embodies an important principle and will I think exclude the possibility of various types of hardship.

I will not detain the House longer. I recommend the Bill as it now stands to the consideration of the House with a confident conviction that it is a measure which is now designed to serve with the minimum of hardship or inequity the important purpose which it is designed to serve. Sir, I move.

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:—

“That the Bill to impose a tax on excess profits arising out of certain businesses, as reported by the Select Committee, be taken into consideration.”

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): I am happy to be able to start the discussion in a happy mood. Let me congratulate the Select Committee, the Honourable the Finance Member and the interests of industry on the substantial improvements made in the Bill in the Select Committee. My sincere congratulations are due to the Honourable the Finance Member without whose sympathy these improvements would not have been effected. Some of the objectionable features of the Bill have now gone, but some still remain. It will be our duty to try to remove those features in this House. I shall enumerate some of those features presently, but let me make a few general observations with regard to the proposed amendments.

Sir, this is a war taxation. The war is to fight Hitler, but the Honourable the Finance Member has got here in India to fight a greater enemy, a more devastating enemy, a greater Hitler,—I mean, the appalling poverty of the people of this country. Industrialisation, it is admitted, is the only remedy for the appalling poverty of this country. Agriculture alone is not sufficient. Therefore, we must be cautious that in fighting Hitler, in killing Hitler, or hurting Hitler we do not hurt our industries. What is the object of this war and this fight? I am reminded of the well-known saying of Carlyle, who said that the whole question was, whether I shall kill you, or you will kill me. That is the underlying principle of this economic war that is going on in Europe. The point is that in levying this war taxation nothing should be done which may possibly handicap the development of old industries and the establishment of new industries. I should very respectfully ask the Honourable the Finance Member to keep in view the proper aim of this war expenditure. I am not quarrelling at the moment with the principle of this war taxation. That has been accepted by the House and the Bill was referred to a Select Committee, and it is not longer open to us to quarrel with that principle, even if we do not agree with it. What I want to tell the Honourable the Finance Member is this. He should

not have in view merely the maximum yield that can possibly be raised by this tax, but the utmost effort should be made to make a reasonable adjustment between the requirements of the war from his own point of view and the interests of the industry, trade and commerce of this country. May I ask what will be the value of victory in this war if our industries are killed or very severely hurt? The Honourable the Finance Member told us in his budget speech that one of the most important things is to utilise and utilise fully the material resources of this country for the prosecution of this war. May I ask him only to add one more word to that sentence, namely, not only to utilise the material resources of this country but also to mobilise the resources of this country.

**An Honourable Member:** Louder please.

**Mr. Akhil Chandra Datta:** I was saying that he might add one word more, one short word more, to that remark of his. He said that the material resources of this country should be fully utilised for the prosecution of the war. I am asking the Honourable the Finance Member now to add one word more, namely, not only to utilise but also to mobilise the resources of this country and to make the country industrially strong. Now, Sir, with this background, I shall proceed to discuss some of the main features of the Bill. The first question is this. You want to levy war profits. That is the avowed object of the Bill and, therefore, first of all, I shall put the question—is the Bill intended to tax all profits during the period of the war or only to tax such profits as are the result of the war? That is the initial question. On that point, of course, you have got the Statement of Objects and Reasons where it is said:

“The outbreak of war has simultaneously created opportunities for the earning by companies and persons engaged in business of abnormally large profits . . . which accrue as a result of the conditions prevailing during the war.”

Therefore, the object is to assess only abnormal profits due to the war and not normal profits during the war, profits which are earned in the ordinary course during the war. That is the object of the Bill and we find here that the preamble has been to a certain extent modified in the Select Committee to emphasise this object of the Bill. We find in the Report of the Select Committee, on the first page:

“Having regard to the professed objects of the Bill, to tax additional business profits which accrue as a result of the conditions prevailing during the war, we consider that the preamble should contain a definite reference to this aspect of the proposed legislation. We have, therefore, amended the preamble to indicate clearly that this new taxation is related to war conditions and we have altered the date on which excess profits become liable to taxation from the 1st day of April to the 1st day of September, 1939.”

This morning, in his speech on the motion, the Honourable the Finance Member has also said very properly and very correctly—he used two words—profits which are directly and demonstrably the result of war. I quite appreciate those two words. I only say that the intention underlying these two words should be given full effect to. It is true that the preamble has been altered to a certain extent but the intention expressed in this preamble has not been given effect to in the body of the Bill. That justification, if there is any justification, whether political or financial, for such war taxation of Excess War Profits, it appears to me, is simply this. Government spend a lot of money in war and that war leads to abnormally high

[Mr. Akhil Chandra Datta.]

profits in some businesses. Therefore, the position is this. The high profits earned by the companies and other persons are the result not only of the investment of capital in those businesses but also to a certain extent the result of the investment by the Government of a lot of money in war—investment coming both from the assesseees themselves as also from the Government. Therefore, the case for the Government so far as this taxation is concerned is that they are fairly entitled to a portion of those abnormally high profits which are the result of war. That is a principle which is quite intelligible as a pure question of finance but my grievance is that although the preamble has been amended to achieve this object, the provisions of the Act still remain unaltered. No corresponding change has been made in the provisions of the Bill to give effect to this intention of the preamble. The charging clause, clause 4, remains unaltered. It applies to all profits, war profits and all other profits. In other words, the position is this—what is going to be taxed is not merely the profit due to war but profits made during the period of the war. After all there is a difference between profits due to war and profits during war.

**The Honourable Sir Jeremy Raisman:** Abnormal profits during war.

**Mr. M. S. Aney** (Berar: Non-Muhammadan): Profits due solely to war.

**Mr. Akhil Chandra Datta:** In order to emphasize the intention of the Bill, the word "abnormally" has been used in the Statement of Objects and Reasons, but may I ask if that word finds any place in the provisions of the Bill?

**The Honourable Sir Jeremy Raisman:** I say that the idea finds expression in clause 6.

**Mr. M. S. Aney:** There is no word 'abnormally' anywhere inside the Bill.

**Mr. Akhil Chandra Datta:** The really operative clause in the whole Bill is clause 4. It lays down:

"Subject to the provisions of this Act, there shall, in respect of (*I shall only read the material portions*) be levied and paid on the amount by which the profits during any chargeable accounting period exceed the standard profits," etc., etc.

So, section 4 applies to all profits.

**The Honourable Sir Jeremy Raisman:** . . . which exceed.

**Mr. Akhil Chandra Datta:** The excess may be due to war. It may not be due to war. Therefore, I say, it applies to all profits, quite apart from the question as to how the profits have been made, due to the war or apart from the war. In other words, I think I am justified in saying that the provisions as they stand—the preamble and the Statement of Objects and Reasons on the one hand and the provisions of the Bill on the other are quite inconsistent. Therefore, I submit, that the preamble ought to be made clearer and also the charging section should be amended so as to clearly show that only those profits will be taxed—again to quote the words

of the Finance Member—which are directly and demonstrably the result of war. This should be the test. That is my first submission. Then another aspect of the same question is this,—whether the profits of all businesses should be taxed without any discrimination? On this point the Bill applies to all businesses exhaustively and none are excepted. I am speaking on the Bill as originally introduced and the contention of the industries was that the profits of some of the businesses, from the very nature of those businesses, have no relation to the war and that, therefore, those businesses should be exempted from the operation of this Bill.

**Mr. M. S. Aney:** If anything, some of them have suffered on account of the war.

**Mr. Akhil Chandra Datta:** There are some. Insurance business is one of them. However, the principle has been recognized and accepted by the Select Committee now by exempting one particular business, viz., the insurance business. The principle has been accepted, viz., that it is not all businesses which should be taxed; there must be a discrimination made. On this question, Sir, the Select Committee says this:

“There is a reasonable presumption that life insurance will not make additional profits in conditions arising out of the war.”

It is on that ground that life insurance business has been exempted. My contention is that there should be a careful investigation as to what are those businesses which did not and could not earn any profits, due to the war. Now, one prominent illustration of that is the cinema. Another is the banking business. This is not the time to enumerate all the businesses exhaustively but my contention is that the principle should be not only accepted with regard to insurance business but with regard to all businesses whose profits have nothing whatsoever to do with war conditions. Another very important aspect of the same question is whether new industries, nascent industries, and pioneer industries should not be exempted altogether from the operation of this Bill. This is a matter which is very important; otherwise, at this time of the war when new industries might be established and developed, this taxation will stand in their way. I shall not dilate upon this point here; I only now mention it. Another matter on which further improvement is necessary and to which reference was made by the Honourable the Finance Member in his speech is as regards the percentage of the tax. It was 50 per cent. in the Bill: it remains 50 per cent. even now.

Now, Sir, very briefly I shall say this, that in 1919 this fifty per cent. yielded nine and a quarter crores of rupees—that was the yield in 1919 as a result of the fifty per cent. assessment, 9 crores and 33 lakhs: and remembering in this connection that the industry has by this time doubled or trebled itself from 1919 to 1940, and also remembering that at that time only one of these two taxes was levied—either the super-tax or the Excess Profits Tax—in spite of these different factors, over nine crores was the yield of the fifty per cent. percentage. Now, therefore, our contention is that that percentage should be reduced, and the industries claim and insist that it should be reduced to twenty-five per cent. Of course, the precise percentage is a matter for the House to decide. Another important point is as regards the option with regard to the standard period. I must once again offer our thanks to the Honourable the Finance Member for accepting the

[Mr. Akhil Chandra Datta.]

average of 1937 and 1938, although I fear my Honourable friend, Dr. Sir Ziauddin Ahmad, wants his pound of flesh; he is not satisfied with this, as he fears about two crores would be gone. If I heard him aright, he has been contradicted . . . . .

