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THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

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(1st February to 21st February, 1933)

FIFTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1933



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Legislative Assembly.

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THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E. (Upto 7th March, 1933.)

THE HONOURABLE MR. R. K. SHANMUKHAM CHETTY. (From 14th March, 1933.)

Deputy President :

MR. R. K. SHANMUKHAM CHETTY, M.L.A. (Upto 13th March, 1933.)

MR. ABDUL MATIN CHAUDHURY, M.L.A. (From 22nd March, 1933.)

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Committee on Public Petitions :

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MR. ABDUL MATIN CHAUDHURY, M.L.A., *Chairman*. (From 22nd March, 1933.)

MR. LESLIE HUDSON, KT., M.L.A.

MR. ABDULLA-AL-MAMÜN SUHRAWARDY, KT., M.L.A.

MR. B. SITARAMARAJU, M.L.A.

MR. C. S. RANGA IYER, M.L.A.

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LEGISLATIVE ASSEMBLY.

Thursday, 16th February, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. Deputy President (Mr. R. K. Shanmukham Chetty) in the Chair.

MEMBERS SWORN.

Khan Bahadur J. B. Vachha, C.I.E., M.L.A. (Government of India: Nominated Official); and

Mr. C. P. Colvin, O.B.E., M.L.A. (Government of India: Nominated Official).

STATEMENTS LAID ON THE TABLE.

The Honourable Sir George Schuster (Finance Member): Sir, I lay on the table:

(i) the information promised in reply to supplementary questions to starred question No. 1231 asked by Mr. Bhuput Sing on the 16th November, 1932:

(ii) the information promised in reply to starred question No. 150 asked by Mr. B. N. Misra on the 6th February, 1933; and

(iii) the information promised in reply to starred question No. 254 asked by Mr. S. C. Mitra on the 8th February, 1933.

RETRENCHMENT OF A NUMBER OF INCOME-TAX OFFICERS IN THE UNITED PROVINCES.

*1231. A recurring annual saving of Rs. 26,000 is anticipated as a result of the amalgamation of the United Provinces and Central Provinces Income-tax Commissioners' charges.

It is not considered desirable to appoint any of the retrenched Income-tax Officers in the United Provinces as Inspectors.

POSTS OF CLERKS AND ASSISTANT INCOME-TAX OFFICERS IN THE NORTHERN RANGE OF THE MADRAS PRESIDENCY.

*150. (a) 10 clerks and six Assistant Income-tax Officers.

(b) There is one Oriya Routine clerk in the Income-tax Office, Ganjam, and none in the Vizagapatam office. There is no Oriya Assistant Income-tax Officer in either of these circles.

(c) The proportion of Oriya clerks to Telugu clerks in the Ganjam District is 1:4. At Vizagapatam, all the six clerks are Telugus. There are no Oriya Income-tax Officers.

(d) The Oriya-speaking area in the Madras Presidency is very small. There is no Income-tax Circle the language of which is exclusively Oriya. Oriya-speaking areas are found in Vizagapatam and Ganjam Circles, but in the former the dominant language is Telugu and even the Ganjam Circle is only about 50 per cent. Oriya. It is necessary, therefore, that the establishment employed in these Circles should know both Telugu and Oriya, but Telugu is much the more important language, as it is spoken in many other Circles as well. A considerable number of the Telugu-speaking candidates for employment are well acquainted with Oriya, but it is reported that many Oriya-speaking candidates either do not know Telugu or know it imperfectly.

(e) The Commissioner of Income-tax, Madras, is not satisfied that any difficulties really exist. The Income-tax Officer and the temporary Assistant Income-tax Officer in Ganjam know Oriya very well. When suitable Oriya candidates with a good working knowledge of Telugu offer themselves for appointment, their claims will be duly considered.

ALLEGATIONS AGAINST THE INCOME-TAX DEPARTMENT OF CALCUTTA.

*254. (a) Yes.

(b) The Special Income-tax Officers appointed to assess lower incomes are moving about to make enquiries as is necessary in the discharge of their duties. The peons accompanying them, having been engaged temporarily, are not supplied with uniforms with a view to cut down expenditure as much as possible.

(c) Does not arise.

Sir Thomas Ryan (Director General of Posts and Telegraphs): Sir, I lay on the table:

- (i) the information promised in reply to unstarred question No. 224 asked by Mr. Maswood Ahmad on the 5th December, 1932; and
 - (ii) the information promised in reply to parts (b) and (c) of unstarred question No. 229 asked by Mr. S. C. Mitra on the 12th December, 1932.
-

**COMMUNAL COMPOSITION OF CERTAIN STAFF OF THE GENERAL POST OFFICE, GENERAL TELEGRAPH OFFICE AND RAILWAY
MAIL SERVICE, CANNING.**

224.

Statements.

Cadres	(a) Communal composition of the staff.			(b) Number of vacancies which occurred under each head since 1927.	(c) No. of Muslims appointed to the vacancies since 1927 under each head.	(d) No. of members of other minority communities appointed to the vacancies since 1927 under each head.	Remarks.
	Communal composition of the staff.		Other commu- nities.				
	Hindus.	Muslims.					
(A) <i>Canning G. P. O.</i>							
(1) Selection Grade Ap- pointment.	7	1	..	2 (one post abo- lished and the other kept vacant).	..	..	Appointments to this cadre are made by promotion and not by direct recruitment.
(2) Clerks	97	11	..	11	3	..	20 of these posts were filled by the promotion of senior fit official 19 Hindus and 1 Muslim.
(3) Postmen	107	15	..	33 (11 posts abo- lished).	1	..	One of these vacancies was filled by the promotion of a Hindu boy messenger and the rest by direct recruitment. Only 17 vacancies occurred after the issue of the orders regarding communal re- presentation and were filled by 12 Hindus and 5 Muslims.
(4) Inferior servants	62	9	..	28 (3 posts vacant).	6	..	

Statements—contd.

Cadres.	(a) Communal composition of the staff.			(b) Number of vacancies which occurred under each head since 1927.	(c) No. of Muslims appointed to the vacancies since 1927 under each head.	(d) No. of members of other minority communities appointed to the vacancies since 1927 under each head.	Remarks.
	Hindus.	Muslims.	Other commu- nities.				
(A) <i>Cawnpore G. P. O.</i> —contd.							
(5) Stamp vendors . . .	4	..		..	..	..
(6) Lower Grade clerks . . .	15	1	..	16	1	..	8 sorting postmen whose posts were converted into those of lower division clerks were provided with lower division clerks' designation. Of the remaining 8 posts 3 were filled by the promotion of 4 Hindus and 1 Muslim and 3 by the direct recruitment of 3 Hindu senior ex-approved candidates for upper division clerkships. Orders for the observance of communal proportion in the appointment of ex-approved candidates have now been issued.
(B) <i>Cawnpore G. T. O.</i>							
(1) Clerks . . .	10	..	..	4	..	..	Recruitment of clerks in Telegraph offices is made on a circle basis and not separately for each office.

(2) Delivery peons	32	7	1	1	1	1	
(3) Linemen*	55	14	7 (a)	7 (a)	1	1	(a) 2 of these posts were filled by 2 Hindus by promotion.
(4) Line Inspectors*	1	..	1	1	..	..	All vacancies filled by promotion.
(5) Sub-Inspectors*	8	..	5	5	..	..
(6) Telephone operators*	2	..	..	..	..	..
(7) Electric Mistries*	1	..	1	1	..	..
(8) Boy peons*	4	2	..	..	..	..
(C) <i>Cawnpore R. M. S.</i>							
(1) Sub-Record clerk	1	..	..	..	..	..
(2) Head Sorters	2	..	2 (one post abolished).	2 (one post abolished).	..	..	The other vacancy was filled by the promotion of a Hindu.
(3) Sorters	24	..	3 (one post abolished).	3 (one post abolished).	..	..
(4) Peons (Porters)	13	..	6 (one post abolished).	6 (one post abolished).	1 (since transferred to Allahabad).	1	One of these posts was filled by the promotion of a Hindu.

N. B.—*Owing to the redistribution of the jurisdiction of the Cawnpore Engineering sub-division on various occasions prior to 1st April, 1930, correct information prior to that period is not available in respect of these items. Hence the information supplied relates to appointments made since 1st April, 1930.

OVERTIME ALLOWANCE FOR SORTING OF ENGLISH MAILS IN THE GENERAL POST OFFICE, CALCUTTA.

229. (b) The inward English Mails are generally received on Saturdays in the Calcutta General Post Office and the Assistant Postmaster in charge draws overtime allowances because he is required to perform extra hours of duty in connection with the disposal of these mails in addition to his ordinary duty hours from 11 A.M. to 6 P.M.

(c) Overtime pay is not denied to the entire clerical staff but only to the auxiliaries drawn from the Correspondence, Accounts and Savings Bank Departments. When the mail reaches Calcutta on Saturday mornings, as is now usually the case, these men are allowed to go home after completing the sorting work and therefore do not perform extra hours of duty and the question of the payment of overtime does not arise. When the mail arrives late on Saturday night or Sunday morning they are required to render only about 4 hours of duty on alternate Sundays and in this respect they are better off than officials in other branches of the Department who have to attend on two Sundays in a month without overtime for a longer period. Work on Sundays is a condition of service in the Posts and Telegraphs Department and officials are not entitled to overtime on this account.

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Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table the information promised in reply to starred question No. 851, asked by Mr. Uppi Saheb Bahadur on the 29th September, 1932.

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EUROPEANS AND INDIANS IN THE SUPERIOR SERVICES OF THE MADRAS AND SOUTHERN MAHRATTA RAILWAY.

*851. The list of European and Indian Officers recruited since 1925 in permanent vacancies on the Madras and Southern Mahratta Railway with their qualifications is laid on the table. An analysis of this list shows that the Railway has not maintained the proper proportion of recruitment as between Indian and European recruits, and Government are addressing the Madras and Southern Mahratta Railway reminding that Administration of their obligations in regard to recruitment.

—

Statement showing Europeans recruited since 1925 in permanent vacancies on the Madras and Southern Mahratta Railway.

Name.	Qualifications.	Date of recruitment.	Remarks.
<i>Engineering Department.</i>			
1. Mr. W. Cathrow	A. M. I. C. E.	1st February 1927.	
2. Mr. K. L. Jenkins . . . .	..	18th September 1926.	
3. Mr. J. T. Haines	Diploma C. E. (Wales).	Do.	
4. Mr. G. A. Slater . . . .	..	16th February 1931.	Subordinate promoted.
5. Mr. L. T. Buckle . . . .	..	1st April 1930 .	Do.
6. Mr. H. W. Robinson	B.A. Eng. (Hons.) Oxon.	24th February 1928.	On loan.

Statement showing Europeans recruited since 1925 in permanent vacancies on the Madras and Southern Mahratta Railway—contd.

Name.	Qualifications.	Date of recruitment.	Remarks.
<i>Power and Mechanical.</i>			
1. Mr. G. E. Ewing . . .	..	23rd July 1926.	
2. Mr. G. C. Mills . . .	..	26th November 1926.	
3. Mr. J. Wallace . . .	..	25th February 1927.	
4. Mr. J. Bradley . . .	..	15th September 1928.	
5. Mr. G. W. Kyte . . .	A. M. I. Mech. E..	30th March 1928.	
6. Mr. G. Kellingly . . .	..	1st April 1928 .	Subordinate promoted.
7. Mr. G. F. Williams . . .		29th August 1932.	Do.
8. Mr. R. K. Watson . . .	..	1st March 1932.	sanction awaited. Subordinate promoted.
<i>Transportation (Traffic).</i>			
1. Mr. J. G. Fawcett . . .	..	21st January 1927.	
2. Mr. T. Stephenson . . .	..	8th January 1926.	
3. Mr. H. M. Gordon . . .	..	20th March 1931.	
4. Mr. A. L. E. Hooper . . .	..	11th January 1930.	
5. Mr. Edward Lee . . .	..	7th December 1928.	
<i>Agency.</i>			
1. Lt.-Col. R. H. Stallard, O.B.E., R.E. (Retd.).	..	2nd April 1929.	
<i>Stores Department.</i>			
1. Mr. C. H. Turner . . .	..	31st December 1926.	
2. Mr. C. A. Campbell . . .		6th January 1928.	
3. Mr. L. D. Robson . . .		25th May 1928.	
<i>Medical Department.</i>			
1. Dr. J. Fryer . . .	M. B., Ch. B.	7th September 1928.	
2. Dr. H. B. Martin . . .		17th September 1932.	
<i>Electrical Department.</i>			
1. Mr. William de Bruyn . . .	..	20th May 1927.	
2. Mr. R. T. Park . . .	..	15th June 1929.	
3. Mr. J. C. Penny . . .	..	11th March 1927.	
<i>Audit Department.</i>			
1. Mr. W. Jolly . . .	M. A. (Aberdeen), A. C. A.	4th April 1930.	

RAILWAY BUDGET FOR 1933-34.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways) : Sir, the first Railway Budget which it has fallen to my lot to present to this House unfortunately covers a period of economic depression, unexampled within recent times in the severity and extent of its incidence. That the Railway estimates should reflect that depression is of course inevitable. But there are legitimate grounds for hope that we have at last touched rock bottom and that though recovery may yet be delayed, we have in all probability experienced the worst. On that assumption, we have built our estimates.

2. It is usual to preface the statement on the estimates of the year by a mention of any important changes that may have been made in the form of the Demands placed in the hands of Honourable Members. Two such have been made in the structure of our Demands for Grants on the advice of the Public Accounts Committee, and with the approval of the Standing Finance Committee for Railways. The first is the amalgamation of the Demands for strategic lines and commercial lines. The present system of having separate demands has not been found conducive to efficient control of expenditure. Strategic lines are administered as an integral part of the North Western Railway system, the expenditure on the whole of which is initially booked in one set of accounts. Only a small portion of this expenditure can be directly allocated to strategic lines ; the major part being distributed between strategic railways and the commercial railways forming part of the total system proportionately according to certain formulæ. The Public Accounts Committee recommended that separate Demands for Grants for strategic lines should be done away with, but that information about the results of the working of strategic lines should be given in a separate appendix to the Book of Demands. We have adopted both these recommendations. The other change of importance is that we are showing in one Demand the total expenditure on open line works, whether the expenditure is technically met from the Depreciation Fund or charged to Capital. The past practice was originally adopted in order to emphasise the different sources from which funds were obtained. In so far as it was adopted for the purpose of controlling expenditure, the practice has, however, proved entirely ineffective, because the expenditure from the Depreciation Fund being a fixed amount, viz., the original cost of the asset replaced, cannot be controlled separately. The system of having separate Grants has resulted on many railways in necessary adjustments between Capital and Depreciation Fund being postponed for fear of exceeding the Grant. Here too the Public Accounts Committee and the Standing Finance Committee for Railways were unanimous in recommending the change. The information available to the House in respect of these works will not, however, be reduced in any way ; as in the combined demand the expenditure charged to capital will be shown separately from the expenditure met from the Depreciation Fund. Demand No. 10 will henceforth be utilised only to record temporary withdrawals from the Depreciation Fund, and I trust the occasion on which we shall have to use it will be rare. A third change of less importance is the addition of a new Demand for interest charges. Hitherto, interest charges have not found a place in the Demands for Grants, because the total expenditure was non-voted. From 1933-34 it has been decided that railway revenues should bear a share of the total cost of the management of specific railway debt proportionate to the railway debentures or loans appropriated for specific railway purposes. Hitherto this had been merged in the total expenditure on management of debt in England and met from general revenues in full. Similar charges in respect of debt not specifically incurred on behalf

of railways are already being met from railway revenues as the rate of interest charged takes these charges into account. This amount is votable and a Demand will consequently be placed before you for the small amount of just under 3 lakhs involved in this change. We have also made minor changes in the appendices to the memorandum on the railway budget which I shall leave Honourable Members to discover for themselves ; I need only say that they have been made in order to increase the information available to this House.

Honourable Members will no doubt notice, and, I hope approve, the change in the size of the pamphlets placed before them. The Pink Books, which used formerly to be of foolscap size, have now become octavo. The change combines economy with convenience.

3. May I venture, though probably it has by now become unnecessary to do so, to remind Hon'ble Members that when notices of motions for reductions in Demands are given it would be convenient if, following the usual practice, they would indicate briefly the questions which they intend to raise ? It lightens the task of Government Members, who have to reply to these points and at the same time enables them to give fuller information to the House than would otherwise be possible.

Financial Results of 1931-32.

4. Before I proceed to deal with the anticipated results of this year and the next, which primarily concern us at present, it will probably help to a better understanding of the general financial position, if I first deal briefly with last year's results. These did not differ materially from the revised estimate framed this time last year, but whatever difference there was was fortunately on the right side. The loss in the working of commercial lines turned out to be $7\frac{1}{4}$ crores, or a quarter of a crore less than anticipated, and that on strategic lines just under 2 crores. The total loss of $9\frac{1}{4}$ crores was met to the extent of just under 5 crores by the withdrawal of the uninvested balance of our reserve fund and the remainder $4\frac{1}{4}$ crores, was taken as a temporary loan from the Depreciation Fund.

Revised Estimate for 1932-33.

5. In dealing with the estimates for 1932-33 and 1933-34, I propose to follow the recommendations of the Public Accounts Committee and deal with commercial and strategic lines together. The results of the latter are more or less constant, being a loss of very near 2 crores a year and do not therefore affect comparisons to any considerable extent. Though the budget for 1932-33 was not framed on any optimistic basis and anticipated a total deficit of $7\frac{1}{4}$ crores, of which $5\frac{1}{2}$ crores was on commercial lines, our present anticipations are that the results will be $1\frac{1}{2}$ crores worse. The deterioration is entirely due to a further fall in earnings. The assumption that the volume of traffic obtained last year would not diminish has unhappily been falsified. A temporary recovery which continued through many weeks raised hopes that our budget estimate might be reached, or even exceeded, but later events proved that our hopes were premature. The position grew rapidly worse, and our present estimate of traffic receipts is $2\frac{1}{2}$ crores below our budget figures. Allowing for the difference of classification of credits from materials returned from works not charged to revenue, we expect to fall about a crore and a third below last year's figures.

[Sir Joseph Bhoré.]

Our working expenses, on the other hand, are not expected to vary greatly from our budget estimate. Though our estimate of the savings from the emergency deductions from pay has been found to have been too high by very nearly half a crore, most of the consequent increase in our expenditure is likely to be met by reductions under other heads, particularly in the cost of fuel. Our interest charges, moreover, are less by about three quarters of a crore, owing to the fall in the rates of interest, and our total loss on all lines including 2 crores on account of strategic lines, is now expected to be 9½ crores, a figure only slightly above the loss of last year. This sum we have to withdraw from the Depreciation Fund. The balance at the credit of that Fund, which was nearly 15 crores at the beginning of the year and which will be increased by about 8 crores owing to the net accretion due to the surplus of our payments into the Fund over withdrawals from it to meet current replacements and renewals, will in consequence be reduced to 13½ crores.

Budget Estimate for 1933-34.

6. For the year 1933-34 we estimate that our total traffic receipts will be 88½ crores and our total working expenses, including depreciation, just over 63 crores. Net traffic receipts will thus amount to nearly 25½ crores. Our other receipts are diminishing as a result of the gradual reduction of our balances in the Depreciation Fund and will be practically counterbalanced by our miscellaneous charges. Taking all these into account, we calculate that our net revenue will be insufficient to meet our interest charges by about 7½ crores. This deficit (of which 5½ crores is in respect of commercial lines) has again to be found by a temporary loan from the Depreciation Fund, which will stand at the end of 1933-34 at 13½ crores.

In the hope that we have plumbed the lowest depths of the present period of economic depression and we may anticipate a slight recovery, we are placing our estimate of traffic earnings about 1½ crores or barely 2 per cent. above the current year's figures. This is practically what was actually received in 1931-32, and in view of the fact that during 1933-34 our rates of freight and fares will be at an appreciably higher level than they were during the greater part of 1931-32, I do not think that these estimates can be considered as unduly optimistic.

We estimate our working expenses next year at 25 lakhs higher than in the current year. The reduction by a half of the emergency cut in pay, after allowing for the fact that we shall no longer have to pay to the Income-tax Department the compensation we paid this year in respect of the exemption of railway staff from payment of the additional taxation imposed in November 1931, is responsible for a difference of 67 lakhs. Our estimates allow, however, for a reduction of other expenditure amounting to 42 lakhs, of which more than half is in our fuel bill. We have had to provide for a certain amount of additional expenditure on repairs and maintenance in order to maintain our existing assets in good repair, but we hope that our other operating expenses classified under the heads Administration and Operation will show a substantial decrease. Both during the current and in the past year the gratuities payable have been abnormally high owing to the large number of discharges that we had to effect. The result of these discharges on the cost of staff will be fully reflected in the expenditure for the next year, and we have assumed that the decrease due to this cause will be at least sufficient to counterbalance the normal increase in expenditure caused by the annual

increments earned by the staff. This reduction in expenditure during 1933-34 can, however, only be secured by the exercise of the most rigid control, and railway administrations will have to see that no relaxation of the economy campaign is permitted.

7. In laying these estimates before the House, I would only say that if they produce at first a depressing reaction, a more careful and detailed appreciation of the figures which are available to Honourable Members will, I am sure, result in the more comforting conclusion that, considering the conditions under which our railways are now operating, their financial position, as disclosed by these figures, is one of considerable strength and undeniable soundness. While we remember that during the two years 1930-31 and 1931-32 the deficits of Indian Railways have amounted to over 14 crores and that the estimated deficits of the next two years bring up the total to over 31 crores, let us not forget at the same time that during the first six years of this decade they earned a total surplus of over 52 crores and that the net result of these ten years after the separation of railway finances from general finances will thus be a total surplus of 21 crores. Like other railways all the world over, Indian railways are for the moment passing through a period of almost unprecedented difficulty due largely to world causes. They have suffered considerably from causes which are common to all railways, but they are not the only sufferers nor indeed the worst sufferers. A careful analysis of our position will, I think, reveal the fact that there is nothing radically wrong in it. Our net traffic receipts at present amount to about 24 or 25 crores. This means that on their capital of about 800 crores Indian Railways are still earning more than 3 per cent., which is what few other railways in the world are today in a position to do. Nor must we forget the fact that this figure of net traffic receipts is arrived at after providing for the full calculated depreciation on our assets, and that the amount paid into the depreciation reserve fund is at the present moment about 8 crores higher than the amount required during the year to meet that portion of our expenditure on renewals and replacements which the fund is expected to meet. If, instead of taking the calculated amount of depreciation, we were to take only the actual amounts required to be drawn in cash from the fund during the current year, our net traffic receipts would have amounted to 32 crores. This would have given a return of 4 per cent. on the capital invested, and our total deficits during the two years, taking both commercial and strategic lines together, would have been reduced to barely a crore. Taking commercial lines alone, we should have had profits of over 2 crores. I doubt whether any railway in the world of a comparable character could at the moment show such results.

8. I turn next to a few matters of interest which I think are of sufficient importance to merit specific mention.

First, let me advert to the subject of our new Capital expenditure during the coming year. Our capital programme for 1933-34 is a very attenuated one. Apart from the completion of our existing commitments, it provides only for bare essentials. No new lines are to be undertaken, the amount of 32 lakhs provided for new construction being only for the purpose of completing lines already begun. The total amount we expect to require for all expenditure on works not charged to revenue is 9½ crores in cash after allowing for a reduction of about 1½ crores in stores balances. Apart from the strengthening of a few bridges which we have had to undertake, the only important expenditure of any magnitude is on the purchase of a number of wagons in replacement of those which have passed their normal lives and are proving uneconomic to maintain. We are providing for the purchase of 2,500 wagons at a cost of about 90 lakhs. While this

[Sir Joseph Bhore.]

is expected to reduce our cost of maintenance of wagons, it will afford assistance to the Indian wagon building industry at a time when orders are badly needed. I should like here to refer in passing to the suggestions that have been made from many quarters that Government should take the opportunity presented by the present comparatively low rates of interest and low prices of material, to embark on a larger programme of railway construction and development. It is undoubtedly true that the fall in the rate of interest has made certain projects which we had to lay aside as unremunerative in recent years more attractive. At the same time, it must not be forgotten that the question of the remunerativeness of new constructions will now have to be examined afresh with reference to the rival claims and possibilities of road transport much more carefully than in the past. It is, for instance, a question for careful consideration whether the facilities sought to be provided by short branch line extensions of, or feeders to, existing lines, to which a good deal of attention has been paid in India in the past, cannot be more profitably supplied as part of a co-ordinated scheme of road development. An era of cheaper money would certainly necessitate our re-examining with care and attention many schemes which would have resulted in a reduction in maintenance or operating costs, but have had to be laid aside because they were not considered remunerative when higher rates of interest prevailed. All these investigations and examinations will take some time and cannot affect the next year's budget. They will, however, receive our careful consideration, and the House may rest assured that when we come to the conclusion that it is wise and in the interests of railways and the country at large to undertake capital outlay of any sort on railway construction and development, we shall not hesitate to take the earliest opportunity of laying such proposals before you or the Standing Finance Committee for Railways.

9. There have not been wanting critics of our Depreciation Fund procedure who have suggested that one of the ways in which we could secure relief for the railway budget at this juncture is by reducing our contributions to the Depreciation Fund and that our present contributions are not only unnecessarily high but are unduly embarrassing in our present financial circumstances. These criticisms cannot be lightly brushed aside. In the ten years since the inception of the fund, i.e., during the decade 1924-25 to 1933-34, the amounts paid into the fund aggregate 122 crores, while the amounts required to be withdrawn from the fund under its rules as representing the original cost of unit assets renewed or replaced total 87 crores. Had circumstances not compelled us to take temporary loans from the fund, the balance at the end of 1933-34 would amount to about 35 crores.

The railway depreciation fund is built up by annual contributions representing roughly the value of the various classes of wasting assets included in our railway property divided by their assumed lives, different lives being assigned on basis of the past experience to each class. Such contributions are continued throughout the whole period of the assumed life of each asset, irrespective of when it is actually retired or replaced. The original cost of the asset is withdrawn from the fund when it is actually retired or replaced. Ordinarily it is to be expected that, in an expanding concern like Indian Railways, the withdrawals from a fund of this nature under present circumstances will be considerably less than the contributions to it; for the latter depend on the assets existing at present whereas the former depend on the assets in existence a number of years ago which are due for renewal or replacement at the present moment. For instance, the contribution in

respect of wagons depends on the number and value of wagons in existence now, whereas the actual replacements are proportionate to the stock of wagons as it was some 40 years ago—this being their estimated normal life—and is based on the cost at that time. Again, we have been, of recent years, replacing assets bought when prices were comparatively low and paying contributions on assets bought at higher prices. Finally, Indian Railways are still comparatively young; many of our assets have still a long useful life and their turn to be renewed or replaced has not yet come. On the other hand, it has to be remembered that no provision was made at the inception of the fund for arrears of depreciation while money has been withdrawn to meet the cost of all renewals, and we had a comparatively ambitious programme of works in the years immediately following the institution of the fund. Premature renewals have also been effected to a certain extent. Taking all factors into consideration, however, the size of the fund gives cause for serious reflection. It is not surprising to find that the view is held in some quarters that the assumed lives of the assets on which the contribution is calculated are too low and that therefore the annual contribution is excessive. This was considered by the Railway Retrenchment Sub-Committee who thought that it was probably desirable to have a special enquiry into the assumed lives of assets on railways on the basis of past experience but were unable to recommend any arbitrary variation apart from such an enquiry which they suggested should be left to experts. They drew attention to the fact that the contributions do not take into account obsolescence and that they aimed at providing at the end of the assumed lives only the original value of the asset and not the actual cost of replacement. I am not sure that we have at present enough data at our disposal to arrive at an authoritative conclusion on this question, though comparative figures which I have seen in respect of one of the largest English railways do not appear *prima facie* to support the suggestion that the lives assumed for the various classes of assets of Indian railways are unduly low.

On the other hand, it is possible to argue that the Depreciation Fund is really a Reserve Fund under another name, that, whatever may be the amount required theoretically to be put by, such considerations can apply only to normal times, and that it is doubtful whether a commercial concern in similar circumstances would provide as a matter of course for the full calculated depreciation in times of abnormal financial strain like the present. As I have already pointed out, our deficits for the two years 1932-33 and 1933-34 amounting to 17 crores are counterbalanced by allotments to the depreciation reserve fund in addition to actual requirements, to the extent of 16 crores. If we take commercial lines alone, the position is that the additional allotments amount to 15½ crores against our deficits of slightly over 13 crores. This is obviously a question which calls for careful examination.

Apart altogether from these financial considerations, it has been pointed out that the present procedure in connection with the Depreciation Fund is far too complicated and can, with advantage, be replaced by a simpler method. The Auditor-General has recently drawn attention to this in his comments on the Appropriation Report of Railways where he says :

“It has also been suggested to me that it is questionable whether the maintenance of elaborate accounts in the present form really serves any essential purpose and that it would be more economical and might be as effective to maintain a general renewals fund built up by percentage contributions on the capital at charge.”

All these questions deserve careful and detailed examination, and it is our intention to have the whole of the arrangements connected with the Depreciation Fund investigated thoroughly during the coming year. In this connection, we have also to consider the point raised by the Public Accounts

[Sir Joseph Bhore.]

Committee this year, that it is desirable to have an early settlement of the permanent basis on which works expenditure should be charged to capital, to the Depreciation Fund, and to revenue. It is obviously desirable that the question of withdrawals from the Depreciation Fund should be considered along with the method of contributions to it. I have thought it desirable to refer to this matter at some length because of its intimate bearing on our financial position, but I cannot of course express any, even tentative, views in advance of the full examination that we propose to institute.

10. We have applied the decision arrived at in regard to cuts in the pay of the Administrative Services to the personnel of the Railways. During the coming year, therefore, Railway Staff will be subjected to half the cut imposed on them during the current year, but this will be accompanied by the withdrawal of income and super-tax privileges. The financial result will be a reduction in the savings in the coming year from about 176 lakhs net, after allowing for payments of compensation to the Income-tax Department, to 103 lakhs, while the combination of half the existing cut with the loss of the income-tax privileges will in effect secure, speaking generally, a graduated scale of salary deductions. It may be the subject of some criticism that we should have thought of giving any relief to Railway employees while our budget still showed a deficit judged according to present accounting methods and arrangements. The reply is that the maintenance of the existing deductions in the case of Railway servants while half the cut was remitted in the case of the General Administrative Services would have resulted in such markedly differential treatment as could hardly have been justified by the anticipated financial results for the coming year. Railway servants of the lowest grades, in consequence of their service in a commercial department, have hitherto been called upon to submit to deductions from which comparable categories in the general services were exempted. They must still unfortunately continue to bear a burden, though a lightened burden in view of economic conditions, but the arrangements proposed for the current year will shift to some extent the general incidence of that burden. This partial relief to Railway employees must not be construed as indicative of any slackening in our efforts after economy.

11. Honourable Members are already cognisant of the fact that Mr. Pope who has had special experience of this sort of work on the London, Midland and Scottish Railway is conducting an examination of the possibilities of securing further economies on our Railways. The subject of his special examination is the Great Indian Peninsula Railway, and with him are associated officers from other Railways, so that the methods adopted and the lines followed in this particular investigation may be applied to other Railways. His review will, it is hoped, be ready very shortly, and if, as a result, arrangements promising immediate economies and capable of immediate adoption are possible, no time will be allowed to elapse before we adopt them. In any case, we expect that the most fruitful lines of further enquiry will be indicated, and these will be pursued in the coming months. In this way we hope to achieve a twofold object, firstly, the discovery of further means of economy, and secondly, the preparation on uniform lines for all the railways of a body of accurate figures and information as to the costs of various services and as to the methods of working, which will not only enable us to check up and compare the economy efforts made on the different systems throughout India, but will also provide the data on which the expert Committee, which we still hope to get out next winter, will be able to work.

12. We have unfortunately sustained serious losses in personnel during the year. It is with deep regret that I have to refer to the loss the Railway Rates Advisory Committee has sustained in the death of its Chairman, Sir Naraaimha Sarma, and I would like to add a personal tribute of regard and respect to the memory of one who was once my official chief. The Railway Board has also recently lost, through retirement, its senior Member, Mr. Hayman, who will long be remembered for his untiring energy and extraordinary capacity for work. In conclusion, I would wish to acknowledge the loyalty and assistance I have received from all those connected with the administration of the railways with whom I have had to work. Nor must I in this acknowledgment forget those on whom rests the immediate responsibility for the day to day running of the great machine who have had a specially difficult burden to bear. (Loud Applause.)

STATEMENT OF BUSINESS.

The Honourable Sir Brojendra Mitter (Leader of the House): Mr. Deputy President, my statement of Government business for next week is very short. The available time will all be taken up by the Railway Budget. The General Discussion will be on Monday, and the Voting of Demands on Tuesday, Thursday, Friday and Saturday. Wednesday is a holiday.

THE WHEAT IMPORT DUTY (EXTENDING) BILL.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I move for leave to introduce a Bill to extend the operation of the Wheat (Import Duty) Act, 1931.

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): Motion moved:

"That leave be given to introduce a Bill to extend the operation of the Wheat (Import Duty) Act, 1931."

The motion was adopted.

The Honourable Sir Joseph Bhore: Sir, I introduce the Bill.

THE INDIAN INCOME-TAX (AMENDMENT) BILL.

(AMENDMENT OF SECTION 4.)

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

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (*amendment of section 4*), be referred to a Select Committee consisting of the Honourable the Law Member, Raja Sir Vasudeva Rajah, Pandit Satyendra Nath Sen, Sir Hari Singh Gour, Sir Cowasji Jehangir, Mr. Muhammad Azhar Ali, Mr. B. V. Jadhav, Mr. R. T. H. Mackenzie, Kunwar Raghubir Singh, Mr. N. N. Anklesaria, Sir Muhammad Yakub, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

[Sir George Schuster].

Sir, in moving this motion and in asking the House further to consider this Bill, I am treading once again on very well known ground. The memory of the earlier Bill, which was discussed in this Assembly a year ago, will be fresh in the minds of all Honourable Members. That, as all Honourable Members will recollect, was a more ambitious measure. It aimed at altering the whole basis of taxation, so that a man resident in India would have to pay tax on the whole of his income wherever it was earned and wherever it was received. The House, after long consideration by a majority decided that that Bill should not go to a Select Committee. I think, if I may say so, that the House or the majority of the House made a profound mistake in that opinion and I venture to prophesy, that when a new Government of India in a Federal India has taken over the charge of affairs, it will not be very long before a responsible Finance Minister looks up the records of this wicked official Government and finds in that attempt of ours some virtue which he will try to imitate and gain credit for. But, Sir, the House took a decision and it would of course be useless for me to come again so early to ask it to reverse that decision. Nevertheless, the position which exists at present is so anomalous and inequitable that I have ventured to ask the House to consider now a much more modest measure, but one which will, we hope remove at least the worst of the existing inequalities and anomalies.