**The Honourable Sir Jeremy Raisman:** Not contradicted.

**Mr. Akhil Chandra Datta:** Corroborated?

**The Honourable Sir Jeremy Raisman:** Neither.

**Mr. Akhil Chandra Datta:** The other question is not merely what will be the yield? The question is—what is the fair thing to do as regards this standard profit? In the name of excess profits, you cannot tax normal profits. If you make a mistake with regard to the standard period, the inevitable result will be over-taxation. The result will be the taxation of normal profits. Now, Sir, one very important argument with regard to this option is that our case is that the year 1938-39 should be taken by itself, on the simple ground that in that year there was no profit made by any business due to the war. On that point I think I shall not be contradicted by the Honourable the Finance Member but I hope I shall have a categorical contradiction if I make any mis-statement on this point. I say, Sir, that there are a very large number of industries and businesses whose profits were not in any way influenced by the war, in 1938. I have not got any contradiction?

**The Honourable Sir Jeremy Raisman:** Sir, if the Honourable Member really wants an immediate reaction to that statement, the point is that there is a very large and important part of profits which were directly due to the war, in that period.

**Mr. Akhil Chandra Datta:** That is not my question. My question is—you are dealing with one aspect of the question, I am dealing with another aspect. Are there any businesses whose profits were not influenced by the war, in 1938? And I make this statement that there is a large number of such businesses; and if this is a correct statement of fact, then I ask, is it not unfair that the normal profits of those businesses of 1938 should not be accepted as normal profits, as standard profits? I was anxious to know also another thing, viz., what is the percentage of those businesses? Is it one per cent. of the businesses or fifty per cent. of the businesses whose profits were not in any way influenced by the war, in 1938? In the absence of any more precise information, my submission is that, at all events, the benefit of the doubt should be given to the businesses for their profits of 1938. If there is any element of uncertainty, then my submission is that the calendar year of 1938 should by itself be taken as a standard period.

Then, Sir, about the exemption of limit. Here, again, I must thank my Honourable friend, the Finance Member, because he has allowed the limit to be raised from Rs. 20,000 to Rs. 30,000. Even now I think it is rather drastic and I shall prove it by giving an illustration. Take the case of a company whose capital is ten lakhs. If that company makes a profit at

the rate of three per cent., then the amount of profit will be Rs. 30,000. The question that arises is this. Here is a company which is earning only three per cent. and yet you are going to tax it for excess profits. Is it fair?

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar** (Member for Commerce and Labour): What is the total amount of the company?

**Mr. Akhil Chandra Datta:** The total income of the company is Rs. 30,000 but the percentage of profit is only three and you come forward to take half out of it.

Then, Sir, about the chargeable accounting period. Formerly, it was April, 1939. That was, of course, absurd on the very face of it. The absurdity has been reduced to a certain extent and it is now September, 1939. The actual hostilities commenced on the 1st September and Great Britain declared the war on the 3rd of September. We are asked to believe that at the very psychological moment the war broke out, these businesses began to make war profits.

**The Honourable Sir Jeremy Raisman:** Even before.

**Mr. Akhil Chandra Datta:** That happened in England and not here.

**The Honourable Sir Jeremy Raisman:** Here also.

**Mr. Akhil Chandra Datta:** In England, they could make profits before the war was actually declared because of war preparations, but in this unfortunate and helpless country there is no preparation for defence. There was no preparation for any armament or any other kind of preparation in this country in anticipation of the war. Is it fair, therefore, to tax profits made from the very moment the war is declared? What happened during the last war? The war went on for four years from 1914 to 1918 and it was only in the year 1919 that this tax was imposed because at that time it could certainly have been said without any hesitation that war profits have been made. But on the present occasion the original Bill taxed in anticipation and the Select Committee report also has approved that the tax should be levied from the very moment the war was declared. Some time should be given for the profits to accrue. My submission, therefore, is that, at all events, the chargeable accounting period should begin from April, 1940.

Then, Sir, as regards the option to choose either the standard profit or the percentage. Our submission is that option should be given to all businesses as was done in the Act of 1919.

Then, Sir, there is a provision with regard to the amalgamation and transfer of business. For the computation of capital it is laid down that the capital employed in the business, after the change, no regard shall be had to any consideration given in respect of the transfer of the business or any of the assessee thereof on the occasion of the change. The same provision has been made with regard to amalgamation in the next sub-clause. Now, Sir, this is not proper. It will hamper business and it will handicap the ordinary course of business, especially with regard to amalgamation. Now, the question of amalgamation is very important at this stage of our industrial development. Our experience is that there

[Mr. Akhil Chandra Datta.]

There are many small companies of different varieties which have been started without sufficient capital. They cannot properly function without amalgamation. The advice that has been given by all the experts is that there should be amalgamation for all the smaller companies, such as the small insurance companies or small banks, so that they may be consolidated. If this provision is retained in the Bill, it will stand in the way of amalgamation.

Then, Sir, there is one point which I described elsewhere as Mr. Bajoria's point with respect to the separate assessment of partnership business and the separate investment of the individual income of individual members after the distribution of the profits and also about the assessment of individual members of the Joint Hindu family. These are some of the important points which I will submit for the consideration of the House when the clauses are taken into consideration. In conclusion, I would like to thank the Honourable the Finance Member again. He was reasonable in the Select Committee, and I hope he will be still more reasonable in the House.

Sir, I support the motion.

**Mr. A. Aikman** (Bengal: European): Mr. President, as the Honourable the Finance Member has stated, the Select Committee has made very important changes in this highly technical and complicated Bill and Honourable Members of this House have no doubt given and probably are still giving close study to the effect of these alterations. The Excess Profits Tax differs from any other tax inasmuch as it is not levied upon the entire profits of any period but permits Government to appropriate a share of any extraordinary large profits made over and above what has been arrived at as the normal profits of the business. In order to arrive at the normal or standard profits, the assessee is allowed to make a choice of the trading results of certain past experience. The period in which such profits so selected are made has been termed the 'standard period'.

Now, Sir, Sir Syed Raza Ali and Sir Abdulla Haroon in their Minute of Dissent have said:

"One of the difficulties one has to encounter in considering various provisions of the Bill is that its principles cannot be readily distinguished from its details."

I thoroughly agree with them and I sympathise with these two gentlemen, but let us consider what the assessee will think.

After reading the Bill, and provided he understands it, he will probably turn to clause 4 where he will find: subject to the provisions of this Act, there shall be levied and paid on the amount by which the profits during any chargeable accounting period exceed the standard profits a tax equal to fifty per cent. of that excess, and he will probably consider that here is the principle of the Bill and that the rest of it is merely complicated detail for charging and collecting the tax. Indeed it will probably be a matter of indifference to him whether he has to pay half a lakh as a matter of principle or 50,000 rupees as the result of the application of the very considerable detail.

Now, Sir, one point which has evoked considerable criticism is the date from which excess profit shall be held to accrue, and in consequence, become taxable; in the Bill as it was originally drawn, there was included



in the chargeable accounting period several months prior to the declaration of war. The fact that these should be included in the chargeable accounting period for the purpose of the calculation of tax was not fully understood; it was very strongly criticised in the press and elsewhere but such criticism was made to a great extent, I feel sure, in ignorance of the actual results of such inclusion. As amended by the Select Committee, the Bill now excludes any period prior to the declaration of war, but it is only fair to point out that although the months from April to August are not now to be reckoned as coming within the first chargeable accounting period this does not mean that in every case assesseees will pay a smaller amount of taxation.

This fact may best be appreciated by an example. Let us consider a business which in its standard period of a full year made Rs. 12 lakhs—now let us presume that during the period from April to August, 1939, its profits amounted to an average of Rs. 75 thousand per month or three lakhs 75 thousand, while in the period from September to December, by reason of the impetus given by war conditions, it made a profit at the average rate of Rs. 1½ lakhs per month or Rs. 6 lakhs. This will result in a profit of Rs. 9,75,000 for the period as against a standard profit of nine lakhs for a like period of nine months. Under the Bill as originally drawn, this assessee would have paid in excess profits tax 50 per cent. of the increase of Rs. 75,000 or Rs. 37,500. Under the Bill, as now amended, the business will be assessed in respect of the four months (September to December) in which it made Rs. 6 lakhs as against the proportionate standard profit of Rs. 4 lakhs and, consequently, will pay 50 per cent. of Rs. 2 lakhs or Rs. 1 lakh.

**Sir H. P. Mody** (Bombay Millowners' Association: Indian Commerce): That is not the scheme of the Act. That is not the normal method.

**Mr. A. Aikman:** That is the usual method.

**Sir H. P. Mody:** That should not be.

**Mr. A. Aikman:** There will, of course, be cases in which the reverse result will obtain and by reason of the amendment of the Bill, some assesseees will pay less than they would have paid under the original proposal. On the whole, however, there is little doubt of the soundness of the principle that the commencing date should be one that coincides with the commencement of hostilities.

Now, Sir, there has been very considerable criticism of the amount this tax is likely to realise in respect of the year 1940-41. Some critics have suggested that the estimate of three crores made by the Finance Member is entirely wrong and that a figure of ten crores according to some critics is much nearer the mark. This was quite a popular impression and indeed my Honourable friend, Sir H. P. Mody, immediately after the Finance Member's Budget speech, offered in the Lobby to pay 3½ crores of rupees of the proceeds of the tax in respect of this particular year. He drove his hands into his pockets as he made this assertion, and for a moment I thought I was going to realise one of my minor ambitions by seeing a sum of 3½ crores of rupees in hard cash. But, Sir, there is

[Mr. A. Aikman.]

no doubt that on this most important estimate must depend to a great extent another vital factor in the measure, *viz.*, the rate—that is, the proportion of excess profits which the Government should appreciate.