The present measure is a very simple one. At present, as all Honourable Members know, of income, which accrues or is earned abroad, the only class of income which can be subjected to deductions of Indian income-tax is income earned in the form of business profits which is remitted to this country within three years from the date when it was earned. The present Bill seeks to extend that principle to cover all income including income from investments and to withdraw the period of three years limitation. I do not think that there is anybody in this House who can quarrel with the principle that income earned on investments should be treated in the same way as business profits or who would attempt to justify the fact that, if a man living in India seeks to invest his money in foreign investments and if he brings that income back to this country, he should then be treated differently to his more patriotic confrere who has invested his money in Indian rupee securities. I hope that there will be no difference of opinion in this House on the principle that if income of that kind is not received within a period of three years, it ought, therefore, to be exempt. I would ask the House and, I do not wish now to take any long time in dealing with the merits of the measure, just to consider the simple issue which is involved in that particular amendment. It means this, that if the three year limitation is retained, then the rich man, the man who can afford to allow part of his income to accumulate, who does not want it to meet his daily expenditure, is put into a privileged position as compared with a poorer man who has to use the income which he earns from investments to meet the cost of daily living. I can conceive of no justification for making any such distinction. That, Sir, is the very simple object of the Bill. We had originally intended, seeing that the measure is of so simple a nature, to move for consideration and passing at once, but, on a further examination of the issues, I was impressed by the fact that, although the Bill is simple in form, there may be a great many complications in connection with its operation, and I felt that it was desirable that there should be an opportunity for discussion in Select Committee

of all the practical points and difficulties which might arise. Therefore, I am only moving now for reference of the Bill to a Select Committee.

I have only one more thing to say in conclusion and it is this. We cannot and we have never been able in connection with measures of this kind to give any accurate estimate of the revenue which would be produced. Nevertheless, from careful inquiries from the Income-tax Commissioners we think that even from this modest measure quite an appreciable revenue might result. If that is the case, and I hope it will be the case, I want to ask the House to consider that possibility in the following way. In asking now for a measure which might increase our revenue, we are not seeking to put additional burdens on the tax-payers of this country. I would ask Honourable Members to regard the possibility of additional revenue rather as a possibility of finding a means in this way of producing revenue which would replace revenue which is now derived from other sources. This measure should be regarded as one which, if it succeeds, will result in a more equitable distribution of the burdens of taxation and not an increase in those burdens. I think that I have now sufficiently explained the measure to the House and our reasons in moving it.

If the House follows this procedure and passes this Bill, we shall, in effect, be embarking on a course very similar to that which has been followed by the British Government as regards the taxation of foreign income. The British law, Sir, formerly was very similar to that which would become our law if this measure was passed. Up till, I think, 1915, income earned on foreign investments in the United Kingdom was only taxed if remitted to the country. After that, they found it necessary to increase the scope of their measures for getting at foreign income and to adopt measures very similar to those which were provided for in the larger Bill which this House rejected last year. If I may return to what I said at the beginning, I think this may be the first step on the same road which the British Government has travelled. Sir, I move.

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): Motion moved:

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (*amendment of section 4*), be referred to a Select Committee consisting of the Honourable the Law Member, Raja Sir Vasudeva Rajah, Pandit Satyendra Nath Sen, Sir Hari Singh Gony, Sir Cowasji Jehangir, Mr. Muhammad Azhar Ali, Mr. B. V. Jadhav, Mr. R. T. H. Mackenzie, Kunwar Raghbir Singh, Mr. N. N. Anklesaria, Sir Muhammad Yakub, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Mr. Deputy President, I do not think any very useful purpose will be served by trying to prophesy as to what is going to happen in the dim future. We have indulged in that sort of thing outside the House and I think it would satisfy us if we could consider this Bill as it stands and under present conditions. "Sufficient unto the day and the evil thereof." Mr. Deputy President, when the Honourable the Finance Member regretted the action taken by this Honourable House on the very unjust and, I may say, extravagant measure that he placed before us a year ago, I on my part not only congratulated this House, but most definitely state that this House showed a greater sense of justice and a greater sense of common sense than the Honourable the Finance Member on that

[Sir Cowasji Jehangir.]

occasion. I do not wish to indulge in any further criticism on this occasion, but when the Honourable the Finance Member talked of past history, I regret he did not complete his story. Sir, this Bill, under certain conditions, would be taxing capital, and not income. Sir, the Income-tax Act was never intended to tax capital; and if the Honourable the Finance Member means that a future House will tax capital

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): There is no chance of that.

Sir Cowasji Jehangir: well, then, why not go straightaway to communist principles and say that the future House will be right in adopting principles which will have the effect of depriving us not only of our hard-earned incomes, but of our capital. The history of this Bill is not so simple. It does not go back merely to last year. The Honourable the Finance Member did not inform this House that this proposal had been placed before this House in 1922. Sir, it was included in the Bill that became the Act of 1922. When it went to a Select Committee, it was summarily rejected and that rejection was accepted by the Finance Member, and I will read out to you what the Select Committee said on a provision in the Bill which was intended to have the same effect. This is what the Select Committee said:

"We agree with the criticisms brought against the provisions of the clause that it goes much further than the object aimed at in the Statement of Objects and Reasons and, in particular, that it makes no distinction between capital and income. We have, therefore, amended the sub-clause in order to restrict its application to the case of business profits or gains which are received or brought into British India within three years of the year in which they arose or accrued in a place outside British India to a person resident in British India when they arose or accrued."

Mr. Deputy President, the Select Committee in 1922 rejected a clause in the Bill which was intended to have the same effect as one of the clauses in this Bill. Now, this Bill, in short, means that if there are any incomes from investments or business profits accruing outside India, you cannot bring the income from that business or those investments into India at any time without being submitted to income-tax. I will give you an illustration. Suppose you have an income of £1,000 a year outside British India and it accumulates for some years and it becomes £12,000. Now the whole of that £12,000 will be liable to income-tax when you bring it into India at any time after it has accrued, even 20 years after, and, therefore, income or savings from income can never become capital under this Bill. That is in short the effect of this Bill and I am going to appeal to this Honourable House whether that is a fair state of affairs. Now I admit that income brought into this country should be taxed, but to prevent a man converting his savings into capital is not a principle I would ever admit or that I trust this House would ever admit. Look at the unfairness of it, If you brought the income into this country in each year in which it accrued, you would have to pay super-tax on anything above Rs. 30,000, but if it went on accumulating for five or six years and then you brought it into India, then you would be liable to super-tax on the whole of it,—only being excused for the first Rs. 30,000. I say, Sir, that this is not an Income-tax Bill: it is a levy on capital.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): Why don't you invest your money there in England?

Sir Cowasji Jehangir: Mr. Deputy President, I do not desire to go into any further details of this Bill as it is going to a Select Committee. I am quite prepared to discuss it there, and I can only express the hope that the Honourable the Finance Member will see our point of view and will allow such amendments to the Bill as will, in our humble opinion, be quite fair both to the individual and to the State.

There are many other points in this Bill which I could have brought to the attention of this Honourable House if it had not been
12 Noon. going to Select Committee. But when I agree to serve on the Select Committee and advise this House to allow it to go to Select Committee. I trust the Honourable the Finance Member will not state that there is any question of principle involved when we come to suggest amendments to the Bill. There are only two clauses in the Bill and I take it for granted that it will be open to us to move any amendment which may have any effect and that no question of order will be raised that it involves a principle in the Bill.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, in view of the fact that this Bill goes to the Select Committee, I do not oppose it *in toto*, but I strongly protest against it for this reason. My Honourable friend, Sir Cowasji Jehangir, was talking about investments; my objection is regarding agricultural income that accrues to a person outside British India, for instance in the Native States. Now, Sir, you have got some land, say, in some Native State. There you have got to pay the taxes including the land tax, and then what remains—after paying their taxes and after meeting the cultivation and other expenses, after meeting the numerous demands that are made upon the agriculturist,—there is a small margin left; and if you keep it there for some time, as Sir Cowasji said, for eight or ten years until it goes up to an appreciable amount, and then bring the amount to British India, then the tax-gatherer pounces upon it and says you must pay income-tax. That is very unfair. The first and the most important principle upon which income-tax legislation is framed is that you should not tax agricultural income, simply because agriculture pays the land tax which is the largest item of Government revenue in this country.

Now, Sir, in the case that I have put before you, the position that you are reduced to is that you have got to pay the tax twice-over for the sin of your owning land outside British India. That, Sir, is the position that I brought to the notice of the Honourable the Finance Member when the Bill was moved last year and he was good enough to say that the matter could be arranged somehow or other. What I mean to say is that the Bill, as framed, purports to tax any income from a foreign source, and my agricultural income is from a foreign source, because the Indian State is not in British India. When it comes here, it is liable to be taxed again; having been taxed once at source, it is again taxed here when it is received. It is a double source of tax on the same income. and, I say, that it is unfair, unjust and unreasonable. That, Sir, is the reason why I say that I strongly protest against this Bill and join my appeal with Sir Cowasji Jehangir that this question may be considered in the Select Committee without regard to the technical question whether it is a question of principle or detail, and that due provision should be made for a complete exemption of the

[Raja Bahadur G. Krishnamachariar.]

income derived from agriculture from a foreign source. That, Sir, is my objection to this Bill, and I hope the Select Committee will take note of it when the time comes.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Sir, I must congratulate the Honourable the Finance Member on the very little opposition that this small Bill has evoked this time. We know the volume of opposition that it evoked last time, but today even my Honourable friends, Sir Cowasji Jehangir and Raja Bahadur Krishnamachariar, are, I find, both willing to go to the Select Committee. That is a matter of congratulation to the Finance Member by those who at that time supported him in a measure like this. Sir, I believe that even if we had not sent the Bill to the Select Committee and if we had considered it here, we could have disposed of it, if so minded, in 15 minutes. But, probably, in order to soften the opposition and to hear the opposite side as much as possible, the Honourable the Finance Member has thought fit to ask that it should go to Select Committee. Sir, I could not exactly follow the line of argument of Sir Cowasji Jehangir when he said that there is a communist principle behind it. We are all afraid of communism, whether we are possessed of crores or thousands only, and I think all these things need not have been introduced in the argument and a qualified support given to the motion for Select Committee. It has been said that we are taxing capital. I have looked at the provisions of the Bill and I have also heard the arguments of the Honourable Member whom I referred to just now and I could not find that we are taxing capital at all. However I support the motion for Select Committee, and I hope there will be no such opposition as there was last time.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I wish to associate myself with what has fallen from my Honourable friend, Raja Bahadur Krishnamachariar. In the Statement of Objects and Reasons we find it stated:

"It is, therefore, proposed to amend the section in question so as to render all foreign income of a resident in British India from whatever source derived, liable to income-tax in British India, whenever it is received in or brought into British India."

The words are "from whatever source derived". Evidently agriculture incomes are also included. Mr. Deputy President, you must be aware that people living in Malabar have their lands in the adjoining State of Cochin, and, similarly, the people of Cochin also have their lands in British Malabar. They depend upon the income from the land for their very subsistence. Sir, these people have got to pay their land tax in the State and if they are assessed to income-tax also, they will have to pay a double tax. Already, they find it very difficult to pay their land tax on account of the very low prices of commodities, and, if this Bill is passed into law, it will be very difficult for them to get on. I feel I must, therefore, oppose this Bill. If, however, Government are prepared to exclude agricultural income, I shall consider whether I can give my support to it.

Mr. Abdul Matin Chaudhury (Assam: Muhammadan): Sir, I want to say just two words in support of this motion. Sir Cowasji Jehangir says, it is a tax on capital, a capital levy. If it is a tax on capital, it is not on capital in the country, but a tax on capital that has been exported

abroad, capital that has been sent abroad for financing British industries by starving the industries of our own country. And, Sir, I will not support that unpatriotic adventure. That is why I support this motion.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadian Rural): Sir, speaking from the point of view of the smaller agriculturist as well as ordinary middle class people, and not as a capitalist, I have great pleasure in supporting this Bill. It is quite natural that a big capitalist like Sir Cowasji Jehangir would oppose this Bill, but I am glad to find that he also agrees to serve on the Select Committee and bring about some modifications in the Bill. My chief ground for supporting this Bill is that the rich people are comparatively escaping taxation, whereas the poorer people who get an income of Rs. 1,000 come under taxation.

Captain Sher Muhammad Khan Gakhar (Nominated Non-Official): You will do the same, if you are rich.

Mr. T. N. Ramakrishna Reddi: Perhaps I am not rich, and that is why I am not supporting him; as I already said, I was speaking only on behalf of the poorer people. There is a very clear case to prove my point—the case of Sir Ali Imam. He received very large amounts of money, extending over lakhs, when he had to terminate his services in the Hyderabad State and then he authorised the Imperial Bank Branch at Hyderabad to receive that amount and, subsequently, got it transferred to Patna. Then the Income-tax Officer levied income-tax upon that big amount, when he refused to pay, and the case went up to the High Court. The High Court held, applying section 4(2), that this was not an income which could be taxable as it was not earned in the course of “business”. Here, applying section 4(2)—“Profits and gains of a *business* accruing or arising”—it is contended that this big amount was earned on account of the “services” which he rendered to the Hyderabad State and so it does not come under “business”.

Raja Bahadur G. Krishnamachariar: That was not the ground.

Mr. T. N. Ramakrishna Reddi: That was one of the grounds. If my Honourable friend wants me to quote the judgment, I will do so.

Raja Bahadur G. Krishnamachariar: I know that case by heart. That income was exempted, because it was not received in British India. The section requires that the income should be received in British India. Their Lordships of the Patna High Court held that it was an income which was not received in British India, because you cannot receive income in two places. As it had already been received in the Residency Bazar which is not in British India, and having been received there, merely transferring it to Patna, cannot constitute receiving in Patna, and that, therefore, the income not having been received in British India for the first time it is not liable to be taxed. Perhaps if you will refer to the case you will find that that is the ground on which they disallowed the claim.

Mr. T. N. Ramakrishna Reddi: That is also one of the considerations, but the High Court's finding also was that it was not derived out of business. They expressed some doubt as to the ground whether the income was derived in British India or outside British India. But about this ground they had no doubt at all that it was not earned in pursuance of a business, and hence they did not levy income-tax on that income.

Now, this Bill seeks to eliminate the word "business" enabling all sources of foreign incomes to become liable to taxation. I agree with my Honourable friend, Raja Bahadur Krishnamachariar, that the Honourable the Finance Member should see his way to exclude agricultural income. He has got very good ground for it, because, at present in India, the Government are not taxing agricultural income, and when they do not tax agricultural income, it stands to reason that they ought not to tax foreign agricultural income as well, whether it accrued or arose either in India or elsewhere outside India. There you have very reasonable ground for exclusion of agricultural income from income-tax and I shall be glad if the Honourable the Finance Member will agree to it. My Honourable friend, Sir Cowasji Jehangir, said, this Bill aims at taxation on capital. If that is so, Sir, then the proviso ought not to have been placed in the clause at all, that is to say:

"provided that they are so received or brought in within three years of the end of the year in which they accrued or arose."

If the framers of this legislation of 1922 had eliminated this portion, then it would have been all right, but they have agreed to tax an income which has been brought into India within three years. When they have agreed to that, I do not see any reason why they should not agree to the tax if foreign income has been brought in India even after three years, say, four years, five years, and so on. A foreign investor cannot be made to treat accumulated income as capital.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): His intention is all along to treat it as capital.

Mr. T. N. Ramakrishna Reddi: Why should he treat it as his capital and escape income-tax? I say, he must pay income-tax. Why should you invest your capital outside India? (Hear, hear.) There are any number of struggling industries in India, the capitalist is not coming forth to improve the industries, and if he finds any better investment, he is prepared to invest his money in other countries and invest in the best possible securities. I have absolutely no objection for their doing so. Let them invest in any other country, but let them bring their profits into India, so that the profits at least might be invested in the country. Capitalists want to invest their profits again in the foreign country, so that they may not be brought into India for a long time. Even if they are brought, they will be in the hands of a few capitalists. It will not be distributed in the country. It will be locked up with a few.

Now, Sir, the world is suffering from accumulation of gold in America and France. We are trying to see that gold does not accumulate in one country or with one individual. It is always for the good of every country as well as for every individual that money circulates freely. It is a very salutary provision which forces capitalists, if they invest capital outside, to bring in their income in the country, so that they might pay

a little amount of taxation instead of paying a bigger amount when it is accumulated. It will also be a check on the person not to accumulate the capital, but to invest it in various concerns in this country. I have great pleasure in supporting this Bill, and I would request the Finance Member to see that agricultural income is excluded.

Diwan Bahadur Harbilas Sarda (Ajmer-Merwara: General): Sir, I understand that the principle of the Bill is that income from investments in foreign countries or in any country outside British India, when that income is brought into British India, should be liable to pay income-tax. That is a very sound principle and I do not think anybody can take objection to that. The question that has been raised by an Honourable gentleman is that if that income remains in a foreign country and takes the shape of capital, any interest accrued on that capital ought not to be taxed, though this Bill makes that income liable to income-tax. I am not quite able to understand why that income should not be taxed. Suppose a sum of thousand rupees accrues as income on investments or business in London: that amount of thousand rupees remains in London, and on that amount an income of Rs. 200 accrues. The question is whether that sum of Rs. 200 should be liable to pay income-tax. As I understand it, the point is this: because the sum of thousand rupees becomes capital in England and it is invested there and that, having become capital, the further income on those thousand rupees, namely, 200 rupees, should, according to my friend there, be exempt from income-tax. I do not quite see why it should be exempt . . .