In the speech which I made on the motion to refer this Bill to a Select Committee I stated that while my Group were prepared to support the principle of taxing excess profits arising during war time we were not prepared to support any particular rate until the whole budgetary position of the country had been placed before us. We now know that budgetary position and we are satisfied that the estimate of three crores is not an under-estimate, and that in consequence the rate is a fair one.

My reasons for arriving at the view that the figure of three crores is not an under-estimate are based on the following. The gross amount of excess profit duty collected in 1919-20 was 9.22 crores. With this figure in mind we try and estimate how present day conditions compare with those of the year 1919-20. By the time the Excess Profits Duty was introduced the Great European War had been in progress for four years. So we can ask ourselves if by the end of this month we shall have seen as great an expansion in industry as had taken place by the time the Government decided to impose an excess profits duty during the last war.

I venture to predict that such a large expansion has not taken place. Prices have been to a certain extent controlled and kept at a reasonable figure and boom rates thus avoided. From my own knowledge of the jute industry which was one of the first to receive war contracts I know that the expansion of business has been little more than to bring profits up to what may be considered normal rates. Sandbags which were such an important factor in fortifications during the last war have today been replaced to a very considerable extent by more permanent structures consisting principally of concrete. What is true of one industry may not be exactly true of another, but so far as next year is concerned, this fact may be regarded as a pointer, and I think we can come to the conclusion that in a full year there is little likelihood of more than nine crores of rupees of excess profits being collected.

Now, while there are no statistics to show what years will be selected by assesses as standard periods and, consequently, we are unable to go into details of proportionate assessments, we do know that of those assesses who are likely to come under the mischief of this Bill, 55 per cent. close their books on the 31st December. This being so, it follows that in respect of that proportion the excess profits liable to taxation will be the result of four months' trading, and if having put the total of one year's excess profits tax at nine crores, the 55 per cent. would bring in one crore and 65 lakhs. The number of businesses which close their accounts on 31st March is approximately 20 per cent. of the total. Here, seven-twelfths of the year's trading will be assessable and seven-twelfths of that 20 per cent. will produce an aggregate on the same basis of one crore five lakhs, and the remainder being those businesses that close their account at the end of September, October, November, January and February we may take an average of three month's trading as assessable and the excess profits tax realisable from these will probably be something in the region of 45 lakhs. This brings out the total for the period of three crores and 15 lakhs of rupees. From this, however, will have to be

deducted the effect which the Excess Profits Tax will have upon income-tax and super-tax while there must be delays in collection, for it is not to be supposed that these assessments will be made without recourse by assesses to Boards of Referees and other tribunals. Moreover, time will have to be given in many cases for payment of the tax. Consequently, it will be a bold man who would put the realisation at anything above three crores and, indeed, in view of the amendments which have been made in the Bill, particularly with regard to the alteration of the standard period, I have little doubt that the Honourable the Finance Member would prefer to revise his estimate.

Another argument that has been advanced is that this Bill will act as a deterrent on the commencement of new enterprise and also upon nascent industries. This is a matter which we consider of the very greatest importance and we are grateful for the announcement regarding Government's policy in these matters which was made yesterday by the Honourable the Commerce Member during the debate on my Party's cut motion.

On the basis of the Bill as it was originally drawn we shared the same fears for new industries which Sir Cowasji Jehangir has stated in his Minute of Dissent with regard to the cinema industry. Sir Cowasji, whose absence we all regret today, unfortunately had to leave the Select Committee before it had completed its duties. Otherwise it is quite possible that he would have been reassured so far as the cinema industry is concerned by the amendments which have now been made to clause 6 and clause 25 which is now new clause 26. We feel that if the spirit of these two provisions is observed by the Board of Referees and the Central Board of Revenue the exceptional cases which must inevitably arise, those businesses which have been referred to as hard luck cases, as well as nascent industries which must operate for many years before they can achieve 100 per cent. production,—these cases will be fully taken care of.

I am afraid, however, that I am at a loss to appreciate the logic of the last three sentences of Sir Cowasji Jehangir's Minute of Dissent. He predicts ruin for a particular cinema company, but as that ruin is only possible in the event of it making very large profits in spite of my having tried very hard to follow him I have failed. I much prefer the closing words of the Minute of Dissent written by Sir Homi Mody. He tells us with that childlike candour which is one of his most charming characteristics:

"I urged a number of points and while I recognise that I was reasonably met in regard to several, if my views had been accepted more fully the measure would have proved less burdensome to the interests concerned"!

Sir, I support the motion.

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, I heartily congratulate the Finance Member and the members of the Select Committee on having reduced the enormous burdens with which India was threatened. I also congratulate the Finance Member and the Commerce Member on their having looked at the interests of India. I thought their combined sympathy would double the benefit to India when the Bill emerged out of the Select Committee. Sir, I think the members of the Select Committee were master minds in our financial

[Mr. Muhammad Azhar Ali.]

and industrial questions, and I will read to them a Resolution of the Council of London Chamber of Commerce which urged upon His Majesty's Government:

"While a measure of Government control affecting industry and commerce is necessary during war such control should only be imposed where it can be shown that the object to be attained cannot be achieved in a less disturbing way; that the object is itself of such importance in the national interest as to out-weigh the great disadvantages involved in disturbing existing manufacturing and distributing machinery; and further that before coming to a conclusion under either heading the Government should consult with representative trade organisations and that the democratic method should be followed of consulting the trade, through its appropriate trade organisation, to ensure that the man selected from a trade to control that trade shall be acceptable to it, instead of being imposed upon it from without."

These pregnant and weighty words should have been a true guide to our representatives on the Select Committee and specially to Government Members. We know that the loss of Indian exports to Germany comes to 8½ crores and another 1½ crores to Austria and Czechoslovakia. I am not going into the correctness or otherwise of the estimates in the budget. As I said in my budget speech, I expected the Honourable the Finance Member, being an old member of the Indian Civil Service who has eaten the salt of India, to be more sympathetic in the matter of taxes, and I find he has been quite reasonable. The report of the Select Committee shows that what is compatible with reason will influence the Government Members, and the Finance Member admitted that he has been wiser to a great extent by the decisions of the Select Committee. I hope he will be wiser still after hearing the speeches made here.

Sir, the importance of this Bill cannot be minimised, either from the Government point of view or from the point of view of the public. The public is interested because they are taxed, and Government are interested because they have to realise as much as they can as a war measure. Therefore, the importance of this Bill appears to be very great. This Bill, when passed, will affect most of the intelligentsia in this country, and its effect may in the long run filter down to the poor agriculturists also: but it will affect most the intelligentsia here, and, therefore, if the Treasury Benches had taken care to have circulated this motion, they would have got more wisdom from the intellectual and industrial magnates of India rather than by sitting in their own offices . . .

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** Are they the same—the intellectual and industrial magnates?

**Mr. Muhammad Azhar Ali:** I do not call them saints, nor would I call the Honourable Members on the Treasury Benches saints.  
 1 P.M. However, that is by the way. When we were considering the Reserve Bank of India Bill, I remember, being a member of that Committee, and Sir George Schuster was here, and it was considered expedient to get the evidence of the intelligentsia of the country on that Bill. There would have been no harm if the same procedure had been adopted here also. It is a pity that when measures of such vital importance are brought up here, these considerations are not properly weighed. When the circulation motion was not accepted, I think some more enlightenment would have been obtained if we had got evidence laid before us.

The present war is different from the last war. Now, patience is being exercised on both sides, whereas during the last war entire armies swept in weeks and fortnights. Now, when we find both the belligerents exercising patience, why should the Government of India be in a hurry to levy such heavy burdens on the Indian peasant and the industrialist? Reference has been made to the change in the accounting period and the rate of tax, and the public may be satisfied to some extent; but our claim is that when the war ends, these taxes also should end. We want that the Honourable the Finance Member should declare on the floor of this House this point, so that the public may be satisfied. If these taxes are continued after the war, it means that what you have said about this tax being imposed to meet war expenses will not hold good, and you will be suspected again that you say one thing when you bring certain proposals here, and that when the moment of necessity has passed, you forget your promises. Therefore, I would request the Honourable the Finance Member to make a declaration here and now that this tax will end when the war ends.

I also find that there are a few discrepancies in the Bill as reported by the Select Committee. In the Companies Act, you define the word "company" in one way, and in this Bill you define that word in a different way. Also, you define the word "factory" in one way in the Factories Act, and you define that word differently in this Bill. These discrepancies in legal phraseology cannot be looked upon either by the legal profession or by any who has the least intelligence as being right. There should be uniformity of definitions in all Acts passed here. I am told that you have included a definition of the word "company" simply to rope in those companies and those businesses which are in the Indian States, whereas in the Companies Act that was not your object. I remember that Sir James Grigg made a statement like that on the floor of the House and gave an assurance that that Act will not apply to Indian States. If that is your object now, then you ought to say plainly that you want the definition to be altered.

Again, this production of account books of foreign income for standard periods to find out standard profits will be one of the most important things to be acted upon. I submit that this will not only harass the companies—though I know that most companies are well managed and have good staff—but there will also be corruption: there will be great room for extracting money from companies. I make no charge against any one, but I think it will give room for people if they want to extract money very easily. Therefore, Sir, I think it will not be right to press for the production of these books, because I remember that Sir James Grigg also gave an undertaking that in the case of companies they would not be called upon to produce their books. Of course, if you find some lacuna in the accounts or some sort of underhand dealing or any attempt to cheat, you will be at liberty to call on the people to produce their books, but not otherwise. Therefore, I should like to have some sort of assurance from the Honourable the Finance Member today to the effect that the people will not be called upon to produce their books.