Sir Cowasji Jehangir: If I may point out to the Diwan Bahadur, the thousand rupees is never allowed to become capital: not only is the thousand rupees not allowed to become capital, but for as many years as it remains outside India, it remains as income and when it comes into India, it will be taxed at compound interest.

Diwan Bahadur Harbilas Sarda: I quite see the point. That is what I said—that the thousand rupees if invested in any other security or something, according to my Honourable friend, becomes capital and that should be exempt from income-tax, because it became capital; in other words, it takes the shape of capital. If that thousand rupees comes to India just as it accrued, it would have paid income-tax. Why should it not pay income-tax if it comes after six months, or six years, or sixty years? What does it matter as to when it comes? It accrued as income; and, if it accrued originally as income, there is no reason why the nature of the thing should be changed, because it remained there for a longer time than two or three years. I do not quite see it myself. I say that this is only a way of evading income-tax. I have got some foreign investments; instead of getting income from them into India as it accrues, I ask my Bank there in England to invest that money in securities there. That investment is in reality not capital sent out of India, but it originally was, and its nature still remains to be that of income. Any income derived from that income which has now taken the shape of capital is also income. So far as India is concerned, so far as I am concerned, all that is my income, and I do not see why I should not be liable to pay income-tax on the accumulated money there if I am liable to pay income-tax at all. If you exempt me altogether from income-tax, that is a different thing; but otherwise I think that all the income

[Diwan Bahadur Harbilas Sarda.]

accounted there which you might call capital or income which in reality is nothing but income should be liable to pay income-tax. As far as I can see, I do not see much reason in that objection.

But there is another little point about which I want to be enlightened by the Honourable the Finance Member. As this provision applies to all income which accrues outside British India, I just want to find out whether in the case, which I formulate, the income would be liable to be taxed: Supposing a man lives in Marwar; he has lived all his life in the Jodhpur territory; his father and his forefathers also lived there and they have a business which has been in existence for fifty years or a century or two centuries. The man comes and opens a shop in British India and makes that place his headquarters. The business in Marwar continues. Whatever capital there was remains there: whatever income accrues from that capital in business remains there. But the proprietor of that Marwar business as well as business in British India lives in Ajmer; the books are kept in Ajmer and the accounts of all the branches including the business in Marwar as well as those branches which are in British India, they are all entered into the accounts of the head firm in British India. As a matter of fact, the capital invested and the income accrued in Marwar remains there; but the entries of profit and loss are made in the account books kept at the headquarters here. As a matter of fact, in reality, there is no transfer of income from foreign country to British India, but the paper entries are made and the accounts of the head firm show the whole of that man's business. Will the income, which accrues to that man in Marwar and which actually remains there, but only paper entries are made in the head firm, will that income or that profit be liable to income-tax? That is what I want to know. I do not see the justice of taxing that man's income which, as a matter of fact, does not actually come, but remains in that firm, but is shown in the books kept in British India; and when the income-tax officer examines the account books at the head firm, he finds all these entries there of income. If that Marwar income is exempt, I have nothing further to say; but if that income is also taxed here, then, I think, it is a matter which requires to be looked into, and the Honourable the Finance Member will in justice see that this unfairness is not committed.

Mr. K. Ahmed: Sir, I have no quarrel with any of the previous speakers.

[At this stage Mr. Deputy President (Mr. R. K. Shanmukham Chetty) vacated the Chair which was occupied by Sir Leslie Hudson.]

Because many of them in their reasoning are perfectly right.

With regard to the capital money and its investment in England mentioned in his speech by the Honourable Sir Cowasji Jehangir, this has been explained by my friend from Ajmer. The question that the profit brought into British India accrued on agricultural investment in an Indian State should not be taxed is not a reasonable proposition, and I must say that this has been brought out wrongly by the Honourable the Raja Bahadur. My submission to this Assembly, and I hope this will be placed before the Select Committee after the reference motion is carried out, is this: the Secretary of State had announced a loan only a few days ago called the Sterling Loan of the Secretary of State for India. A great part of this Sterling Loan was subscribed from India through the Imperial Bank

of India and some other channels. People understood—I mean the investors understood,—that they were not going to make payment of any further income-tax under the old Act. Clause 2 of this Bill says:

“(b) the words “provided that they are so received or brought in within three years of the end of the year in which they accrued or arose” shall be omitted in sub-section (2) of section 4 of the Indian Income-tax Act, 1922.”

I understand this is a Loan which was floated about two years ago, and if the interest has accrued within three years since that date and within three years, that will not be taxed. I am afraid if this is a Loan which was really floated, giving a promise to the investors in British India that that will not be taxed, this promise has been implied by the Secretary of State. The Loan has been floated by the Secretary of State for India to which the people of India have subscribed. I believe there is some reasoning behind it, and that reasoning goes much further than that described by my friends, Sir Cowasji Jehangir, and the Raja Bahadur who is sitting behind me. Sir, will the Honourable the Finance Member please explain to us what is the meaning of the expression “‘provided they are so received or brought in within three years or at the end of the year in which they accrued or arose’ shall be omitted”. If he means three years only from last year, then, I am afraid, the people who have invested money in British India and get their profits and gains from such investment will be the victims. Therefore, I want to point out that this clause should be more clearly explained when the Bill emerges from the Select Committee for our consideration, so that at least the implied promise of the Secretary of State on behalf of His Majesty the King and who is also responsible to the investors in British India may be fulfilled. I leave this subject here without any further comment, and I must tell the Members of this House that I have no quarrel with them.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I rise to make only two observations on this Bill. My first observation is this. I understand that income-tax will be transferred to the provinces,—this is the impression which I got from those members who went to the Round Table Conference. We are just on the eve of the new constitution, and I think it is not correct to make a series of changes in the Income-tax Bill just at this juncture when the whole subject is going to be transferred to the provinces. I know that some of the provinces will legislate . . .

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): May I just correct one small misapprehension of my Honourable friend. The proceeds of the income-tax will be transferred to the provinces, at the end of a certain definite period of time, but legislation on income-tax and the administration of income-tax will continue to be Central. That is the suggestion.

Dr. Ziauddin Ahmad: Thank you very much. That is the suggestion of my friend here, but I believe that it is still the subject of discussion, and many provinces desire to have the administration and legislation on income-tax in their own hands as a necessary part of provincial autonomy. I know that this is the view in my province, and, I believe, the same view is held in other provinces as well, and, therefore, before this question is definitely decided, whether the income-tax head will or will not be transferred to the provinces and whether they would like to tax the agricultural income or not, it is very desirable that

[Dr. Ziauddin Ahmad.]

no legislation should be passed just on the eve of the constitutional reforms. Therefore, Sir, I am opposed to any kind of changes in the income-tax law just at this juncture, and I think we should wait till the new constitution comes into existence.

The second observation I wish to make is this, that many Honourable Members, who have spoken in favour of this particular Bill, had evidently in their mind the income accruing in India and also the income accruing outside India, that is the United Kingdom, Europe or America. This question will not probably offer much difficulty, but the point offering serious difficulty will be the income accrued in Indian States and in British India, and confusion is sure to arise. My distinguished friend, Diwan Bahadur Harbilas Sarda, gave an example of certain merchants who have their headquarters in Ajmer, while their business is done in Indian States. You will find many examples of this kind, there will be many people falling under this category who may have business in Bombay or Calcutta, and also in Indian States. These people have two homes, one in British India and another in an Indian State, and as soon as they find that the whole of their income is liable to be taxed, they will try and transfer their headquarters from British India to Indian States and thus evade altogether the payment of income-tax

Diwan Bahadur Harbilas Sarda: No, they won't.

[At this stage Mr. Deputy President (Mr. R. K. Shanmukham Chetty) resumed the Chair.]

All these things will have to be considered very carefully. Many of the Indian States do not levy any tax on income, perhaps some Indian States do levy, but the majority of the Indian States do not levy any income-tax, and it would be very unfair that some persons who keep their headquarters in British India should be taxed, while others who transfer their headquarters to Indian States should be free from paying income-tax, though both carry on the same business and both derive their income from the same sources. I think the proper time to discuss these questions would be when the new constitution comes into operation and when the Federation comes into existence, because then it will be possible to have some sort of understanding between Indian States and British India. Therefore, in order to avoid confusion, I would very strongly recommend that this measure should be postponed till the Federal Assembly comes into existence. I agree entirely in principle that income which is accrued outside India should be taxed, but the clause, as it is worded, is bound to cause confusion. What I am very much afraid of is this. If the transfer of business from British India to Indian States takes place on a vast scale, then the actual receipts from income-tax instead of increasing would diminish. On this point I should have liked the Honourable the Finance Member to give us some data. He has merely cited a hypothetical case and asks us to legislate for income-tax on the eve of the new constitution.

Mr. C. C. Biswas (Calcutta: Non-Muhammadan Urban): Mr. Deputy President, as compared with the Bill which was before this House a year ago, there can be no doubt that the Bill which has been placed before us is a comparatively small measure. The Honourable the Finance Member, no doubt profiting by last year's experience, has attempted to follow the line of least resistance. What he seeks to do is no more

than to extend the principle which is already recognised in the existing Act. The extension he proposes is this, that whereas under the existing Act only income arising out of business abroad is liable to tax if it is brought into British India within three years, income of all kinds should be taxed, irrespective also of the time when it is brought into British India. Sir, on principle, it is somewhat difficult to resist the extension of this principle. I was really wondering what was the basis of the differentiation which you find in the existing Act. So far as the three years' limit is concerned, my friend, Sir Cowasji Jehangir, no doubt gave us some explanation, but I heard nothing from him or from other speakers as to the grounds on which the differentiation was meant, when the Act of 1922 was passed, between income arising from business and income from other sources. As I have said, on principle it is very difficult to discover the distinction between income of the one kind and income of other kinds. There may be something to be said on the question of the three years limitation. I do not agree with my Honourable friend, Sir Cowasji Jehangir, that doing away with the time limit necessarily involves a levy on capital. That is not so. Therefore, although I was one of those who opposed the measure which was brought forward a year ago, I can accord my whole-hearted support to the present Bill.

There are just a few points, however, to which I should like to invite the attention of the Honourable the Finance Member and of other Honourable Members in the House. Comparing the existing Act with the Bill, I find that the expression "profits and gains" is going to be retained. If you look at section 4, sub-section (1), where are mentioned the various kinds of income which are made from time to time, you find the expression used there is "all income, profits or gains". In sub-section (2) which follows, the word "income" is left out. That is done because, there, reference is made only to income from business, and possibly, applied to business the expression "profits and gains" is more appropriate. If it is desired, as I think the object of the Bill is, to secure that income of all kinds is to be included, then I do not see why you do not have the expression "income, profits or gains" instead of merely "profits and gains". Otherwise, if you leave the words as they are, it might lead to the argument that some sort of differentiation was still intended. So, as the Bill has been drafted, it does not seem to carry out the full object. The other point which I wish to make is, if you refer to section 49 of the Act, you will find that there is relief granted against double taxation so far as income which accrued or arose in the United Kingdom is concerned. What are we going to do in order to secure relief from double taxation in respect of income which accrued in foreign countries other than the United Kingdom? As a matter of fact, it is only fair that if you have a provision like section 49 which does provide for a refund to the assessee, if he has already been taxed in respect of the same income in Great Britain,—I see no reason why similarly it should not be granted in respect of income accruing in any other foreign country. That is a point to which I should like to draw the attention of the Finance Member. It may be a matter of practical difficulty, because in England they have the Finance Act and you may have reciprocal legislation as between that country and this, and it may not be possible to secure similar reciprocity in regard to other foreign countries. However, I do not wish to pursue the matter, but I draw the attention of the Finance Member to this point.

[Mr. C. C. Biswas.]

Lastly, on this question of agricultural income to which my Honourable friends have referred, I do not see that there is any ground for the apprehensions they have expressed. All that we need do is to turn to section 4, sub-section (3). That sub-section refers to exemptions. It specifies the different classes of income to which the Income-tax Act shall not apply, and agricultural income is one of these—item (viii). Agricultural income being there, it means, whether it accrues in British India or outside British India, it is exempt from taxation. Merely because an amendment is proposed to be made in sub-section (2) of section 4, it does not follow that the force of sub-section (3) is done away with. Sub-section (3) says:

“This Act shall not apply to the following classes of income.”

That means that this Act will include sub-section (2) as amended, and because this Act does apply or will apply to income which accrues not merely in British India, but also to income received out of British India, and sub-section (2) says that in certain circumstances income actually accruing outside British India may be deemed to have accrued in British India, therefore I submit that the exemption clause will apply equally to income which is specified in sub-section (1) of section 4 and income which is referred to in sub-section (2) of section 4. With these words, I support the motion before the House.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): I rise to support the motion moved by the Finance Member for referring the Bill to a Select Committee. I admire his tactics in referring this small Bill to a Select Committee in order to avoid very long discussions, very rambling discussion in the House.

An attempt has been made to arouse the indignation of the House against levy on capital, and it is dubbed to be a plank in the communist programme. I do not think that there is anybody in this House who whole-heartedly admires the communist programme. At the same time, I may point out that capital levy is not quite unknown to the financial policy of the British Government. When very heavy death duties are levied from millionaires and multi-millionaires in England, it is nothing but a levy on capital, and in that way the capital of big magnates is reduced and brought to normal proportions. The question of levying death duties in India is being tackled by various Provincial Governments, but they are meeting with very great opposition and I do not know when that levy will come into operation. But, I may say, that the bogey of capital levy need not frighten us.

My Honourable friend, the Raja Bahadur, has raised a question about the levy on agricultural income from Indian States outside the limits of British India. Income from agriculture, acquired out of British India, when brought into British India is assessed to income-tax. That is but right. The income, when it comes into British India, cannot be called agricultural income in British India. What is exempted is income from agriculture in British India and not income from agriculture outside British India, and, therefore, it is properly taxed under the Income-tax Act. I do not see that there is any necessity to exempt that income. If a gentleman owns big landed estates in Indian States and he lives at ease

in British India on the income from those estates and enjoys all the privileges and all the protection which the British Government give him, his income ought to be taxable, he ought to contribute to our revenues

Kunwar Hajee Ismail Ali Khan (Meerut Division: Muhammadan Rural): What about the revenue which he pays in the Indian State?

Mr. B. V. Jadhav: He pays land revenue there for the land which he has got there, but when he transfers that income to British India and enjoys it here, then it becomes his income and is liable to income-tax.

Kunwar Hajee Ismail Ali Khan: Double taxation.

Mr. B. V. Jadhav: It is not double taxation. If it were income from the investment of money, then it would have been assessed in the Indian State to income-tax if there be one, and also taxed in British India. If it is trade, the profits from the trade acquired there will be taxed in the State and they will also be taxed if transferred to British India. So, also, in the same way, if agricultural income from Indian States is brought into British India, it is equally liable to tax and I do not think there is any iniquity. Therefore, I whole-heartedly support this measure.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): I do say that the Honourable the Finance Member is very fortunate in that he has an easy walk-over in connection with this important Bill. With no new reasons given today, I was not able to understand how the old opposition has been done away with at the very outset today.

Sir Cowasji Jehangir: The opposition has not been done away with.

Mr. Lalchand Navalrai: Sir, many of the Members are in favour of the Bill being sent to Select Committee, but I find that objections raised in this House go to the very principle of the Bill, and I do not understand if those, who are in favour of sending this Bill to a Select Committee, will have their object achieved there. I do not think that even the Honourable the Finance Member himself expected that at this very early stage there will be no opposition to this Bill. It is not being denied that we are very much familiar with this Bill, its principle and its object. It is also not being denied that this Bill is identical with the former one, in so far as clause 4 is concerned, and, as such there is no difference between this Bill and the former one which was rejected by this very House by a large majority. Therefore, I submit that if the objections that my Honourable friend Sir Cowasji Jehangir has put forward *viz.*, that all income derived from whatever source should not be assessed in India when it arrives here, and that the time limit for assessment thereof should not be extended, are fully appreciated, there can be no doubt that they go to the very root of the Bill. I am also at a loss to understand how Sir Cowasji Jehangir has been persuaded to think that he can get these two objections remedied in the Select Committee. If he gets it in the Select Committee, it is virtually getting the whole Bill thrown out and I would certainly agree if an undertaking is given that these two objections—that income from whatever source will not be assessed to income-tax and that

[Mr. Lalchand Navalrai.]

the limit of three years will not be extended,—will be considered, then, in that case, I will agree to the Bill being committed to a Select Committee; but if there be any apprehension of an impediment arising in the way of getting this Bill improved upon in this direction by the Select Committee, I object. With regard to these objections, I must say that they were fully considered last time, and many of us who were present opposed the Bill on these grounds. I for myself am at a loss to understand what has happened after that that Member after Member rise today and want the Bill to be sent to a Select Committee. In my humble opinion, there seems to be no chance of rejecting the Bill at this stage, judging from the sense of the House, and, if this Bill should thus go to a Select Committee, the only course left to me is to request the members of the Select Committee to give full consideration to what I urge. The point is that the charging of all kinds of income, irrespective of its sources, will create many complications. I shall give an instance.

Suppose a capitalist takes money from here and goes outside. He has no use for it there, and brings it back after ten years. Will he be charged income-tax on it or not? Will he be charged on the capital taken away from India which produced nothing? Is it equitable that this should be done? It will also be observed that this would also be an obstruction to investments being made anywhere at one's free will. It is no doubt claimed that investments should be made by the capitalists in India, so that India will be the gainer. I submit, if freedom is given to a man to invest money anywhere he chooses to his advantage, and if he brings back an increased sum of money and uses it in India, he would be more useful to India. I would, therefore, submit that the original object of the law, as it was contained in the Act of 1922, charging income derived from business only was a very well considered one and should not be departed from. Let me quote the concrete case of a class of merchants called Sind-Work merchants from Sind. I can personally say that, when they make investments outside, they bring in more money and thus supply greater resources for use in this country. With these words, I support the motion for the Bill being sent to a Select Committee, but I would again remind the members of the Select Committee to carefully consider the objections that have been raised here.

Dr. F. X. DeSouza (Nominated Non-Official): I am one of those who extended a very hearty support to the measure when it was brought by the Honourable the Finance Member a year ago. I still extend that support now, but I regret to see that the Honourable the Finance Member has not paid any attention to the objection which I then made in connection with the Bill and that is that income derived from agriculture in Indian States and brought into British India should be exempted from further taxation in this country. Personally I think that section 4 of the Income-tax Act has been incorrectly interpreted. I agree with my Honourable friend, Mr. Biswas, and differ from the view expressed by my

1 P.M.
Honourable friend, Mr. Jadhav, when he says that under sub-section (3) (viii) of section 4, the exception with regard to agricultural income therein made should extend not only to British India, but also to Indian States. Apart from that, Sir, if you read sub-section (2) of section 4 which is now sought to be amended, it is distinctly provided that profits and gains of business accruing or arising without British India to a person resident in British India shall be liable to

taxation. Now, it has been interpreted by the income-tax authorities that "business" in this clause includes agriculture. In ordinary parlance, I should say that a business includes trade and industry, and agriculture is a profession independent of business. I should, therefore, have said that in interpreting section 4, sub-section (2), the income-tax authorities should, in the ordinary course, by a correct interpretation of the word "business" in sub-section (2), have exempted income derived from agriculture in Indian States from further taxation in this country. Honourable Members, coming from the South of India, like Raja Bahadur Krishnamachariar, Mr. Thampan and others, who have spoken on the subject, feel the iniquity of having to pay income-tax on agricultural incomes twice over. My Honourable friend, Raja Bahadur Krishnamachariar, owns lands in Hyderabad. My Honourable friend, Mr. Thampan, owns lands in Cochin and Travancore. There are others who own lands in Mysore.

An Honourable Member: And you also.

Dr. F. X. DeSouza: Well, I do. And, on that ground, we pay considerable assessments to the Indian States.

An Honourable Member: Any income-tax?

Dr. F. X. DeSouza: We pay assessments—no income-tax. We pay heavy assessments on those lands in the Indian States. Now, when we bring that income into British India, under the law, as it is now administered, and even under the proposed law, we are subjected to fresh taxation. Now, this operates harshly in two ways. Firstly, I am speaking of those engaged in the industry of planting, say, coffee or tea or any other planting produce. Planters, who have lands, say, in Coorg, which is in British India, have to pay a lower rate of assessment than planters who plant in Mysore and yet their income from planting is exempted from income-tax, because they say that planting in British India is agriculture. It is true that tea planters pay a partial tax, because a portion of their operations in the factory is industrial and not agricultural. As regards the planters in Mysore, British as well as Indian, the moment they bring their income from planting into British India, heavy taxation is levied upon them. I think that is not right. Firstly, I think that income from agriculture should be exempted from taxation wherever the agriculture is carried on, whether in British India or in Indian States; and, secondly, I think that if that income is imported into British India, then it should be exempted from taxation. There is really no reason, in my humble opinion, for differentiation between agriculture carried on in British India and that in Indian States. I would, therefore, propose a simple amendment for the consideration of the Select Committee, and that would be this: "profits and gains other than profits and gains derived from agriculture wherever carried on". With these few words, Sir, I support the motion to refer this Bill to a Select Committee.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhamadan): Sir, I have great pleasure in supporting this motion. The Honourable the Finance Member has in his speech given all the arguments in favour of this Bill, and I do not wish to waste the time of the House by putting forward any reasons of my own. Sir, if my Honourable friend

[Mr. Gaya Prasad Singh.]

proposes to bring forward further measures in the same direction, I think he can get considerable amount of support from Members who, I may say, have no axes of their own to grind. (Laughter.)

Sir, my Honourable friend, Dr. Ziauddin Ahmad, said that a measure like this should not come at a time when constitutional changes are in sight. Well, if that argument is to hold good, we should all close our shops and go home, but, since we are doing legislative business here, it is our duty to see that proper measures are put on the Statute-book. My own regret is that the Indian Income-tax Act contains many anomalies, and my Honourable friend has been bringing forward these little Bills in dribblets. We should have expected a more comprehensive measure, codifying the provisions in a consolidated Act. I am very glad that my Honourable friend, Sir Hari Singh Gour, the revered Leader of the Opposition, is on the Select Committee, and I am sure he will recognize the strength of feeling in the House on this measure and he will whole-heartedly co-operate with the Finance Member in placing this measure on the Statute-book at as early a date as possible.

Sir Hari Singh Gour: Sir, if I have abstained from speaking till now, it has been because I wanted to hear from my friends behind me and those opposite to me as to what they think of this measure which the majority of this House rejected by a decisive vote given not 12 months ago. Now the Honourable the Finance Member has frankly confessed that this is a flank attack upon that decision of the House. He has informed the House that he is flinging upon us the same sort of measure so that the future Finance Minister may walk into the parlour which he is embellishing for his reception. I have not the slightest doubt, seeing the trend of opinions that are being expressed in the Assembly—representing as it does only a very small fraction of the population—as to what would be the reception given to a Bill even more strenuous and rigorous than this; well, the rank and file, and nearly 20 per cent. of the proletariat, will be represented on the Federal Assembly. The Honourable the Finance Member need have no apprehension, if that future Finance Minister was to bring forward a Bill that every section of the community that are payers of income-tax and super-tax should be scalped, he will find a ready response from that House and future editions of Gaya Prasad Singhs and Sardas will exclaim: "Why not quartered?" Sir, that however is the hope of the future. So long as we are in this House (*An Honourable Member:* "Who are we?"), and so long as we have our duty to discharge, we must do so regardless of what the future Finance Minister may do and regardless of what my friends around me may think. One has to discharge his duty conscientiously, and when I have done I think there will be many on this side of the House as there were on the last occasion who would reconsider and revise their opinion. Let me give not the generalities in which Honourable Members on this side of the House have indulged, but a plain concrete example to illustrate what will be the effect of the Bill which the Honourable the Finance Member has sponsored. We have within the last few years a large growing population of Indians overseas settled in British possessions and foreign countries.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): Have we?

Sir Hari Singh Gour: My friend, Sir Muhammad Yakub, living in the ditch of Delhi may not be conscious of the thousands of prospering families who have made their home in places as far as Kobe on the east and British Guiana in the west. Sir, we have to see that most of these gentlemen who trade in countries overseas have their families in this country and keep in close touch with the members of those families. Some of them are members of a joint family; others are members of a quasi-joint family, while many others are partners in business. And so a link is forged between those who live in India and those who trade overseas. And these traders overseas bring into this country money and goods in exchange for the money and goods which they receive from India. Nobody will deny that the growing overseas trade of India is worthy of encouragement. Can anybody deny that fact? That India should have a large expanding overseas trade admits of no doubt; and if I can convince this House that this Bill will strike at the very root of India's foreign trade, then I will ask Honourable Members whether they are prepared still to support the committal of this Bill to a Select Committee. Let me give Honourable Members one illustration out of the many that will be culled from their own experience.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. R. K. Shanmukham Chetty) in the Chair.

Sir Hari Singh Gour: Before we adjourned for Lunch I was giving to the Honourable Members one concrete illustration to show how this provision will work in practice. "A" in India sends raw cotton worth a lakh of rupees to Manchester and in return he receives cloth worth a lakh and a quarter of rupees. He has made a profit of Rs. 25,000 upon that one lakh of export which is converted into cloth, and the cloth is returned to this country. It would come in income-tax free. "B" in India sends a lakh of rupees to England in the shape of gold bars. There he buys produce. He has made profit on the gold bars in England and then it comes in the shape of finished goods and the rest is returned to him in cash. Now, I wish to know how "B"'s income on its entry into India is assessed. Is it income or capital? Unless you go through the accounts of the overseas firm, you are not in a position to say how much is his income and how much is his capital. That was a point, I think, which was emphasised on the last occasion when the foreign Income-tax Bill was thrown out by this House, and that is a point so forcibly brought home to the Honourable Members in the speech delivered by Sir Cowasji Jehangir this morning. What means have you to ascertain that a sum of money received into this country is capital or income, and how are you going to provide against evasions. On the last occasion

Sir Cowasji Jehangir: Presumably everything will be income, whether it is capital or income.

Sir Hari Singh Gour: That answer is the only answer which my friend, Sir Cowasji Jehangir, has just now interjected. It makes a clean sweep of all distinctions between the income and capital. If that be the object, how

[Sir Hari Singh Gour.]

is the Bill distinguishable from the capital levy Bill? I can well understand a responsible member of Government standing up and say we want to tax capital: we want to tax all entry of incomes or produce in the shape of incomes into this country, because we want to level down the standard of living. I can well understand such a Soviet system of taxation introduced into this country, but it must not come by a side-wind. You have to state fairly and fully to the House that that is the object you have in view.

Then, again, Sir, another point that was made on the last occasion and emphasised not only by the lay public, but also by the taxing authorities. I still recall the memorable words written by the Income-tax Commissioner of Burma that this Bill is likely to tax the honest man and likely to profit the dishonest men. (Hear, hear.) Every thing depends on—"pay if you wish, do not if you do not",—a principle which underlay the last Bill and it is a vicious principle, because income-tax must be levied on both alike, and in practice one man will escape, while the other be subjected to taxation. Let me give you an example. A firm of Greek merchants trade in India. They buy wheat and cotton and export them in large quantities to various parts of Europe, America and Japan. Their head office is at Athens. Now, when the money comes in here, how are you going to tax it, unless, as Sir Cowasji Jehangir has pointed out, you cannot distinguish the sheep from the goat and tax both alike. How are you going to make a drastic differentiation between sums received for the purchase of cotton and other raw produce of this country out of the borrowings made in a foreign country and out of capital raised in that country and the profits of business, unless you are able to take an account and examine their accounts in the various foreign countries in which the firms trading in India have their business.

Then, Sir, my friend, Mr. Lalchand Navalrai, coming as he does from that enterprising community, the Sindhese, who have established lucrative business in far off distant places like Yokohama, Kobe, Peking, Harbin and Mukden. They will be very hard hit by the provisions of this Bill. What they do is that some of their members live there, some of the other members trade in different places. Commodities are sent out from here to those countries. received back and in return sometimes in the shape of goods, some times in cash, sometimes in gold, sometimes in bills of exchange, remittances are made and fresh goods are brought and transferred and consigned to their various destinations. How are you going to make any distinction as to how much is to be taxed and how much is to be classed as income and as capital? Some Honourable Members said altogether unwittingly that this was a tax upon foreign investments. But let me assure them that it is nothing of the kind. It does include foreign investments, but it equally affects foreign businesses and trade. The Honourable the Finance Member said that under the present law, profits and gains of a business were taxable, and that it was anomalous that income from sources other than business should escape taxation. The anomaly is there, but you, Sir, cannot possibly complain when we say that the income-tax law is not the financial gospel of this side of the House. You seem to assume that we on this side of the House are enamoured of the provisions of the Income-tax law. My Honourable friend, Mr. Gaya Prasad Singh, has himself entered a caveat that piecemeal legislation by two or three Bills every Session have been introduced and passed without advertence to the scheme and principle of the entire Bill, and it is very rightly pointed out that what we on this side of the House desire and demand is a codification of the entire

income-tax law in view of the very large increases made since the law was revised and enacted in 1922. Ten years' experience has shown that the whole system of income-tax administration requires to be radically altered.

My Honourable friend, the Finance Member, when he has a weak argument to adduce, gives you an example from the English law. He says we are bringing this Bill to bring it into reasonable conformity with the English law. Well, I do not profess to be an expert in English income-tax law (*An Honourable Member*: "Question."), but I have made some superficial study of this subject, and may I venture to lay before the House not what I say, but what an authority in income-tax law has written in a published book, where he says that the English income-tax law is radically different from the Indian income-tax law in two respects: *First*, it takes note of the non-residence of persons, that is those who do not reside for six months in the United Kingdom, who are not subject to the income-tax which is assessed upon persons who are resident in the United Kingdom; and as regards their foreign income, we have a most complicated schedule for ascertaining what is income and what is capital, and very large deductions are made when the assessment is made.

In 1922, when the Income-tax Bill was before the Select Committee, the members thereof were confronted with the tremendous difficulty of finding out as to what portion of a person's incoming should be classed as income and what portion of it should be classed as capital; and finding themselves confronted by a maze of difficulties, the solution of which was as perplexing as unsatisfactory, they rightly cut the Gordian knot by making a simple rule that whatever was received within a period of three years shall be deemed to be income and the rest will be deemed capital. That was a rule of thumb, a ready rule which the income-tax officer and the assessee alike could understand. But when you take out, when you take away from the income-tax law that rule which was enunciated in 1922—and there is no suggestion, indeed no indication made by anybody that that rule has failed to work in practice—you have no alternative left but to come up here and say: "We want more money and, therefore, we wish now to alter the policy of income-tax law". The Honourable the Finance Member has studiously avoided telling us what would be the net income that would accrue if this Bill were transferred to the Statute-book. I made inquiries unofficially on the last occasion and I was told—and I repeat that statement subject to correction by my Honourable friend on the other side—that the amount of revenue which this Bill is likely to produce is not very much, and it might be something like 15 lakhs of rupees. That is my recollection of what was stated to me on the last occasion. As I have said, if my Honourable friend on the other side corrects me, I will accept his correction with gratitude, provided he also tells me what is the approximate amount of revenue which his Bill is likely to produce. Now, if it be a fact that it is after all a very small sum compared to the whole that the Finance Member stands to gain by this radical alteration in the whole scheme of the income-tax law, I should certainly hesitate to launch into a controversial scheme on the threshold of the reforms. Geographical boundaries between British India and Indian India are going to be dimmed, if not in places obliterated

Mr. N. M. Joshi (Nominated Non-Official): Not for income-tax.

Sir Hari Singh Gour: Wait and see, and it will be not a happy augury for the promotion of that goodwill and friendly relationships if people, who trade in the Indian States, are made to pay a tax in British India regardless of the fact that they have equally been subjected to pay a local income-tax. My friends on both sides of the House—I am referring to such responsible speakers as Dr. DeSouza who so very emphatically stated that in the case of agricultural incomes, received from outside British India, there must be some relaxation in the Bill exempting it from a further taxation—I warn my friends and I warn in the language, not my own, but that of Sir Walter Layton who penned a report appended to the report of the Simon Commission, in which he advocated a levy of income-tax upon agricultural incomes; and I see in this Bill the thin end of the wedge and I caution Honourable Members that if, in a moment of ill-considered generosity to the Treasury Benches, they were to yield to the committal and the subsequent enactment of this Bill, they will be loosening the keystone of the arch of that exemption of agricultural incomes, upon which Members on both sides of the House are so unanimously insistent. All incomes outside British India, whether derived from agricultural or non-agricultural sources, will be subject to tax under this Bill. If Honourable Members agree that agricultural incomes received outside British India should be liable to tax, let them say so; but let them not for one moment suffer from a delusion that while everybody else would be taxed, they, as receivers of agricultural incomes outside British India, would still enjoy immunity from that tax, and if once we concede the principle that agricultural incomes made outside British India are liable to pay income-tax and super tax, what shall they say when the future Finance Minister, for whom my friend, the Honourable Sir George Schuster, is spreading a red carpet in the shape of this Bill, demands that the House must be logical and cannot discriminate between agricultural incomes made outside British India and those made in British India. Has he not said in his subtle and plausible way that it is an anomaly that profits of business under section 4 are liable to tax and he wishes to remove that anomaly by enlarging the provisions of the section by making all incomes alike liable to tax? Paraphrasing his words, the future Finance Minister will say that anomaly foreseen by his distinguished predecessor impregnates the whole system of income-tax law in this country, and there is no reason why, when incomes of all other businesses are liable to a tax, incomes from agriculture should be exempt. He will say, time there was when agriculture consisted of nothing but scratching up the soil with a wooden plough and producing just enough for one's daily wants. With the system of irrigation and the industrialisation of agriculture throughout the country, the distinction between agriculture as such and industry has disappeared and it is unfair that these large profits which accrue to the industrialised agriculture in the country should be made a subject of special immunity when all other industries are subjected to a heavy tax. If such an argument is used and some of my friends who adorn these benches still remain to adorn them under the Federation scheme, what answer will they give? Their own words will be quoted against them, and they will have to sit dumb confounded by the arguments of the Honourable the Finance Member from which they will see no escape

Mr. B. V. Jadhav: They will in that case demand the remission of land revenue.

Sir Hari Singh Gour: I, therefore, think, Sir, that this is not such an innocuous Bill as Honourable Members on both sides of the House consider. A principle, at least debatable, to some of us mischievous, underlies the whole scheme of the measure which the Honourable the Finance Member wants you to commit to the Select Committee.

Then, Sir, the Honourable the Finance Member will recall the words of his distinguished predecessor, Sir Basil Blackett, who from his seat, which he so conspicuously adorns now, only four years back in his parting speech said that he was looking forward to the day when India would become a capitalist country, expanding her financial operations to countries and zones overseas and thus become economically an international State. Those prophetic words, uttered by the Finance Member of that day, were uttered for the purpose of expanding the overseas trade of India. Those, Sir, who have ventured out of this country will recall the economic policy of that great Island Empire in the Far East, and let us take one leaf out of their book . . .

Mr. F. E. James (Madras: European): Which one?