Our Deputy Leader also referred to the Indian Companies Act. It was stated by the Finance Member that only insurance companies would be exempted from the operation of this Act, but I see no reason whatever why this sort of discrimination should be exercised in favour of insurance companies; I don't see why some of the smaller companies or nascent industries which have recently been started during the war should not also be excluded

[Mr. Muhammad Azhar Ali.]

from the provisions of this measure. My point is that those companies which manufacture and sell goods in India should not be so heavily taxed or those companies which import goods from abroad should also be exempted, because India should not fall short of the things which she gets from abroad. The nascent industries which have been started either just before the war was declared or after the declaration of the war should be exempted as other insurance companies are exempted.

Then, my last point is about the imposition of penalties. In clause 16, very heavy penalties have been imposed. As far as I know, even in the United Kingdom, no penalties are imposed, and, therefore, I see no reason why penalties should be imposed in India if it is found that genuine and *bona fide* business is done. This is all I have to say, Sir.

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

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

**Mr. Husenbhai Abdullahhai Laljee** (Bombay Central Division: Muhammadan Rural): I was one of those who opposed the introduction of this Bill as I believed then, and believe even now, that it is neither in the interests of the agriculturists or the businessmen nor even of the Treasury.

If we had been allowed some time, I am sure new industries would have sprung up, there would have been more prosperity to the agriculturists, and there would have been some more export trade, which would have given to the Treasury Benches for the next two or three years some good return, but in the very initial stage this Bill has tried to injure the improvements, and as the Honourable the Finance Member will admit, as soon as this Bill was introduced there was and is a slump prevailing in the raw produce market as well as in the industrial circles. We cannot help it. We have no majority and we have to bow to our fate.

Looking at the report of the Select Committee, I must admit that a good deal has been done to give us some relief and I congratulate the Honourable the Finance Member and other Members of the Select Committee on their trying to do as little harm to us as possible. The Honourable the Finance Member told us that he has now put down the period of the Bill as on the 31st March, 1941, so that annually we shall be able to look into the result and see whether we should continue this tax. When I say, whether we should continue this tax or not, I do want to make it quite clear that, in all fairness, I think the Honourable the Finance Member will admit, his object at present is, and that is his honest view, that this tax is for the period of the war and for the war exigency and nothing more. I hope the Honourable the Finance Member will assure us that it is, because we have had super-tax and it is still being continued. The promise that was given to some persons has been fulfilled with regard to super-tax, but with regard to the public, that has not been fulfilled. Further more, we have got now the income-tax, the super-tax and this Excess Profits Tax. During the last war we had either the super-tax or the Excess Profits Tax. Now we have the super-tax continued and in addition we are now asked to pay the Excess Profits Tax. That is the difference between then and now. The incidence of the taxation is put down at 50 per cent. of the excess, as in Britain, but one has got to consider that in England, the war activities

had been going on for more than a year and a half, and further, it is probably the richest country in the world, in any case far richer than this country,—in that country the incidence of the tax is put down at 50 per cent. And I ask, is it fair, considering the condition of this country and of the industries of this country, what with the super-tax which has not yet been removed—I ask, is 50 per cent. fair as compared to the 50 per cent. in Great Britain?

**The Honourable Sir Jeremy Raisman:** 60 per cent.

**Mr. Husenbhai Abdullabhai Laljee:** Even then it does not matter, even if it be 70 per cent. there is no comparison. The Honourable the Finance Member knows very well, I can see from his face, a great financier must know the condition of the people of Great Britain, of the Government of Great Britain as compared with the condition of the people of this poor country and the finances of this country. I do hope that the fact of the poverty of this country will be taken into due consideration, and if you do want this country to pay something, let him be fair and reasonable. As compared with the wealth of Great Britain, what is this country? I repeat, I hope that the Honourable the Finance Member will make it quite clear that this tax is for the duration of the war and no more, and when super-tax is there it is but fair and just that he should make such a declaration here and now.

With regard to the exemption amount, I must thank the Honourable the Finance Member and the other Members of the Select Committee for increasing it from 20,000 to 30,000. We know very well that when Rs. 20,000 was put down, it was put down as a bargaining amount. It could not have been that the Honourable the Finance Member did not know that the Select Committee and this House would ask for something more. It could not have been that the condition of the people now, as compared with that in 1920, is more prosperous but on the other hand it is much more weak. This is by the way, may be a fair thing that has been done, but I should have been more glad and it would have been fairer if the amount was made still higher.

**Mr. M. S. Aney:** Rs. 50,000.

**Mr. Husenbhai Abdullabhai Laljee:** Rs. 50,000, certainly. Something. Beggars cannot be choosers. Might is right. The Honourable the Finance Member has got the majority, my people have left me; what can we do?

**An Honourable Member:** Deserted.

**Mr. Husenbhai Abdullabhai Laljee:** Certainly. Now, the next question before us is this. A great deal was said by the Honourable the Commerce Member yesterday and I really liked his speech except for one or two sentences that he uttered. I thought that a great change was going to take place and I thought that today the Finance Member also would say something about the export trade. But not a word was said by him. I ask, why is it that the foreign income of Indians is being taxed? Why? What have you done for them? Have you been giving them help,—any sort of help? Do you honestly believe that you have done anything for them except to call them British subjects and to see that they are being treated not as British subjects but as worse than slaves in many countries? Are you justified in asking those people to pay who at the risk of their lives trade

[Mr. Husenbhai Abdullabhai Laljee.]

in foreign countries and even in parts of the British Empire without any care being taken of them or without their being looked after by this Government?

**The Honourable Sir Jeremy Raisman:** They are not being asked.

**Mr. Husenbhai Abdullabhai Laljee:** Indians trading outside—they are not being asked?

**The Honourable Sir Jeremy Raisman:** We have not asked Indians trading outside to pay.

**Mr. Husenbhai Abdullabhai Laljee:** Foreign income of Indians?

**The Honourable Sir Jeremy Raisman:** Residents.

**Mr. Husenbhai Abdullabhai Laljee:** Certainly, I do not want to leave my residence. If I go there,—as you have come here from there, you do not mean to leave the residence of Great Britain, certainly not. I am proud of my country, I do not want to reside in any outside country. I go there because I get something there. In my own country I am a beggar. That is why I go there or just as you have come here. That is a different thing altogether. But, Sir, the real position is this. Let us become serious. How do you justify it—taxing those people for whom you don't do anything? Here, in India, you have got some justification to say that you have been doing something for the people of this country but those people who are outside India, selling your exports and helping your agriculturists—you are not doing anything to help them. They are doing everything at their own sacrifice. You have got no consuls and no military to help and nobody to look after them and still you want to take Excess Profits Tax from them, if they are ever allowed to earn there what you call excess profits. There is not a word put in this Bill protecting them. I ask in all fairness—why do you omit their interest altogether? Why have the Select Committee gentlemen omitted them? I find some note is made about it in the Minute of Dissent. The agriculturists and the exporters are mostly dependent upon them and still the very element which sells your exports is neglected and not looked into. Sir, that is my serious complaint against this Bill.

Then, Sir, in the last Income-tax Bill there was given an exemption of Rs. 4,500. Why is nothing provided for them in the Excess Profits Tax Bill. In all fairness I ask why has not that been done. I suggest that instead of 4,500 provided last time in the Income-tax Bill, in the Excess Profits Bill at least 15,000 should have been in all fairness provided by way of exemption—about three times certainly. Look at the risk they are undergoing? In many countries they are not allowed to make remittances. The Honourable the Finance Member knows that very well and I know that he does give some facility to those people who have this trouble but I want it to be regularised, to be put in the Act to show that you do realise their position. Then many people's remittances are held back and cannot come here. In many places the exchange difficulties are such that one does not know whether there will be a huge profit or a



huge loss. Your rupee is linked to sterling. What about those currencies there? It may be that the war may end. You may be successful, otherwise what is the position? All the money is there. Owing to the peculiar position they are in there, they lose all the money.

Now, Sir, how are you to get their accounts? They are not even allowed to come. Their books cannot be brought in. How are you going to work out a profit and loss account in this state of the finances and exchange? I do, therefore, hope that when such a thing does exist and when we are not able to help our countrymen in the least you will at least not tax them. That is not fair. If you tax them, be reasonable and fair. That is all I ask and who can deny that fairness to me in my pitiable condition. There is no one in this country who raises his little finger for these our own people outside India and we do not help them.

**Mr. M. S. Aney:** Do they make war profits?

**Mr. Husenbhai Abdullabhai Laljee:** God alone knows. We do not know. These people do not know how long the war will go on and what is in store for them.

Then, Sir, there is another thing to which I want to draw the attention of the Finance Member. We have got small industries and small industries are coming up and you have got some provision made in clause 26 but at least this you have got to make quite clear. There should be a definition of new industries. You ought to encourage the new industries and you ought, therefore, to say that those will be really exempted.

Then, I come to the period. The Honourable the Finance Member has kindly agreed that the period of 38-39 and 37-38 will be taken but there the average is taken but a different principle is applied to 1935-36. Why this discrimination? What is the justification for it? When there was no war and there was nothing contributory to a war, if I had some good year, why should I not be justified in taking that year as a normal year when you want excess to tax it. Why should it not be? I may have improved my business and my efficiency. It may be that I am a little better off, sacrificed a good deal in the beginning. Therefore, I ask in all fairness, why are you so meagre in your thoughts,—why are you so small in your thoughts? Why do you want to say 'I will take 35-36 but on 37-38 and 38-39. I will take the average'. Why not give me the best year? That was my luck. I made good business by hard work and efficiency and take that year and whatever more I have made above that take it away, although really speaking the principle ought to be that only those profits which have been made after the war and which are directly contributory to the war should be taxed and not everything and anything. You, Sir, have rightly pointed out in your speech about the cinema industry and banking and there are many other businesses which have nothing to do with war. You take so much more by way of income-tax and super-tax. If one makes losses in three or four years and in one year he makes heavy profit, You don't say that in those years of losses you will not take income-tax and super-tax from him. You will not give him relief there. If you don't do that then why do you take here the average of two years.

**The Honourable Sir Jeremy Baisman:** The Honourable Member has forgotten that business losses are now carried forward under the new Income-tax Act.

**Mr. Husenbhai Abdullabhai Laljee:** Will they be carried forward also with regard to excess profit here?

**The Honourable Sir Jeremy Raisman:** That is another matter.

**Mr. Husenbhai Abdullabhai Laljee:** Only last year it has happened that losses are allowed to be carried after twenty years. For that we are thankful to the Finance Member and for this also if he agrees we shall be thankful.

Then, Sir, there is another important thing and that is with regard to borrowed capital. I do not know why there has been distinction made. How many banks have you got in India, may I ask? Many small industries and poor people like myself can only borrow from my friend, like Mr. Bajoria, who can lend. I am very serious. The great banking concerns here will not look at me and these are very few banks; they are very cautious, much more cautious than is required in a banking concern. There is nothing like real banking in India. It is the shroffs that help the man who starts the small industries. Why should not that capital be taken into consideration? A person who helps me individually for a small industry—that is not to be taken into consideration is really most unfair. If I were to have a small glass factory with a capital of Rs. 50,000, or Rs. 60,000 can I go to the India or Central Bank or the Chartered Bank or the National Bank? They would not have the condescension to see me, while my friend, Mr. Bajoria, would help me. It is a fact; there is no way of getting out of it. Why do you shut your eyes to that? Ninety-nine per cent. of the business in India is being supported and helped by the private shroffs and small bankers, while the big bankers only do help big concerns, big people and the export and import business and to them they give big credits. The Honourable the Finance Member knows so much of India and so much of the money-lending business and otherwise in India that I hope he would not be a party to such a statement that it is only the bankers that lend money. When the Reserve Bank of India Amending Bill will come up, I shall have occasion to tell you that the bankers in India do not carry out their duties. We want the Government and the Reserve Bank to allow and help many more big and small banks, especially small banks where individuals and poor people may come. The condition of this country must be met. You cannot all have multi-millionaires of Bombay and Calcutta and all those big Banks there. It is the small banks and shroffs that help the people, the agriculturists and others. It is the small banks and shroffs from whom you really get a lot of income-tax.

Then, Sir, with regard to the penalty clause, there is no doubt that the law has to lay down a certain line and where it ought to be very strict but I do not know whether in this country people are so bold to defy the law as in other countries. Anyhow I should certainly like that this question of penalties should be treated in a very fair way and a more moderate way. So long as the Government receive their money, so long as there is no fraud and no cheating, there should not be such things as heavy penalties as put down there. Really speaking the Income-tax Department does already give some facilities. I admit they do give some sorts of consideration, but keeping such a big sword always hanging upon them does not help people to do big business nor does it help people to carry on the business in a way which will help to further develop industry

and trade. I, therefore, do feel, Sir, that so far as this penalty clause is concerned something will be done which will show that the maximum penalty will not be above a certain sum. Let it be a small sum if you do wish to have a penalty, and I ask you once more that unless and until fraud has been found out, penalty of the type or kind mentioned in the Bill should not be imposed. You should not let it out to the public that you are going to be unduly unfairly severe and that the income-tax Department should be feared more than anything else.

Now, there is something about the sales. Now, I quite concede that there will be persons found, especially persons who will transfer their properties to save Taxes or Depreciation and so forth. It is being done. But, at the same time, I do feel that the Income-tax Department is also very clever and could find out very well the true facts. There is no doubt as to that. It is now much improved and it is going on very well—that I can tell you—but where there is a *bona fide* business, where people are likely to transfer their business from one to the other and where people prove their *bona fides*, then it should not be penalized. It is bound to be the case that during this war many persons, who otherwise would not bring forward their capital and would not help industries or the exports or otherwise, do believe that, because of the war—and as it is likely to be a long war—they should come forward with some help and they do come forward to take up small concerns and small partnerships, and it is these people who, having thus come forward, do help the development of our industries. So do not frighten them; but certainly I should not be a party to any fraud or cheating. We have got on your files cases of people for ten or twelve years and I know you can take out the names of such people and their cases within ten minutes. Therefore you know the true condition of each and every one who can buy up or sell some concerns. The Income-tax Department if required can give references at once about them,—the Banks do not care, so surely the Income-tax Department has got the worth and income of everybody at their fingers' tips. Therefore, I do appeal to the Honourable the Finance Member to consider that, in the interests of the development of industry and trade and in the interests of the expanding of business, such transfers to such people as are now coming forward should not be penalised. There is a mentality, there is a time when people have got some ideas, and the psychological effects are there always at this time to encourage and to help, therefore please allow only *bona fide* transfers and you should consider them in such a way as not to penalize them. Then with regard to transfers you have also got other things which stop any fraud. However, you always have got sufficient information and I do ask, in all earnestness and in fairness to the people, that *bona fide* cases of transfer ought to be considered favourably, especially also in the interest of the development of industries. I have got to speak on several of the amendments and, therefore, I will not take up the time of the House at present, but I again ask the Honourable the Finance Member to consider the poor condition of the people of this country, their true condition and other things when he compares them with that of the others.

**Babu Bajjnath Bajoria** (Marwari Association: Indian Commerce): Sir, in the first instance, I rise to join in the chorus of congratulations which have been showered upon the Honourable the Finance Member and the

[Babu Baijnath Bajoria.]

members of the Select Committee for the work which they did in the Select Committee and I quite realize that, but for the acceptance of those concessions by the Honourable the Finance Member, the Bill as it has emerged from the Select Committee would not have been an improvement. There is no doubt that the Bill as it has emerged from the Select Committee is a decided improvement on the Bill as originally introduced.

**Mr. M. S. Aney:** That is all?

**Babu Baijnath Bajoria:** But, still, the Bill requires to be drastically amended so that it may be acceptable to Indian commercial community. I see my friend, Sir Homi Mody, is laughing very much because he has got the most important point which he wanted, though he has got it coupled with some ginger. If he would have got it all alone, he would have been more than satisfied. Sir, the first question which every business man in Calcutta with whom I had the pleasure to meet after this Select Committee had made its report asked me was—has the rate remained the same, or has the rate been reduced? I refer to the fifty per cent. tax. And when they were told that the rate still remains 50 per cent., there was a sense of keen disappointment. Naturally, when this Bill was referred to a Select Committee, everybody had expected that the rate of 50 per cent. would be considerably reduced, and so, when this was not done, there is bound to be a feeling of disappointment. The Honourable the Finance Member in his Budget speech has mentioned that he expects to get three crores only from this Bill during the year 1940-41. Well, I say that this estimate of his is a gross under-estimate. When my Honourable friend, Mr. Aikman, gave the figures relating to these three crores, I thought that he was doing the work of the Finance Member. My own view is that this estimate is grossly under-estimated. In the year 1919, 9.22 crores were received from this tax and I have got the impression that this Bill also will not secure much less than that. I have not got the money, which my Honourable friend, Sir Homi Mody, has, to pay 3½ crores and buy this Bill.

**Sir H. P. Mody:** Will you alter your books?

**Babu Baijnath Bajoria:** If the mere alteration of books can bring me crores of money, I am certainly prepared to alter them. But I  
 3 P.M. know mere alteration of books will not bring me crores of rupees. I think there is a definite purpose why this amount has been under-estimated. Suppose the Finance Member gets seven or eight or even ten crores from this Bill, he is not going to refund the money that is in excess of three crores. He will pocket it all and then at the end of the next year when he will present the Budget, he will say in very flowery language that they have got a surplus of, say, five crores and so on. This happened also last year. We know what happened about the Sugar Excise Duty. The then Finance Member estimated that the import of sugar will be only ten thousand tons during the year, whereas the actual import has been over three lakhs of tons. It may be more but it is not less than that. He has pocketed all the money. I do not mean to say that he has pocketed it for his own use but for the use of the Government. So, I think that this rate of 50 per cent. should be reduced to a figure which will actually give him the three crores which he wants.

Sir, with regard to this 50 per cent., I would like to say that it is a very big slice and it will have very bad repercussions on the development of the industries. That capital is proverbially shy, is a matter of common acceptance and a number of fine remunerative industrial propositions have been hanging fire for want of adequate capital. Even some key industries have been known to suffer for want of fresh capital. I would, therefore, ask the Government to examine this aspect of the question seriously. The imposition of a heavy burden like the payment of 50 per cent. would seriously deplete the cash resources of our industries with the result that any capital programme that we may have in view will either have to be suspended or, in any case, considerably delayed. Responsible Members of the Government of India, particularly the Honourable the Commerce Member, have in recent months represented the anxiety of the Government to encourage the starting of new industries in India and also to expand the existing industries to meet, as far as possible, the internal requirements of the country. The Excess Profits Tax of 50 per cent. will completely negate this Government objective by leaving no surplus cash resources with the existing industries to expand and by seriously discouraging any person from investing capital for the uncertain risks of new ventures.