Sir Hari Singh Gour: Their worldwide trade is now monopolising or threatens to monopolise the industries of some of the continental countries in Europe and even of Great Britain. Their policy has been and is today to encourage the import of all capital into the country and the export of as much goods as possible upon which favourable rates are given by subsidised companies and bounties paid to those who are struggling for existence. The income-tax law of Japan favours the import of capital and penalises its export. As a set off against the losses suffered by the State, they have levied a local tax, called the consumption tax, which is this year 15 per cent. I can well understand the Honourable the Finance Member devising a scheme of some such character which would strengthen the industrial life of the country, and encourage the inflow of capital and the outflow of its manufactured goods and its raw produce so as to give to the teeming millions of this country at least two meals a day. But I cannot understand, I have never been able to understand the policy of the Honourable the Finance Member which will not only strangle your foreign trade, but will further penalise the inflow of capital which this country sadly needs for the development of her trade, agriculture and industries. Sir, there is the difference between some of us on this side of the House and the distinguished occupants of the Treasury Benches, and it is, and the difference is not merely one of detail, but of great principle. That principle cannot be solved, I am afraid it will not be solved by an irresponsible Government. The Finance Member spoke of his Government in a somewhat ironical sense as a wicked Government. The future Minister sitting in his place would perhaps use those words in a different sense if this Bill became law and he was called upon to administer it. Let us beware of it.

I do not wish to say anything further to Honourable Members of this House except this. Let them not consider this Bill as one of
3 P.M. first impressions. Let them think carefully over the broad and large questions and the large policy and principle underlying it, and if they do so, I have no doubt as to what would be their verdict. I very inadvertently referred to my Honourable friend, Diwan Bahadur Harbilas

[Sir Hari Singh Gour.]

Sarda, in the opening of my speech as one of those who favoured the passage of this Bill. I am very sorry that I should have mentioned his name, because he has assured me that he never was in favour of the Bill

Diwan Bahadur Harbilas Sarda: I have never said that.

Sir Hari Singh Gour: I understood my Honourable friend to say—very well, Sir . . .

Diwan Bahadur Harbilas Sarda: May I explain what I meant? When my Honourable friend Sir Hari Singh Gour opened his speech, he derisively spoke of Gaya Prasad and Sardas; what his object was in doing so, I do not know. But evidently he referred to Mr. Gaya Prasad Singh who had said that if the Finance Member would propose some other Bills on the same lines as this Bill, he could expect support from this side of the House. And he joined also with me, but I never went so far as that. I explained to him what my position was—that I approve of the principle of the Bill which was so and so, and that I had also enquired whether under certain circumstances—I gave a concrete case and I asked—whether income accruing to a person under those circumstances was liable to tax. But I did not commit myself to anything so far as this Bill went—whether I was entirely in support of the Bill in all circumstances and of all other Bills like this, or not. But I never told my friend that I was not in favour of the Bill, nor did I tell him that I fully supported the present Bill. I explained the whole position to him.

Sir Hari Singh Gour: I am very glad that my Honourable friend, Diwan Bahadur Harbilas Sarda, has explained himself, and I understand the Honourable the Finance Member understands him better than I have been able to do. His position evidently is that he is neither in favour of it nor against it.

Diwan Bahadur Harbilas Sarda: I never said that either.

Sir Hari Singh Gour: I leave it at that.

Diwan Bahadur Harbilas Sarda: I am in favour of the principle of the Bill.

Sir Hari Singh Gour: Before I close, I wish to inform the House that I believe with Sir Cowasji Jehangir that there should be no impediment to the committal of this Bill to Select Committee, if he and I were left free to examine it in all its details and we were not confronted with an objection raised there to the fact that the principle of the Bill having been accepted by the House we were not free to make any change or make those suggestions. There is really no principle, as Sir Cowasji Jehangir said, in this Bill.

Mr. Gaya Prasad Singh: It is an unprincipled Bill.

Sir Hari Singh Gour: As my Honourable friend, Mr. Gaya Prasad Singh, says, it is an unprincipled Bill. I am not prepared to say that it has any principle at all, but what I do say is, that it is a very short and

innocent looking Bill, but it is pregnant with meaning, and we should be very careful and extremely guarded in according to it the support which we are asked to give. The carefulness and guardedness consist in this, that it should not be understood that, by committing this Bill to Select Committee, we are tying our hands against making any suggestions, which may cut across this Bill in the Select Committee, and any suggestions and improvements that we may consider to be necessary in the interests of both the State and the assessee we should be free to make. Subject to this, there should be no objection to the examination of this Bill by a Select Committee.

• **Mr. R. T. H. Mackenzie** (Nominated Non-Official): Sir, in view of the fact that the Bill under discussion is an income-tax Bill, I hope I am correct in assuming that it is not the intention of the Honourable the Finance Member to tax capital when it is brought into British India.

If this assumption is correct, there is just one point that I would like to press very strongly for the earnest consideration of the Honourable the Finance Member, and that is, that income which has accrued prior to the passing of the Bill should be exempt from taxation (as it now is), provided it is not brought into British India within three years of the passing of the Bill.

Arising out of this point, I must confess to certain misgivings as to how any one wishing to bring money into this country is to satisfy the income-tax authorities that it has actually accrued prior to the passing of the Bill. Doubtless, this is a point on which the Honourable the Finance Member will be able to enlighten me when the Bill is under discussion by the Select Committee.

I, therefore, support reference to Select Committee, but, at the same time, I would like to say that this Group will keep an open mind in regard to the Bill until we have seen in what shape it emerges from the Select Committee and we shall then decide what attitude we shall adopt towards it.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): To my mind this is a very simple Bill. There is already a provision in the Income-tax Act about income derived from business and brought into this country being taxed. This Bill merely extends the operation of that clause to incomes from other sources, namely, investments, etc. If there had been any difficulty all these years in ascertaining what was income and what was capital, I think there would have been a hue and cry in this country from persons engaged in business in two different countries regarding that matter. But up till now we have not heard of anything about that matter and I do not think that there could be any difficulty in ascertaining what is income and what is capital. The ordinary book keeping of the different firms who carry on business in different countries would show what is income and what is capital. The procedure under the Act is that a person to be taxed has to put in a statement showing what his income is. This statement will now show, if the Bill is passed, not only the income which has been received in India from business abroad, but also the income which has come into this country from investments. If there had been no difficulty felt in previous years, I do not see how any difficulty could arise now.

Mr. K. Ahmed: If they are not assessable, how could they put in the income for payment of income-tax?

Mr. S. C. Sen: The next point is about agricultural income. Agricultural income is defined in the Income-tax Act. It is income from land situated in British India and in respect of which Government revenue is paid. Therefore, income derived from foreign lands cannot claim the exemption which is given in the Act. In this connection I may refer to the speech of the Honourable the Finance Member when a similar Bill came up for discussion in this House. The Finance Member then said:

"Then another point has been raised about agricultural incomes. We are told that agricultural income in India is exempt from income-tax and asked, will the same apply, if this Bill is passed, to receipts from agricultural income earned in Indian States. There again my answer is that that is a point which can be dealt with in Select Committee. There is not the slightest difficulty in introducing some special provision as regards agricultural income if the Select Committee thinks on full consideration that that is just."

I suppose the Honourable the Finance Member will in this particular instance also say something similar to what he stated on the last occasion and will abide by the decision of the Select Committee. There is one other point which I want to urge, namely, the salary of various persons who are engaged in services abroad. My friend, Mr. Bajpai, in connection with the Medical Bill has been making provision for persons who want to practise in foreign countries and to earn their living. So far as those salaries are concerned, they are income and I should like the Finance Member to exempt it from the operation of this section, and, with these words, I support the reference of the Bill to a Select Committee.

Mr. N. M. Joshi: Whenever I hear a debate on the Income-tax Bill, I feel amused. The House generally does not feel excited on any other question, however important it may be, but there are some Members who never fail to be excited and to make very eloquent speeches whenever an income-tax affair is mentioned. Sir, the principle of the Bill is a very simple one. Those people, who derive incomes from investments, whether those investments are in India or abroad, should pay a tax. They ought to pay for the protection which they receive from Government. This is the very simple principle of the Bill. They get the money in India. They use the money in India and they receive the protection from the Government and they must pay. Honourable Members, especially the Honourable the Leader of the Nationalist Party, raised several bogies in order to frighten some Members of this Legislature. He first said that this is a question of taxing agricultural incomes but my friend, Mr. Sen, has shown very clearly the position as regards agricultural incomes in British India. We may tax agricultural incomes from Indian States.

Now, Sir, this is necessary to give encouragement to industry and business as the Leader of the Nationalist Party wanted to do. I shall give you an example. My Honourable friend, Dr. DeSouza, complained that he may have agricultural income in some Indian State, and when he brings it here, he is taxed. My complaint is this, that men like Dr. DeSouza, who make their income in British India, instead of investing their money in British India, invest their money in Indian States in agriculture. Instead of encouraging agriculture in British India, these gentlemen try to encourage agriculture in Indian States, although they have derived all their capital from British India. My Honourable friend, Sir Hari Singh Gour, said

that the Honourable the Finance Member should encourage industries. Surely when he tries to keep the money here in India, he encourages industry. We want money for our industry in India, although we may want foreign trade. Certainly we want money to remain in India for our own industries and, therefore, when he tries to prevent money going abroad for investment, he is really encouraging industry as Dr. Gour wanted to do, but there is one more point. I have been very lucky to attend the Round Table Conferences in England and I found that one chief argument for financial safeguards was that we have to borrow money from England and, therefore, we must accept the financial safeguards. If our people, instead of investing their money abroad, will invest their money in India, we shall not have to borrow money from England, at least to the extent to which we borrow. Our borrowing will at least be reduced and, to that extent, the need for financial safeguards will also be reduced. I, therefore, feel that this Bill is not only a good Bill from the point of view of collection of taxes, but a good Bill from a constitutional point of view also.

The Honourable Sir George Schuster: I should like to thank various classes of Honourable Members of the House for the assistance which they have given in the discussion of this measure. I should like, in the first place, to thank those who have promised their support. I would again thank those who have raised certain points which are points worthy of special consideration and, lastly, I should like to thank my Honourable and learned friend, the Leader of the Nationalist Party, for the magnificent *tour de force* which kept us all amused for something like three quarters of an hour. My Honourable friend indulged in some marvellous flights of fancy and of language. I was at one time told that I was inserting the "thin end of the wedge", a sentence which had hardly finished before I found myself "removing the keystone of the arch", and then, without a pause, the simile changed and I was "spreading a red carpet" for the first Finance Minister under the new constitution. I do not think, Sir, I am capable of such protean transformations. My Honourable friend, as I said, indulged also in flights of language. He spoke at one time, in a moment of great eloquence, of the mass of joint families and *quasi* joint families that were engaged together in business, both in India and abroad. I asked my Honourable colleague, the Law Member, what a "*quasi* joint family" was and he was unable to give me any answer. I fancy, that, possibly, in the attitude of the Nationalist Party on this Bill today we may get some picture of what a *quasi* joint family is. (Laughter.) I should be very sorry to interfere with the activities of such an entertaining family or even to tax their profits, but really, I am sure, my Honourable friend will excuse me if I say that 95 per cent. of his speech was entirely irrelevant. He gave us examples of a number of curious businesses. He spoke of a man who exports bar gold from India, makes a profit on that gold in England and then brings back cotton piece-goods to India. I was left guessing as to where he earned his profits. I should have thought the ordinary trader earned his profits when he came to sell his goods in India. My Honourable friend seems to have other methods of making profits, and apparently the mere process of the sale of bar gold produced the profits. Sir, even if there were such businesses, they would not in the least be touched by a Bill of this kind, and that is one of the points which I wish to make that a great part of my Honourable friend's argument was concerned with the great complications which would be put upon people carrying on business abroad. But, under the provisions of the law, as it stands at present, all

[Sir George Schuster.]

those complications and difficulties must now arise. The only change, so far as business profits are concerned, which would be made, if this Bill became law, would be as to the period within which the profits would be treated as profits, but that change would not have any effect on all the circumstances to which my Honourable friend referred in his speech. I think, Sir, that many Honourable Members would envy me the task of answering my Honourable friend's speech if I had the time to do so at length today. But I will deny myself that pleasure, because this measure has already been discussed at considerable length and the real discussion must take place in the Select Committee. I should, however, like, before I sit down, to return to certain points which have been made in the course of the debate. I will deal firstly with certain points of detail.

My Honourable friend, Mr. Gaya Prasad Singh,—whose support of the measure I was very glad to hear of—complained, and the complaint was taken up again by the Honourable the Leader of the Nationalist Party, about our methods of piecemeal legislation as regards income-tax. I feel, Sir, that that is a very justifiable criticism and I must apologize to the House for the way in which we have dealt with income-tax amendments. If only sufficient time were available in the House, we undoubtedly ought to sit down and consider a fundamental revision of the present Income-tax Act. But unfortunately there has been in the last few years no time to undertake that, and we have had to come before the House with a number of small amending Bills. We have, however, in the Bill which I shall have to deal with, after this motion is concluded, made an attempt at a fairly comprehensive measure for dealing with the Income-tax Act and that represents about the best that we can do at present. It was thought better to keep the particular clauses of the present Bill, which raise a very special issue outside the other large Bill, and I feel sure that all Honourable Members will agree that it was a matter for the convenience of the House that that should be done.

Then, Sir, my Honourable friend from Bengal, Mr. Biswas, made one or two points of which I took note. He suggested one point of detail as regards the drafting of the Bill. He suggested that before the words "profits and gains" it was really necessary that the word "income" should be inserted. I think he was correct in that suggestion and we have taken note of that as a matter of amendment to be made in Select Committee. He dealt with one or two other points, but I need not specifically refer to them just now.

Then, my Honourable friend, Diwan Bahadur Harbilas Sarda, wanted to be assured on certain points. I might say, in passing, that I certainly do not share my Honourable friend, the Leader of the Nationalist Party's difficulty in understanding the Honourable gentleman's attitude. To me that was perfectly clear. What he said was that he supported the principle of the Bill in any case, if only it could be ensured that in practice it would operate in a certain way. Well, I think I can assure him that the particular fear which he entertained is not a justifiable fear. It was a little difficult to follow exactly what the business was that he referred to, but I consulted my experts on the matter and I am told that, in the case of that particular business, it would not be liable to taxation in British India except, of course, to the extent that profits made outside British India were actually remitted to British India. As regards that, the law will be no different if this Bill is passed, except in the point of time, to what it is at present.

Then, my Honourable friend, Dr. Ziauddin Ahmad—whose mind is always ingenious, when he applies it to any matter on which he wishes to find reasons for opposing the Government—has discovered a particularly ingenious argument in the present case, namely, that it is unsuitable to deal with a matter of this kind on the eve of the constitutional reforms. Sir, it was indeed refreshing to find that argument used on the Opposition Benches, for I thought it was we who generally brought it forward as an excuse for not dealing with matters in which Honourable Members opposite are interested. But, I feel sure that, on calm reflection, he will realize that it hardly applies to the present case. This is a matter of detail. If we are right in introducing the Bill at all, then, obviously, the sooner it is put upon the Statute-book, the better. It will not in the least affect the position under the new constitution; and, while I am speaking on that point, I should like to correct, what I believe is, a misunderstanding of what certain representatives at the Round Table Conference have recommended. It has been suggested in discussion here that under the new constitution the proceeds of income-tax will be wholly transferred to the provinces. Now, Sir, there has been no full agreement on that in the discussions at the Round Table Conference. But no representative of any section of opinion suggested that the whole of the proceeds of the present taxes on income should be assigned to the Provincial Governments.

Apart from these points of detail, there are two main points which have been brought up. One is this question of agricultural income. There seems to be a misapprehension in Honourable Members' minds that this Bill is going to make a great change in the position of a man who lives in British India and owns agricultural property in an Indian State. I find it very difficult to follow the minds of Honourable Members who have spoken on this subject, because, under the existing law, income earned from agricultural lands in an Indian State, if it is remitted to British India, is subject to income-tax. The fact that the origin of that income was agriculture in a case where the agriculture is not carried on in British India does not exempt it from income-tax. It already pays income-tax, and the only thing which this Bill would do would be to make such income liable to tax even though it were not remitted within three years of the date on which it was earned. Well, Sir, when the previous measure was under discussion, a similar point was raised, but in that case of course the effect of the legislation would have been much wider. The previous Bill would have made a much bigger difference in the existing situation than the present Bill does. When the previous Bill was under discussion, I said I was perfectly ready to consider that point in Select Committee; and I say again that I am quite ready to consider it in Select Committee now, but that I find a little difficulty in appreciating exactly what is wanted. If the Honourable Members, who have raised the point, want to take this opportunity of creating an exemption which does not at present exist, then, obviously, it would be impossible for the Government to consider it, but there may be something behind their arguments which I have not understood and, as I say, I have an open mind on the subject. I am perfectly ready to consider it, but at present I do not understand exactly what is wanted.

Then the second main point has been the point stated by my Honourable friend, Sir Cowasji Jehangir, who attacks this measure as one which really aims at the taxation of capital. I do not think it is necessary for me to say much on that point, because it has been very effectively answered in a number of speeches already made. I would only put a very simple comparison before my Honourable friend. He took the case

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of a man who had an income of £1,000 a year on investments held in England and said :

"Supposing he accumulates those receipts for ten years and then brings £10,000 to India, he will have to pay income-tax on the whole of the amount; that will be very unfair not only because the income has become capital, but because when he brings in £10,000 in one lump sum, he will have to pay at a very much higher rate than he would have paid, if he had brought it annually at the rate of £1,000 a year."