Now, I will deal with a few provisions of the Bill. I welcome heartily the change made in the Select Committee which gives this Legislature the right of annual review of the rate of tax of this measure. By changing the date from which the tax under this Bill will be applicable, namely, from the 1st of April, 1939, to 1st September, 1939, they have done only half justice to it.

**The Honourable Sir Jeremy Raisman:** Half a loaf is better than no bread.

**Babu Baijnath Bajoria:** I admit that, but if we can justify that we are entitled to the full loaf, I think the Finance Member would not grudge giving us the full loaf. I contend that it is not fair that a measure of this nature should have retrospective effect. We are passing this Bill in the month of March and it is only fair that it should come into operation from the 1st of April, 1940. Again, the month of September from the accounts point of view is a very inconvenient month. Many of the companies close their half years by the end of September and end of March. If it is not possible to give the full loaf from April, 1940, I would request the Honourable the Finance Member to seriously consider its application from the 1st of October, 1939. Financially, it will not make much difference. So far as the accounting portion of it is concerned, it will be comparatively easier because from October to March it will be half the year and the adjustments can be easily made.

**Mr. M. S. Aney:** Why not begin it on the Diwali day: that is half the year?

**Babu Baijnath Bajoria:** For us, Diwali would have been better, but most of the income under this Bill is expected to come from companies and I have got the convenience of the companies more prominently in my mind. Then, Sir, the exemption limit has been raised to Rs. 30,000. Of course, it is much better than what it was before but it ought to be raised to Rs. 40,000. I am glad to say that even my Honourable friend, Dr. Sir Ziauddin Ahmad, is also of that view. I am glad that the financial year

[Babu Baijnath Bajoria.]

1938-39 has been given an option coupled with the financial year 1937-38. I would have been glad if 1938-39 would have been given by itself. In this matter of options, I want to draw the attention of the Honourable the Finance Member to the fact that, though during recent years, I mean 1936, 1937 and 1938, cotton and steel industries were doing well, the jute industry, which is the principal industry of Bengal, was fairing very badly during all these years, as will be seen from the index numbers of industrial profits in India.

**The Honourable Sir Jeremy Raisman:** What about 1935?

**Babu Baijnath Bajoria:** I am coming to that. We have been given 1935 only. The index figure of that year is only 40 as compared with 100 in 1928 whereas, the index figures for cotton mills, iron and steel, sugar were 253, 311 and 158, respectively, for 1938. So what I am pleading is that the option of the year 1934-35 also should be given. This will help the jute industry of Bengal because jute trade is one of the leading trades in Bengal. I think in the options which have been given Bengal has not been fairly treated. I do not want to raise provincial questions, but still I would like that the year 1934-35 should also be given in option. (Interruption.) I have also tabled an amendment to this effect and I hope I will get the support of the European Group. I am glad that option has been given to business started after the 31st March, 1936, to avail of the statutory percentage or of the standard period. I pointed out this mistake by inadvertence in the original Bill and it has been corrected. I think that this option of the statutory percentage or of the standard period should be given to every assessee. After all the statutory percentage which has been fixed is not a high rate of percentage and it is only fair that all businesses whether new or old should get the statutory percentage which is eight or ten per cent. I want those percentages to be raised to ten and twelve for all businesses. I hope the Honourable the Finance Member will give due consideration to this point. In the increase of two per cent. in the statutory percentage which has been given to new business, new business has been defined as business started after the 1st December, 1938. How many companies or how many businesses can take advantage of that provision? Very few companies have been started after the 1st December, 1938. This increase of two per cent. should be made in the general rate of the statutory percentages and if that is not considered feasible, this period from December, 1938 should at least be changed to September, 1937, which will mean that new businesses which have commenced business two years before the war started or two years before the date from which chargeable accounting period in this Bill comes into operation. This is not a very big demand and I think it would be conceded.

Then, I come to the distinction which has been made about borrowed capital. My Honourable friend, Mr. Husenbhai Abdullabhai Laljee, spoke with some warmth on this matter and I think he has driven home the point to the Finance Member. He is perfectly correct when he says why money paid from the banks or debentures alone should be considered as capital whereas money borrowed from private individuals. . .

**An Honourable Member:** From Marwaris.

**Babu Baijnath Bajoria:** Yes, from Marwaris. I am proud of my community which is doing a lot of banking business and of the fact that my community helps in the growth and development of industries and trade in this country. Why should not money which is borrowed from us be calculated as capital for the purposes of this Bill. After all, banks only finance bigger companies and even today as regards banking business in the country in general, it is carried on by indigenous bankers. So, if it is proved *bona fide* that capital has been borrowed from whatever source possible it should be allowed and deemed as capital employed in business, in the same way as capital borrowed from banks and money raised from debentures. I am glad that exemption is given to life insurance companies, but I would have liked that this exemption should be given to banks and other businesses which have no bearing to the conditions prevailing in war. When we read the preamble, it has been changed into:

"arising out of certain businesses in the conditions prevailing during the present hostilities."

I would have liked that in the proviso to section 4, it should be explicitly mentioned that those businesses, which have got nothing to do with the conditions obtaining during this war, should be exempt from the mischief and operation of this Act.

Now, Sir, I come to the question of assessment of registered firms. You, Mr. Deputy President, in your speech, referred to this as my point. It is not only my point, but it is a point which concerns practically all the firms. Most of the firms now are registered firms and I have received several letters from persons who are quite unknown to me, even from the Punjab, who, when they read my speech, have appreciated the point which I raised and they have pressed me to put this matter as strongly as I can in this House about this matter. I do not understand why registered firms should be assessed jointly for the purposes of excess profits, when, as regards income-tax and super-tax the partners thereof are assessed separately and no assessment is made on the registered firm as such. It may be argued that if this question of division of profits of business in the case of a registered firm is also applied to companies every shareholder may claim that he should be assessed separately. But that cannot be so. As regards companies, as pointed out by the Finance Member, this tax will be like a corporation tax whereas as regards firms and individuals it will be in the nature of income-tax and super-tax. So I would plead with all the emphasis at my command that registered firms should be assessed jointly and each of the partners should be assessed separately as was done in the case of income-tax and super-tax. I will deal with this point in detail when we come to the amendments.

The penalties provided in this Bill are far too excessive. It means that all the profits will be taken away because the amount of the penalties will be equal to the tax. In a heavy taxation measure of this kind the penalties should not be so high. The penalty should be prohibitive and deterrent but there must be some reasonable limit. I think a maximum penalty of Rs. 10,000 or Rs. 20,000 should meet the ends of justice.

My next point is about the sales or transfer of business. I must say that *bona fide* sales or transfers should be recognised and it should be left entirely to the discretion of the Excess Profits Tax Officer or the Assistant Commissioner to decide whether the sale or transfer was *bona fide* or not. They

[Babu Bajjnath Bajoria.]

will also see if the purchase price has been reasonable. If it is out of all proportion to the assets purchased it may be said that it is not a *bona fide* transaction. But not to recognise any sale or transfer would not be justified.

As regards foreign income, my friend, Mr. Laljee, who is an expert on this, has detailed the various difficulties on account of which people with foreign incomes cannot get them, e.g., exchange restrictions, embargo on remittances, etc. These should be duly considered so that they may not be very hard hit.

There is another point which I will urge. It is desirable that the same officer who sees the accounts of an assessee for income-tax and super-tax should also examine his books for the purposes of this tax. Otherwise, there will be double harassment for the assessee and so both for Government as well as for the assessee it will be convenient to get them examined by the same officer. This need not be incorporated in the Act itself but instructions may be given departmentally to this effect.

**Mr. Muhammad Nauman** (Patna and Chota Nagpur Division: Muhammadan Rural): Sir, it is certainly difficult to consent to a taxation legislation but, as I said the other day, we have to consent to it as a necessary evil because Government have to function and funds have to be provided for it. The best principle of taxation is to eliminate the poor and middle classes and this view has been cared for in the present Bill as amended. I opposed the Bill when it was originally introduced because at that time we had not seen the budgetary picture and did not know what funds the Government of India would require. Now we see the full picture and the position is hence changed. We are facing a deficit budget and this is one of the measures to meet it. Another thing which makes me support this Bill is that as it has emerged from the Select Committee it has definite improvements embodied into it. It has reduced hardships to a great extent and it will not extend after the war.

**An Honourable Member:** Where do you find that?

**Mr. Muhammad Nauman:** From the way in which the Finance Member has spoken that is the impression created—It is dependent on the budget and we will not have deficits after the war. The Finance Member should give an assurance that it will be removed as soon as the war is over or as soon as the financial position makes it unnecessary.

Sir, in the Select Committee the inclusion of the year 1938-39 is surely an improvement but an independent choice has not been accepted. Although the initial amount of taxation has been raised to Rs. 30,000, which is appreciated, yet I think, in order to make the tax the least burdensome on the middle classes, it should have been raised to Rs. 40,000. I do not know whether the Select Committee considered this but my friend, Mr. Bajoria, who was a member of the Select Committee has also stated this point of view and this is the general view of the commercial section of this country.

It has also been pointed out that this flat rate of 50 per cent. has caused some little agitation in the minds of the people. I do not know why the Government could not see their way to accept rates on a graduated



basis. My Leader, Mr. Jinnah, placed before this House a definite proposition that the basis of calculation should be the same as in Canada. I cannot say exactly what amount would be involved if, say, a beginning had been made with 25 per cent. going up to 60 per cent. at a graduated scale, as in the United Kingdom. It might be argued that there may still remain feelings of resentment among certain sections of the people, but that section would be in a microscopic minority, and I think it would have been more equitable to have taken a graduated rate as basis.

I was speaking about the raising of the minimum from Rs. 30,000 to Rs. 40,000. I have not calculated what amount would be lost by raising the minimum, but I understand from a reliable mathematician who was also on the Select Committee, Dr. Sir Ziauddin Ahmad, that the loss involved would be between seven and eight lakhs of rupees. If the Finance Member, on his own calculation, comes to the conclusion that the difference would not approximately be more than seven to eight lakhs, why should he not be prepared to raise the limit from 30,000 to 40,000 rupees and satisfy larger sections of the people? If he accepts the principle that the middle classes should be taxed less than the richer classes, and the poorer classes less than the middle classes, then this raising of the limit to 40,000 rupees would certainly relieve the middle classes very much. I shall speak on this question of limit, when my Party move an amendment to that effect, but I would like to hear from the Government what objection they have to my suggestion.

Regarding exemptions, we have now exempted insurance companies and we appreciate the exemption as those companies, instead of making profits, probably stand to lose on account of people who may be killed in the war. Representation was made to me personally and to my Chamber, the Muslim Chamber of Commerce, Calcutta, by mica merchants, that as profits did not accrue from mica mines till five or six years after excavation, it would be very hard on them if they were given only the option of the last three years. I am not conversant with the trade, but I would place the matter before the Government to see if any relief can be given to those merchants and whether there is any truth in the allegation they make. As regards exemption for other businesses, my friend the Deputy President has pleaded the case of cinemas and banks. It may be literally true that they do not get any profit out of war, but it is not at all right to say that they have been able to get some excess profits from factors which are absolutely independent of and not consequent on the war conditions. I do not personally feel that there is any case for exempting them. They certainly have no ground for exemption on the lines of the insurance companies.

The only other point I wish to mention is the question of merchants who have got foreign incomes, either from foreign trade with India or independently in foreign countries. Many of the belligerent and neutral countries have imposed an embargo on the export of money out of their countries with the result that the profits of Indian traders accrued there are blocked and cannot be remitted or brought into India. When we were discussing this question last on the Income-tax Bill and when the remittance basis was changed into accrual basis, it was stated that relief would be given: probably under section 45 of the Income-tax Act it was provided that so long as they did not bring that money they would not be made to pay. Here the position is different. The embargo may last for five or ten or twenty

[Mr. Muhammad Nauman.]

years and it may be lifted at a time when this Bill may not be in force; and in that event no relief could be given. I shall give an example. Suppose on the accrual basis a firm is estimated to be taxed on 1,00,000 yen at the exchange rate of Rs. 80 to a hundred yen it means a tax of about Rs. 15,000 to Rs. 20,000. By the time they bring that money to India the rate of exchange might have gone down to Rs. 40 to a hundred yen and the estimate of profits would thus be reduced by half, whereas the taxation would remain the same. I do not know how this difficulty can be overcome. I have some amendments on this and then I will be in a position to develop my arguments. I think this matter has not been seriously considered. If a merchant makes some profits in a foreign land and he is taxed on the estimated profits in India only, the payment is delayed till the days he brings the money out here: but what will happen to him if the exchange goes down? The question of carrying forward his losses does not arise under this Bill as has been provided in the Income-tax Act. In the Income-tax Act relief has been provided for, but in this case if the law is repealed by then, that particular position cannot be maintained. Therefore, I would like to know from the Honourable the Finance Member how he proposes to meet this particular situation

Having placed my view before the House regarding people doing foreign trade, there is one more point which I want to stress, and it is this, that it is difficult to estimate the actual profits, because there might be an imaginary profit and no actual profit because of the depreciation of sterling since the war certain other exchanges, currencies of some countries have abnormally inflated resulting in fictitious and temporary profits in the present pay even small amount of profit, they will not be able to bring it back to this country, and so the profit which may be estimated will be calculated to have accrued in paper but as soon as sterling revives the profits will not remain on paper. Now the question to be decided is whether such imaginary profits accruing because of inflated currencies made in foreign countries are going to be taxed here even though they cannot bring their profits to India, or they will be taxed only when the money is actually brought to India either in the form of currencies or in some other form of import of commodities. Sir, this point should be thoroughly gone into so that there may not be any kind of hardship to merchants who are doing foreign trade and have their offices in foreign countries.

Now, Sir, I come to the penalty clauses which are found in the Bill. I shall not dwell at great length on this aspect of the matter, because my friends, Mr. Huseinbhai Laljee and Babu Baijnath Bajoria, have already dealt with the question very exhaustively, but I will only say this much, that I entirely agree with all that they have said. I feel, Sir, that the Government of India should not treat the people in the manner they propose to do by means of these penal clauses. It might be that the Government apprehend that some people would resort to doubtful means in presenting figures and, therefore, they must face the consequences, but there might also be cases in which the intention to defraud may not be there and yet they will be penalised. In such cases I should like to know how the Government propose to justify themselves in putting these heavy penal clauses. I feel, Sir, that the amount of fine should be certainly reduced, and in this I have no doubt that all elected Members will agree.

Sir, I do not wish to say more on the general discussion today. I have also stated why I have changed my view from the view I had adopted when the Bill was originally brought in this House. I would strongly urge that the question of foreign income should be reconsidered and all possible precautions should be taken to see that merchants doing foreign trade are not put to any very great hardship.

Lastly, Sir, I want to stress the point which I had urged in the beginning, that the limit of Rs. 30,000 should be raised to Rs. 40,000 and if the Government feel that they would not lose more than Rs. 8 lakhs by so doing, I think they should accept our suggestion. This is all what I have to say today.

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Sir, it is well-known to the House that I was one of those who objected to this Bill being referred to a Select Committee. With other Honourable Members I also held the view that this measure was not necessary and it was inopportune. Now, Sir, the principle of the Bill having been accepted, I shall be wasting the time of the House if I were to repeat the arguments which I advanced when the Bill was originally introduced in the House. But I feel that if we all join hands we can still do a great deal by carrying certain amendments. I feel, Sir, that certain provisions of the Bill should be made quite clear, and Government should also give certain exemptions. Now, the point to be clarified in the first instance is whether this measure is going to be a temporary measure to last only during the pendency of the war or it is going to be a permanent measure. Before the Bill was sent to the Select Committee, it was crystal clear that it was going to be a permanent measure, but that point having attracted the attention of some Members of the Select Committee, a certain amendment was made in the preamble of the Bill. In spite of the amendment in the preamble, the doubts which we had entertained on the last occasion have not been completely removed, and so the Honourable the Finance Member should make this point absolutely clear, that this Bill is only temporary and that as soon as the war ceases this Act will not exist. I have myself sent in an amendment to that effect, because we find that in all Bills, when they are to be of a temporary nature, there is a provision inserted immediately after clause 1 in which it is always made clear whether the Act will be temporary or up to what period it will remain in force. This is the time at which it should be made clear to the House and definitely made clear, because we shall not be satisfied with only professions that this would be only a temporary measure. Do we not know that in the case of the Income-tax Act when it was being enacted it was said that it was being enacted as an emergent measure. But then what happened? Though the particular purpose was over, the Government of India said that this would be extended every year, and the Income-tax Act has become a permanent measure. Therefore, judging from our past experience we are justified in holding that this Excess Profits Duty Bill also may become a permanent measure. It is now being given a colour that it is only for the period of the war, but the indications are different. Clause 4 of the Bill indicates that this measure will be on the Statute-book in the manner in which it was sought to be done in the case of the Income-tax Act. If this measure were only for the duration of the war, the power of extension should not have been provided in this Bill at all. If it is intended that this Bill should have life up till March, 1941, then it should be said that this Bill

[Mr. Lalchand Navalrai.]

will expire on that day, and if the war continues, the Government should bring in another Bill and get it passed through this Assembly without giving power in the Bill itself to extend it. Like the Finance Bill this Bill also will come up every year and the tax will be raised or reduced. If it is the real intention of the Government that this is only a temporary measure for the period of the war, why not make a clear declaration to that effect, accept the amendment that will be coming up, or even declare it now and be done with the amendment that may be brought up? I hope the Honourable the Finance Member will give us not only an assurance but a positive promise that this Act is going to be only a temporary measure.

The next point is, if the money is not going to be treated as a donation for the war, if this tax is not going to be realised as a donation, because at the time of the last war there were donations, there were subscriptions and there were loans, but now another means of raising money is being adopted. If this money is not exclusively for the purpose of expenditure on fighting the war which, of course, has not yet come to India, I submit that this tax must go for the purpose of helping India. It should be utilised in India for the purpose of supporting the industries, for the purpose of meeting the demand of the people, which has been a complaint for a very very long time. There are infant industries for instance and they require help. If it is a boom time and Indians have made excess profits, why not those profits be made use of for nation building purposes, and why should they be used on any other purpose? To say, well, we have got a deficit—I know how these budgets are made and how these deficits are made. (Interruption.) I would give an instance of how these budgets are made. There was one municipality which always showed a surplus and a very big surplus.

**Babu Baijnath Bajoria:** That is news,—municipalities making a surplus!

**Mr. Lalchand Navalrai:** The audit officer came one day and asked how the municipality was making such surpluses. This I am quoting to show how it is easy to manipulate these budgets. The officer went through the records and saw the accounts and he found that there was one building belonging to the municipality which every year they showed as being worth about a yield of Rs. 20,000 or Rs. 40,000, but it was such a property as could not be sold at all. It was not worth as much, and in that way they showed a surplus. In like manner, for showing a deficit, you could always say, we will spend so much on the house, which they will never do. Therefore, I have yet to learn that these budgets could not be manipulated according as you require a surplus budget or a deficit budget. I would submit that the money that is going to be realised on account of this tax should be used for nation building purposes and to help infant industries. I would then ask for some exemptions. At the time this Bill went to the Select Committee I drew pointed attention to the fact that Indian merchants who trade abroad are hard up and they should be exempted from this tax, I do not know if my humble suggestion was even considered in the Select Committee.