Now, I would ask my Honourable friend merely to consider the parallel case, say, of a brother of the man, whose case he has got in mind, who being perhaps fonder of investing in his own country invests exactly the equivalent sum in India and is able to save every year the income which he earns upon it. He all the time will be each year paying income-tax on that money which he is saving. I quite agree that as he puts it by, it becomes in a sense capital. My Honourable friend asked a question,—when does income cease to be income and becomes capital? I would say this—that income is always income as it is earned, and if it is not spent, but saved, then it becomes capital; and so the same money may have the quality both of income and capital. But, as it is earned, it has the quality of income and it does not lose that. To continue my example; the same amount of money is invested in India and the same rate of interest is drawn upon it and the man who holds it is paying on his receipts income-tax every year; and, at the end of the ten years, he has accumulated as capital a sum equivalent to £1,000 a year less the income-tax which has been paid upon it each year. There stands one friend Mr. A. Next door to him lives the other gentleman Mr. B. who, instead of investing his money in India, has invested it abroad. Why should Mr. B., when he brings his money back to India, be better off to the extent of something like 25 per cent. than Mr. A. who has been content to leave his money in India all the time? Sir, I entirely fail to follow my Honourable friend's argument and, if Mr. B objects to pay income-tax at the rate of £10,000 when he brings his whole savings in one lump back to India, the remedy is open to him. He can escape that heavy burden merely by bringing back his income each year as it is earned. It is when we consider these simple cases that we can realise how very fictitious the whole argument and that whole line of attack is; and I do not believe that there can be very many Members of this House who will allow dust to be thrown in their eyes to the extent of misunderstanding the position.

Sir, there is one other point as regards this question of capital and income, the point raised by my Honourable friend, Mr. Mackenzie. I do not want to commit myself finally on that point now, but it seems to me that I can commit myself to this extent that it is certainly a point that we will consider in Select Committee. My first impression is that the demand is not an unreasonable one. It is not unreasonable to say that we do not seek to give this new legislation retrospective effect. I quite admit that if we were to consider now going back without limit and treating what had originally been income as income and not as accumulated capital,—if we were to deal with this question in that retrospective way, it might operate very unfairly. When you look to the future, every man knows what the position is and can arrange his affairs accordingly. But, as regards the past, I think it is reasonable to argue that certain receipts have become capital, and I agree that it might be extremely difficult to unravel what has happened in the past and do equal justice all round. Therefore, on those grounds *prima facie* I think there is a

case in which we certainly might be able to meet the point that has been made.

I think, Sir, that is all that I need say on this subject. Further discussion of this measure can be carried on in the Select Committee and, I may say, that the nature of the points that have been raised in this discussion makes me feel that we have taken the right course in suggesting that the next stage should be consideration in Select Committee.

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): The question is:

"That the Bill further to amend the Indian Income-tax Act, 1922, for a certain purpose (*amendment of section 4*), be referred to a Select Committee consisting of the Honourable the Law Member, Raja Sir Vasudeva Rajah, Pandit Satyendra Nath Sen, Sir Hari Singh Gour, Sir Cowasji Jehangir, Mr. Muhammad Azhar Ali, Mr. B. V. Jadhav, Mr. R. T. H. Mackenzie, Kunwar Raghubir Singh, Mr. N. N. Anklesaria, Sir Muhammad Yakub, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

THE INDIAN INCOME-TAX (SECOND AMENDMENT) BILL.

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

"That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes (Second Amendment), be referred to a Select Committee consisting of the Honourable the Law Member, Lala Rameshwar Prasad Bagla, Pandit Ram Krishna Jha, Mr. Lalchand Navalrai, Sir Cowasji Jehangir, Mr. S. C. Sen, Sardar Sant Singh, Mr. F. E. James, Rai Bahadur Lala Brij Kishore, Mr. Goswami M. R. Puri, Sir Abdulla-al-Māmūn Suhrawardy, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

It will appear to Honourable Members that I am following up one income-tax measure with almost indecent haste by another. As this is a very complicated measure,—it has in fact a mass of detailed provision,—I do not propose to take the time of the House by making any attempt to explain all those provisions in detail. I hope the House will agree that this is essentially a matter to be discussed in Select Committee. I would only like to explain very briefly what is the main framework of the Bill.

The provisions of the Bill, broadly speaking, fall into three categories. The first covers those provisions which are meant to give tax-payers various facilities and concessions in the matter of assessments and appeals and references to High Courts, and in the matter of refunds of tax, either paid direct or deducted at the source. That is the first category. The second category covers those clauses which are meant to check leakage of legitimate revenue, and the third category consists of those clauses which are meant to provide for administrative facilities or clarify doubts as to the meaning of certain sections of the Act as they stand at present. The majority of the provisions of the Bill, namely, clauses 3, 4, 5, 6 (a), 8, 10, 11, 12, 15, 17, proposed new section 49B, 18, 24 and 25 all those clauses are meant for the benefit of tax-payers. The latter part of clause 6, clauses 7, 9, 19, 20 and 21 fall under, what I have described as, the second category, that is to say, the clauses meant to check leakage of legitimate

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revenue, and clauses 2, 13, 14, 17, the proposed new section 49A, clauses 22 and 23 fall under the third category, that is to say, clauses designed to provide administrative facilities or clear up doubts as to interpretation.

The Bill has been circulated by Executive Order for opinion and the opinions are in the hands of all Honourable Members. As regards the first category, the clauses, which are meant to give facilities to tax-payers, naturally, the opinions received on those clauses are almost all in favour of them. The opinions on the second class of clauses, clauses that are meant to check leakage of revenue, show a certain amount of difference and raise a good many points for discussion, and those, I imagine, will be the clauses as regards which discussion in Select Committee will concentrate. All clauses of course will be fully open to discussion in Committee. It would be difficult to say that there is any main principle underlying this Bill; but the main object, as Honourable Members will understand, of the clauses of the second category, is to check evasion of tax, and they represent the results of our attempts to meet the criticisms that were made in the course of discussion made last year and the year before. Honourable Members may perhaps differ from us as regards the detailed provisions, but I am sure that there will be no difference as regards the object at which we are aiming, the object being that every body should pay fairly the tax to which he is liable and that honest tax-payers should not be penalised for the benefit of those who are clever enough to evade their proper liabilities. As I feel confident that there is no Member of this House who does not fall within the class of honest tax-payers and as the honest tax-payer must benefit if the collection of taxes becomes more efficient—for that may mean reducing the rates of taxation, I anticipate that the Bill will receive the unanimous support of this House. Sir, I move.

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): Motion moved:

"That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes (Second Amendment), be referred to a Select Committee consisting of the Honourable the Law Member, Lala Rameshwar Prasad Bagla, Pandit Ram Krishna Jha, Mr. Lalchand Navalrai, Sir Cowasji Jehangir, Mr. S. C. Sen, Sardar Sant Singh, Mr. F. E. James, Rai Bahadur Lala Brij Kishore, Mr. Goswami M. R. Puri, Sir Abdulla-al-Māmin Suhrawardy, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): There are only two points on which I should like to ask for certain information from the Honourable Member in charge. The first, I will deal with clause 4 of the Bill, which provides:

"That for clause (iv) of sub-section (1) of section 9 of the Act the following clause shall be substituted, namely:

"(iv) where the property is subject to a mortgage, or to a charge or ground rent, the amount of any interest on such mortgage or of such charge or ground rent;"

From the notes on clauses I understand that the Honourable the Finance Member wanted to include the whole of the charge on the property to be exempted under section 9, but I do not understand why there should be a differentiation between mortgage and charge. In law they mean the same thing. If the corpus of the charge is to be exempted, why not the amount of the mortgage? I do not understand whether it is a drafting mistake or it is done intentionally.

The next point is clause 7, which inserts a new clause 20A and it insists on persons responsible for payment of any interest giving some information to the Income-tax Officer. I see no objection to that being done, but I should like that a similar provision, as is contained in clause 6, should be inserted.

[At this stage Mr. Deputy President (Mr. R. K. Shanmukham Chetty) vacated the Chair which was occupied by Sir Hari Singh Gour.]

Then, Sir, we come to clause 21, which inserts a new sub-clause (e) designed to remove the obstacle to divulge any information obtained by the Income-tax Officer. This provision should be very carefully considered as the principle of confidential nature of the income-tax proceedings is being departed from in certain cases. *viz.*, where the Income-tax Officer inflicts a penalty upon a particular person or makes a composition. Sir, I may be right or I may be wrong, but I think that the divulging of secrets must greatly prejudice the person involved and will be based on something which the Income-tax Officer does and, for any mistake of the Income-tax Officer, he cannot be made responsible in any Court of law. Having regard to that provision, I think this provision gives a very drastic power in the hands of Income-tax Officers and I should like the Finance Member to consider that point. These are all the points which I think ought to be considered carefully, and I hope the Finance Member will see his way to meet them.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, I welcome a measure of this sort, and on this occasion, since I strongly criticised the other measure, it is my duty to express satisfaction at this one. Any measure that tends to bring in the full amount of income-tax which the law of the land levies, is a measure to be welcomed, and it will ultimately tend to proposals from the Treasury Benches to reduce the rate of income-tax. I do believe that, if the full amount of income-tax was paid in India today, as levied by law, you would get a very much higher amount on the whole than you get today. There is a great deal of evasion; it is very difficult to catch; it is very difficult to prevent; but if any measures are brought before this House that will tend to stop this evasion, they ought to be whole-heartedly welcomed. There are several points in this Bill which deserve very careful consideration and, therefore, it would be waste of your valuable time to go into them in detail. I do not propose, therefore, to criticise here certain proposals and provisions which we shall consider in detail in Select Committee. I trust that the House will send this measure to Select Committee with the confidence that those who are on it will do their best to see that, when it comes back to this House, it will be a measure that will meet with the approval of all schools of thought and will meet with the approval of not only what may be called by my friend, Mr. Joshi, the capitalists, but with the approval of men who, at least for the time being, represent labour, in which I might perhaps include my friend, Diwan Bahadur Harbilas Sarda.

The Honourable Sir George Schuster: Sir, the nature of the discussion makes it quite obvious that the House does not expect a reply from me at any length. I can only say that the points mentioned by my friend,

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Mr. Sen, will be carefully examined. I should like, before I sit down, to thank the last speaker, my Honourable friend from Bombay, for his generous attitude in offering support to this measure just after I had trodden on his toes in such a painful manner in the last measure that was before the House.

Mr. Chairman (Sir Hari Singh Gour): The question is:

"That the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes (Second Amendment), be referred to a Select Committee consisting of the Honourable the Law Member, Lala Rameshwar Prasad Bagla, Pandit Ram Krishna Jha, Mr. Lalchand Navalrai, Sir Cowasji Jehangir, Mr. S. C. Sen, Sardar Sant Singh, Mr. F. E. James, Rai Bahadur Lala Brij Kishore, Mr. Goswami M. R. Puri, Sir Abdulla-al-Māmūn Suhrawardy, Khan Bahadur J. B. Vachha and the Mover, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

THE INDIAN WIRELESS TELEGRAPHY BILL.

The Honourable Sir Frank Noyce (Member for Industries and Labour):
Sir, I move:

"That the Bill to regulate the possession of wireless telegraphy apparatus be referred to a Select Committee consisting of Mr. T. N. Ramakrishna Reddi, Mr. Rahimtoola M. Chinoy, Kunwar Hajeer Ismail Ali Khan, Rao Bahadur M. C. Rajah, Sir Lealie Hudson, Sir Thomas Ryan and the Mover, with instructions to report on or before the 28th February, 1933, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

I have no doubt that the House will have observed with a sigh of relief that the Bill, for the reference to Select Committee of which I am moving, has nothing whatever to do with the recommendations of the Royal Commission on Labour. It deals with broadcasting, which, as this House is aware, is in this country at present only in its infancy. It cannot be regarded even as a lusty infant; that is clear when it is remembered that only recently it very nearly expired and that even today it is kept alive by artificial respiration, in other words, by the fact that for the purpose of the broadcasting budget we are allowed to take credit for the customs duty on wireless apparatus imported into this country. The figures on this subject will, I am sure, be of interest to the House. According to the revised budget estimate for 1932-33, the income from license fees is estimated at Rs. 73,000; whereas that from customs receipts is estimated at Rs. two lakhs. Miscellaneous receipts bring the total up to Rs. 2,80,000, against a total estimate for expenditure of Rs. 2,34,000. Now, Sir, although we hope there will be a small excess of receipts over expenditure both this year and the next year, it is impossible to agree that broadcasting can be regarded as paying its way. I am quite certain that this House will not dissent from the view that if broadcasting is to be continued, it should be continued without imposing a burden on the general tax-payer. It cannot really be so regarded—and in fact the financial position of broadcasting must be considered radically unsound—so long as we have to take credit as we have done in the figures which I have given to the House for practically the whole of the estimated customs receipts in order to show that there is a balance to the good. It would be equally justifiable if I were to claim the customs

receipts on imported telegraph equipment in aid of the receipts of the Telegraph Department. To such a procedure, my Honourable colleague, the Finance Member, and this House would very rightly take exception. It must also be remembered that the expenditure figures I have mentioned show only visible out of pocket expenditure and nothing for depreciation and interest. It will, therefore, be obvious that the need is very pressing indeed for the adoption of measures which will enable us to get an increased license revenue if we are even to meet the current expenses of the broadcasting services and it will also be obvious that we want much more again if we are to extend our service, as I should very much like to see it extended, by improving the programmes and by opening new stations. The only method that I can see, by which increased revenue can be obtained, is by ensuring as far as lies in our power that those who use the broadcasting service pay for it, and that and that only is the object of this Bill. Of the extent to which unlicensed listening-in goes on in this country it is impossible to form an estimate but there can be no doubt whatever that it is very considerable. I have in the file before me an interesting extract from a leading article in the *Hindu* of Madras, which, I was glad to see, supported whole-heartedly the principle of the Bill, in the course of which it was pointed out that unfortunately the vast majority of listeners are not in possession of licenses. The figure I have given for license fees,—Rs. 73,000—shows that the total number of listeners in this country, who pay for their licenses, is somewhere in the neighbourhood of 8,000. It may be of interest to the House to mention in passing that the corresponding figure in the United Kingdom is nearly 4½ millions. If we compare the figure of 8,000 with the millions of people who could listen in to the Bombay and Calcutta stations on the cheapest type of receiving sets, the disparity is very striking indeed

An Honourable Member: What does it cost?

The Honourable Sir Frank Noyce: The license costs ten rupees.

An Honourable Member: The cheapest wireless set?

The Honourable Sir Frank Noyce: I am afraid I do not know: I bought one in England myself for fifteen rupees.

An Honourable Member: You can get it for five rupees.

The Honourable Sir Frank Noyce: Now, it is impossible to believe that there are not more than 8,000 wireless sets already in use in this country. The figures of customs revenue in themselves establish the contrary. Our revised estimate of the customs revenue, as I have said, amounts to Rs. two lakhs. This shows that the number of receiving sets in use must be very rapidly increasing and it, therefore, I venture to think, establishes very convincingly the necessity for this Bill. I do not think that the time has yet come when we can reduce the customs charges, but I am quite certain that the proper policy is to reduce them and so to cheapen the cost of receiving sets as soon as practicable. That we cannot do until we improve our revenue from licences, and this Bill, as I have explained, is designed to help us in taking the necessary action. Sir, I move.

Mr. Chairman (Sir Hari Singh Gour): Motion moved:

"That the Bill to regulate the possession of wireless telegraphy apparatus be referred to a Select Committee consisting of Mr. T. N. Ramakrishna Reddi, Mr. Rahimtoola M. Chinoy, Kunwar Hajee Ismail Ali Khan, Rao Bahadur M. C. Rajah, Sir Leslie Hudson, Sir Thomas Ryan and the Mover, with instructions to report on or before the 28th February, 1933, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Mr. F. E. James (Madras: European): Mr. Chairman, I should like to congratulate the Honourable the Mover on making this motion to refer this Bill to a Select Committee, and I only want in a few words to make two points for his consideration. The first point I want to make straight-away is that I do not consider that in this country broadcasting will develop on the basis of individual listening. I feel that very strongly, and, coming from Madras, I am in a position to say that we have had some experience of what one might call mass education and entertainment.

It may be within the knowledge of the House that the Madras Corporation, largely owing to the initiative of one of the most brilliant Members of this Assembly, Diwan Bahadur Ramaswami Mudaliar, has for some time now been running a municipal broadcasting scheme, and the whole basis of that scheme is not individual listening, but mass education and mass entertainment. We have considered it to be a perfectly legitimate charge upon the public revenues of the Madras Corporation to give entertainment and education to the poor, and if the Honourable Member could be present either on the Madras beach or in one of the Corporation Schools or in one of the public parks when a musical programme of Indian music or an explanation of some Indian mythological story was being given, I am sure he would realise that this principle of mass education and entertainment through loud speakers is of far more importance than the development of the individual listener's programme. I may say, Sir, that not only in Madras, but in other places as well are experiments being tried. I understand that in the Punjab, Mr. Brayne is working out an experiment along these lines, and that in Poona the authorities of the Young Men's Christian Association are similarly experimenting in broadcasting programmes by means of loud speakers in villages in a selected area. Now, Sir, recently the Madras Corporation has been impelled to look beyond the borders of its own town, and they have put forward a scheme for a wider system of broadcasting than at present they are engaged upon. This naturally has gone to the Local Government, and in connection with that, the Madras Branch of the European Association, which has been taking a great interest in this question of broadcasting, has placed before the Local Government a report on a scheme for a provincial or South Indian broadcasting system which would cover the whole of the Madras Presidency, and possibly, if their co-operation were sought, Travancore, Cochin and Mysore. Then you would have a huge area covered by a broadcast system which would not depend upon the sale of licenses to individual listeners, but would depend upon the distribution of loud speakers in villages and small towns through local bodies and through the educational authorities. We consider in Madras that such a scheme would be a perfectly legitimate charge upon public funds. The House should consider what such a proposal would mean in the way of education, in the way of public health, in the way of information regarding agriculture, industry, meteorology, etc.