**The Honourable Diwan Bahadur Sir A. Ramaswami Mudaliar:** It ought to have been.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): We are not at liberty here to discuss what happened in the Select Committee.

**Mr. Lalchand Navalrai:** Very well, Sir. When some one on the Treasury Benches gets up, I hope he will give a reply to my submission. These Indian merchants are trading abroad in several places, such as, Japan, China, and many other foreign countries. At the time the Indian Income-tax Act was being amended the hardships that were being felt by them were pointed out. Those hardships should be well known by this time. Therefore, the House knows their difficulties, and certain safeguards were provided at the time of the passing of the Income-tax Act. These people were not content with those safeguards, nor were the safeguards such as to save them. At present they are going to be charged for excess profits as a war measure. Therefore the first point arises—have they made any excess profits? I would go so far as to say that they have been getting no profits in those countries. Now, Sir, their difficulties can be summed up generally in a few words, which would show what their condition is. I would say that the proposed tax if enacted, would seriously hamper the expansion of foreign enterprises and cripple the existing trade for more than a decade. Now, there are trade barriers also . . . . .

**Mr. M. S. Aney:** I submit there is no quorum in the House.

(After a count was made.)

**Mr. Deputy President** (Mr. Akhil Chandra Datta): Even the Treasury Benches are empty. If there is no quorum within two or three minutes, the Chair will adjourn the House.

**An Honourable Member:** No, no.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Chair will do it.

(The bell was rung and a quorum was present.)

**Mr. Lalchand Navalrai:** I was submitting the handicaps of the Indian merchants abroad. Their trade has been crippled owing to  
 4 P.M. various trade barriers, discrimination against foreign traders, exchange and currency restrictions, high tariff walls, blockade of credits, barter system and several other causes. In foreign countries, they have been subjected to all these handicaps for a very long time and the Indian nationals have been suffering from serious losses or making very inadequate profits. The first point that arises in a Bill like this is that the Treasury Benches ought to say whether these people are really making profits these days—not that they are sending for any commodities here and selling them at a high price. The point is that you are going to have the excess profits from those that have made money here by inflating the prices, then you have a justification but if you charge those that are not making any profit outside, apart from the income-tax which you are already charging, if you charge them anything more, then you are adding insult to injury. I submit, therefore, that the question of these Indian merchants abroad should be considered and not lightly dealt with.

Then, Sir, the standard periods as proposed in the Bill were years of extreme economic depression and trade losses owing to international conflicts and insecurity and the profits made in those years can in no sense be regarded as normal profits. That is absolutely true. There are wars

[Mr. Lalchand Navalrai.]

going on, conflicts going on and battles going on. Chaos is there and what is the likelihood of their making any profits in this chaos? There was the Abyssinian War, the Spanish Civil War and Sino-Japanese War waged during the standard periods and several Indian businesses in those countries are in ruin. In Spain, during the Civil War, in spite of severe restrictions on imports of fresh stocks and exports of money, Indian traders were required to keep their shops open during working hours and were not even permitted to wind up their business. This is how they have been living there and yet it is going to be said that they must pay excess profits. Therefore, I am submitting that so far as the Indian merchants outside in foreign countries are concerned, there is no likelihood of their making these profits and they cannot bring you money here. Such persons should not be charged under a temporary Act during war time. In war times, their business is all there, is not here and during war time, if they make any profits, they are not being allowed to bring them here. Is that not a matter for sympathy? Does not justice require that they should be given this relief?

Then, coming to the other difficulties of theirs, I would ask the House to consider whether the profits made abroad are war profits at all. They do not get any benefit from the Indian Government by way of orders or purchases. The point for charging the Excess Profit is that Government have been making purchases here from them and giving orders to them. From these orders, people have actually made profits and from those profits a share is being asked by the Government but would you call them war profits when they are not obtained with any help of the Government of India?

Then, Sir, considering the question of the few past years, even in India, leaving the foreign countries, where many barriers have been placed and where many blockades have been put upon them, they say they had lean years for the last few years and that they made no profits in those years, so these are the days on which they should look out for the purpose of compensating themselves so as to get something to make up for those lean years. But what has been the condition of these people outside? It has been worse than what it is here,—and the evidence is so clear that there only conflicts are going on and wars are being waged. Now, Sir, coming to the "Sind-work" merchants, who are known outside more than in India—and I would submit that in India also now that Sind has been separated, the very word "Sind" makes these people recognize that they are merchants of Sind. Now, this class of merchants who are called "Sind-work" merchants have been trading outside and bringing money out here to utilize and use it here for the interest of the people of this country. They have been paying the Government income-tax and other donations and the point is that when these people are not allowed to bring anything here, or that they are not bringing out that money at all, and the money is locked up there, why should their profits lying dormant there be taken into consideration in this connection? And what is the income-tax provision? The income-tax provision is that they will be assessed on the accrual basis there now and then, when they bring the money out here, they will be made to pay up, that is actually when they bring out the money here. But when will they bring that money out here? That is the first question. There is no likelihood of their bringing it, and if so, why should there be any charge made against them? Then we should

realize the great difficulty of exchange. On the accrual basis, that money may be no money at all . . . .

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

. . . . . you bring nothing out here, and yet the Government assess the profits. This is another blow that you are going to give them, a most unjustifiable blow. Then, there is a restriction even on exports and imports of goods in some countries, and in this connection the Government should come forward to help them in that matter.

If the Government help them and want any Excess Profits Tax from them, they will be willing to give that, at of course the percentage which will be reasonable, though I am considering up to now that this fifty per cent. incidence is too much but then the point is—what help have the Government been giving them? They complained at the time of the revision of the Income-tax Act and asked for help for making their remittances and for making their exports and imports. Has any help been given to them? Has there been any help given to them for bringing out that money here? They cannot be said to be rich people when the money is locked up there, and they do not live there all their life. They belong to this country, but Government have given them no way out and how can it be possibly said that there is justification for this tax? Then, the fluctuation of the exchange is a great impediment in their way. Now, owing to this war, sterling has gone down—which is plain, and that is a fact and not an imaginary thing—and that being so, why is no relief to be given? We are here for giving justice and we want to do things in a legislature which are just and fair. Then, sterling has gone down and, therefore, other currencies have gone up. This also cannot possibly be denied. Now, on that account the normal profits have gone up. Now, you call these "excess profits". Is that fair? They are normal profits but on account of certain fluctuations of exchange there is some excess profit, and so, Sir, the case of these men is such that it should be attended to properly. Then, after the war, when they bring out the money, exchange may be lower and unfavourable and thus they will suffer, having already been charged for the excess profits. When the remittances are allowed to be brought in, the losses in remittances cannot be carried forward to future years, just as it is done in the case of the income-tax. They cannot be carried forward, there is no such provision whereby any refund of the tax will be allowed. Therefore, I submit that, considering all these points, I need not take the time of the House any more. There are certain amendments. Each amendment will be taken separately and then we will put the case of these men again on the occasion of each amendment but at this stage of the general discussion too at any rate we must put all our views before the House for its considering these, so that we may expect help from the House when those amendments come up. So, I will not say anything more and I will resume my seat.

**Maulvi Muhammad Abdul Ghani** (Tirhut Division: Muhammadan): Sir, I do not like to take up the time of the House much. I am never in favour of any legislation that is unnecessary. We are ready to support every measure of taxation when it is actually needed, but before a measure of taxation should be placed before the House, the Departments of the Government should take every possible step to control their expenditure. When I opened the Budget of this year, I found that there are many "probable savings. Rs. 30,000", "probable savings, Rs. 40,000" under each head of

[Maulvi Muhammad Abdul Ghani.]

expenditure. What does it mean? This shows that some ways have been invented or some steps have been taken to show the expenditure in an exaggerated form, so that the budgeted expenditure has not been properly estimated, and, therefore, "probable savings" have been shown at every step.

**The Honourable Sir Jeremy Raisman:** Sir, the Honourable Member is a member of the Public Accounts Committee, and he knows that it is in pursuance of the request of that Committee that these lump sum cuts are made by showing the probable savings.

**Maulvi Muhammad Abdul Ghani:** I know the fate of the Public Accounts Committee. The poor members of the Public Accounts Committee are not even supplied with the audit and account rules of the military accounts or of the Railways. I asked for these and at the instance of the Audit Department the Finance Department was unable to supply me with a copy of such rules by which such control is exercised. And as regards the Government publications, well, whenever Government publications are going to be wasted, notices are issued from the Publications Office that if any Honourable Member is desirous of taking them, they may have them, so that there is no necessity of a number of publications; every year a number of unnecessary publications are made, and there is a huge waste of money, and those publications are not even supplied to the Members. Take care of your penny, and the pound will stick to you.

I was submitting, Sir, that if there is any necessity of expenditure, every reasonable man would support it. Take the case of the Railways: they have unnecessarily taxed the travelling public. They are going to accumulate money and waste it like water. So far as the present legislation is concerned, it is surmised that on account of the war the expenditure has gone up or will go up. Therefore, some sort of taxation should be imposed. But up till now it has not been shown what amount this kind of taxation will bring into the coffers of the Government and how much is needed . . .

**Mr. M. S. Aney:** Sir, there is no quorum in the House.

**Mr. President** (The Honourable Sir Abdur Rahim): There seems to be no quorum, so the House has to be adjourned. The Assembly stands adjourned till eleven o'clock tomorrow.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 14th March, 1940.