I would refer the Members of this House to the reference to broadcasting which was made in the Director of Public Information's Book, "India in 1930-31". In the Simon Commission also great stress was laid upon the necessity of utilising this tremendous power for the benefit of the illiterate masses, and I venture to suggest that if the experience of other countries were taken into account, particularly Japan, Siam, Russia, Italy and Poland, where this system has developed, the Indian State Broadcasting Service would have something far more to consider than they have at present. My first point, therefore, is to urge upon the Honourable Member a consideration of the wider aspect of this whole broadcasting system. I am convinced that, on the present basis of individual listening, on the present basis of a mainly English programme, the State Broadcast Service cannot do what broadcasting ought to do for the people in towns and villages.

Then, Sir, the second point I want to make is this. When we placed this report,—and I shall have pleasure in handing a copy to the Honourable Member,—when we placed this Report before the Government of Madras, naturally the financial aspect of it was their first consideration. I do not say that it was their sole consideration, but naturally it was their first consideration, and one of the points which was raised at the very outset of our negotiations was that, if they, as a Provincial Government, developed their own broadcasting service, what would happen to all the license fees, which are at present collected by the Government of India, and which might be taken out in increasing numbers as a result of attractive vernacular programmes in the South. Therefore, I would ask the Honourable Member, to consider the question as to whether it will be possible, in the case of a Provincial Broadcast Service, for some part of the license fees to be given back to the Provincial Government which would be incurring the greater part of the expenditure in that particular area.

There is one other point that I might mention before I sit down, and it is of some importance to the Honourable Member in charge. I have said already that I do not think that you can depend upon the individual listener for the extension of the broadcast service, and I repeat again that I believe that an efficient broadcast service should be an essential charge upon the revenues of the country if the Government or the people of this country are going to meet the new democratic conditions which are coming into force and to combat the terrible evil of mass illiteracy. But there is a further consideration and that is this. While that may be true, I believe that in the scheme of Empire broadcasting, which the B. B. C. is now putting into operation and which we hope will develop ultimately into a far more effective thing than it is at present—in that, I think there is likely to be an opportunity for an increase in the number of private receiving sets and, therefore, a corresponding increase in income from the licensees. The kind of programme which is broadcast by the Empire Broadcasting Station will be the kind of programme that will appeal more fully to the educated people of this country, and thus you will find a corresponding increase in the number of licensing sets. I should like to ask the Honourable Member in charge whether he is satisfied with the present arrangements which are made in regard to the relaying of these programmes. I would further like to ask him whether he considers it possible for the necessary adjustments in the time of the local and Empire transmissions to be effected in the near future so that this programme may be made available to the educated classes of this country at a more

[Mr. F. E. James.]

appropriate time and in a more effective manner. With these observations, I whole-heartedly support this Bill, and I trust that, in dealing with this matter, the Honourable Member in charge will not lose sight of the wider aspect of one of the most important developments in modern times. (Cheers.)

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhammadan): Sir, I confess I had no time to look into this Bill at home, but since my Honourable friend, Sir Frank Noyce, made his speech, I have had time to go cursorily into it. (Laughter.)

I find that this Bill seeks to give effect to a recommendation which I myself made in one of my speeches on a former occasion. (Hear, hear.) The General Purposes Retrenchment Committee, for whose work I have great admiration, amongst their many recommendations, made two specific recommendations to which I took exception on the floor of the House. One was the closing down of the State Broadcasting Service, and the other was a curtailment in the activities of the civil aviation. On these two points I took exception to their recommendations. I am glad to see that the Honourable Member-in-charge of the Department after all consented to retain the Broadcasting Service. When I go to Bombay or Calcutta, I make it a point to have a look at the broadcasting stations located in those places. I am glad to testify to the good work which they are doing. In these days the broadcasting service has become more than a luxury; it has become almost a necessity of daily life. In schools and colleges and in other directions the utility of broadcasting service would be very great. I read in one of the broadcasting magazines or somewhere else that in the matter of railway advertisement the broadcasting service might be made useful. I am also glad to know that the customs duties, which we imposed on the import of these broadcasting materials, have yielded a substantial revenue, and I recognise that the broadcasting service, if it is to succeed as an independent institution, must not be a burden on the general tax-payer. It is, therefore, quite proper that the license fees, if necessary—I also made that suggestion—if it was insufficient, might be raised to a small extent, and that steps should be taken to see that piracy was not resorted to as far as possible.

In this Bill there are two important clauses. Clause 3 prohibits the possession of wireless telegraphy apparatus without license. It is not uncommon that people keep sometimes these apparatuses without paying any license fee. Two or three years ago, I was travelling with a friend of mine in the Bombay Presidency and other places. That friend of mine had a wireless apparatus set without a license, and we had the pleasure of listening to the programme from Bombay and Calcutta almost every evening. Of course, I enjoyed the entertainment, but in order to enable the broadcasting service to exist on a financially sound footing, piracy must be put a stop to as far as practicable. Clause 3, as I have said, seeks to achieve this object. Clause 6 seeks to impose a fine which may extend to two hundred rupees for the first offence, and imprisonment, which may extend to three months or with fine which may extend to five hundred rupees or with both, in the case of a second or subsequent offence. While fine may be salutary, I do not know whether imprisonment in a

case like that would be quite suitable. The only clause which I have not been able to understand quite well is clause 7 which gives power to a Presidency Magistrate, a Magistrate of the first class, or a Magistrate of the second class, specially empowered by the Local Government in that behalf, to issue a warrant for the search, whether by day or by night, of any building, vessel or place in which he has reason to believe that any wireless telegraphy apparatus is kept or concealed. I quite recognise that without an authority of this kind it would be very difficult to enforce the provisions of this Bill. But knowing as we do some of the vagaries of the police, I am not sure whether a clause like this is not liable to be misused. The Select Committee should look into these matters, and try to protect the legitimate income of the broadcasting service, while, at the same time, it should devise some procedure whereby no abuse of the provisions of this clause, if it is passed into law, takes place. The Select Committee is the proper place to go into these matters, and I hope that all aspects of the case will be considered there. I also hope that this measure, when put on the Statute-book, will not be liable to any serious misuse, and it will help in placing on a sound footing the financial resources of the broadcasting service. With these few words, I support this motion. (Cheers.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhamadan Rural): I take this opportunity to press one point on the Government, and that is to increase the number of transmitting stations. At present we have got only two transmitting stations in India, that is, Bombay and Calcutta, and there is a small station owned by the Corporation of Madras. I spent some years ago a fortnight over this particular question. I inspected all the apparatuses in the B. B. C., London, and practically all the apparatuses at the Funken Hans at Berlin, and I came to the conclusion that all these apparatuses, cheap or expensive, work quite satisfactorily within a distance of 200 miles from the transmitting station, but, when the transmitting station is situated at a distance of over 200 miles, we require a very clever man to adjust the wave lengths. At one time you can catch anything from London, from New York, or any other part of the world, but at another time you may not be able to catch even from Bombay or Calcutta. It requires a very minute adjustment for longer distances which a layman cannot do; and, unless we have a larger number of transmitting stations, it is exceedingly difficult to derive the full benefit from these licenses, and full benefit from these apparatuses. After wasting a fortnight, I decided that I should not purchase any apparatus, till the Government of India increased the transmitting stations. My second argument in favour of increasing the number of transmitting stations is the language difficulty. If this thing is likely to be useful to the people, then most of the things ought to be transmitted in the language of the province. Therefore, it is very desirable that there should ultimately be at least one transmitting station in each province and, if this cannot be done immediately, at least the number may be increased from two to five in the near future. We should certainly have one in Delhi and it will lead to the sale of at least 2,000 licenses. It will be possible for men, who are not themselves experts, to adjust their apparatus themselves and catch the sounds. I would like to press it very hard that if these transmitting stations cannot be increased to one for each province, the number may at least be increased to five in the near future.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muham-
madan Rural): Sir Hari Singh, in addressing you, I follow the usual
Parliamentary practice. We on this side of the House are for reference
of this Bill to a Select Committee, and in the Select Committee the
clauses of this Bill should be subjected to very careful scrutiny. Before
I go into the discussion of this Bill, I should like to refer to what my
friend, Mr. Gaya Prasad Singh, said about the General Purposes Sub-
Committee of the Retrenchment Committee. It is a fact that the
General Purposes Sub-Committee had to recommend even for the abolition
of the State Broadcasting System, but they did it very reluctantly. It
was suggested by that Committee that if it was not possible to make it
pay its own way, then, in the present depressed condition of the Gov-
ernment's finances, there was no other course left but to curtail some of
these very useful branches of Government activities.

Sir Hari Singh, it is not necessary for me to tell you that we on this
side of the House should guard ourselves against the possibility of even
this innocent measure having been used as an instrument of torture. I
shall make my position perfectly clear. Now, the right is given under the
present Bill to the Government to issue or withhold licenses. We all
know from our experience in the matter of securing licenses for the use
of arms that merely on political grounds people suffer in getting licenses
for arms. It is considered by some Government officers as a great
privilege to be conferred by the granting of license. It is conferred on
a favoured few who can claim some titles or some Government favours.
I warn the House that, in making rules, if Government take to that idea,
then the public will very much suffer. Now, it is the Telegraph
Authority who shall be competent to issue licences. It is not a personal
question at all. I have the greatest confidence in the head of the Postal
Department, Sir Thomas Ryan. It is no reflection on him. I know that
so long as he is there, there will be no injustice, but, on general principles,
I say that some of the sections of the Postal Act have also been prosti-
tuted in political matters, for example, the withholding of telegrams
sometimes merely on political grounds. It has been said even in this House
that important telegrams were sometimes withheld under some innocent
sections of the Postal Act on the ground that the information was
inaccurate. Even the other day, in reply to a question about troubles in
Aden, the Honourable the Home Member said that it was found that the
information was exaggerated and that that was the reason for withholding
the message under the Postal Act. So, they withheld some messages. I
appeal to the Government that, in making rules, the powers given under
this section may not be misused or abused. As my friend, Mr. Gaya
Prasad Singh, has very cogently argued, broadcasting is not a luxury
now a days. It is really a necessity.

[At this stage Mr. Deputy President (Mr. R. K. Shanmukham Chetty)
resumed the Chair.]

It is of great advantage to Indians, as it helps our educational
institutions, in educating the masses on matters of agriculture and in other
things of scientific interest. It is being utilised in other countries more
as an educative instrument, and we expect that in the near future broad-
casting will be utilised in India from a broader educational standpoint.
As regards the licence, as contemplated in section 5, I like to press this
view that on account of political or other considerations the right of the

people to get licences should not be unduly restricted. In sub-clause (3) of clause 6, it is said:

"In the trial of an offence under this section, whether the accused is convicted or acquitted, the Court shall decide whether any apparatus in respect of which an offence has been committed should be confiscated, and, if it so decides, may order confiscation accordingly."

It is very difficult for me to understand why, when the accused is acquitted, the right should be given to the Court to confiscate the apparatus. Then, in sub-clause (4) it has been suggested:

"Court inflicting a fine as punishment for any offence under this section may direct that the amount of the fine or any part of it shall be paid to the prescribed authority to be utilised for the benefit of the Indian State Broadcasting Service."

Instead of making it optional with the court to award only a part, the whole amount should go to the Broadcasting Service. In clause 7, power has been given to Presidency Magistrates, First Class Magistrates and Second Class Magistrates to issue a search warrant by day or by night. On general grounds, power should not be given to search any place at night, because in providing for all these cases we must be sure that they will not be used as instruments of tyranny. Some people, from motives which are not high, may put people to much trouble by conducting searches at night. If possible, these searches at night should be avoided. These are the suggestions that I should like the Select Committee to consider. My main ground is that this innocent provision may not be utilised on political grounds and I hope the Select Committee will refer this Bill back to the House in a way that there may not be any objection from anybody to pass it. Sir, I support the principle of this Bill and the idea which actuated Government to bring it before this Assembly.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): Sir, I heartily support the motion of my Honourable friend, Sir Frank Noyce, that the Bill be referred to a Select Committee. Broadcasting is very useful, as has been stated here by the Honourable Member from Madras. In mass education this wireless can be made very great use of and it is well-known how, in their zeal for the promotion of mass education, the Soviet Republic of Russia made use of the wireless and also of the cinema for the purpose of diffusing general education to the illiterate masses. As the Indian peasant is also in the same difficulty, Government and the people ought to make use of these modern scientific contrivances to broadcast knowledge to the masses. In this respect, Sir, the philanthropists also can take their hand. I saw in Sukkur that a local philanthropist there kept a set in a garden of his at that place and he kept that garden open for the general public who are also allowed to make use of his wireless set. So the people of Sukkur have got the advantage which they can enjoy whenever they go out in the evening to take a stroll in his garden and thus learn something and, at the same time, have entertainment for themselves. So, in this way, philanthropist in towns and cities may help their poor brethren by providing such facilities for them. But, in order to make wireless popular, Government ought not to see solely to the realization of adequate revenue.

One of my friends here, Sir, pressed his view that this wireless ought to be made self-supporting and that it should not be a burden on the revenues of the Government. I think, Sir, that principle ought not to be accepted in its entirety. This is a means of educating the people, and,

[Mr. B. V. Jadhav.]

therefore, it is incumbent on the Government to bear some portion of the cost. Of course I shall not say that the whole burden should be on the public revenues, but at all events the Government ought to bear a portion of the revenues. Now, some portion of the income is derived from licensing fees. It is Rs. 10, I think, per set, and I think the suggestion that these licensing fees should be increased is not worthy of our support. The fee ought not to be increased at all, but it deserves some reduction. At the same time it is found that a large number of people are evading payment and are making dishonest use of the sets they have. One of the reasons why such people are induced to make a dishonest use of wireless apparatus is, I think, the high import duty that is levied. The duty is somewhere about 60 per cent., I am told. So, as they have to pay an inordinately exorbitant price for purchasing their sets, they want to make some money by withholding payment for license fees. If it is the intention of Government that people should make use of wireless on a very large and extensive scale for the purpose of entertainment as well as education, then the cost ought to be reduced, and, when it is reduced, I think, people will come forward in larger numbers to purchase sets and to enjoy the benefits of wireless. But, then, if the import duty is reduced, it means a big hole in the revenues from wireless. So it is a problem for the Government how to adjust these two things. The present measure is a good one and deserves support of all right-minded people, because those, who enjoy the benefits of these amenities, ought to pay honestly for what they enjoy, and, therefore, I heartily support this measure.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): Sir, I am sorry I cannot congratulate my friends opposite upon this Bill. We all know, Sir, that broadcasting machines can be used for various purposes,—for purposes of education, for purposes of public health and for other salutary purposes, and it is necessary, therefore, that the sale and use of broadcasting sets should be advanced rather than restricted. But this Bill does not meet any of these points; it is merely a Bill for the purpose of realizing revenue in respect of the licensing fees for the use of these broadcasting sets.

Sir, this is the first time, I find, that for realizing licensing fees in connection with the use of innocent machines resort to the police court should be had by the Legislature. Now, we have to take out licences for various things,—for our motor cars, for our carriage and horses, for professions and for various other things and, if any such provision is to be inserted that those who fail to take out licences or to pay for their licences should be sent to prison, then I do not know how many people would be present here today. Sir, my first objection to this Bill is its penal nature and that for the mere collection of the licence fees as would appear from the Statement of Objects and Reasons, and for the proper and prompt realization of licensing fees people may be sent to prison. Now, cannot that purpose, *viz.*, the collection of the fees be served in any other way except by making provisions for sending people to jail, for confiscating their sets and for searches by police officers? Sir, this principle of taking the help of the police I can never accept and I hope that, on mature consideration, my Honourable friend, Sir Frank Noyce, will consider that the drastic provisions which he has made in this Bill ought not to find a place in legislation under any civilized Government. That is my first objection.

It has been provided that one cannot keep a machine without a licence as if a broadcasting set stands on the same footing as an arm; secondly, if I keep a machine without taking out a licence, I am liable to pay a penalty of Rs. 100 for the first time, then imprisonment for the second time, and then the police may issue a search warrant for searching my premises, and then, if I am convicted, the machinery and the set will be confiscated. These are very fine provisions, Sir, for the purpose of merely realising, say, Rs. 10 from me which I may have forgotten to pay. Sir, why don't they extend the provisions of this Bill to other classes of Government dues in order to facilitate the collection thereof? Then, Sir, instead of making these drastic provisions, why cannot they think of other methods of collecting the fees? They could license the persons who deal in such apparatus and ask them not to sell it to any person who has not got a licence or ask them to give information to the Broadcasting Department as soon as a particular machine is sold to a particular person. That would meet their purpose. Instead of making these drastic provisions which would deter people from buying these sets, the method, I suggested, can be applied and may meet their purpose. So my earnest appeal to them is to give up the drastic provisions of this Bill and make such changes in the Bill as will not affect the rights and liberties of the people. That is my first objection. I have no objection to their collecting licences by putting fines or penalties upon the people as is done in Calcutta at present on motor licences; if I fail to take a licence within the proper time, I am liable to pay a fine of Rs. 50. They can make that provision here. But to have provisions for search warrants by the police and prosecution, as they have put here, are monstrous. With these remarks, I hope the Honourable Member in charge will allow all these alterations to be made in Select Committee, and, therefore, I have no objection to the reference of this Bill to Select Committee.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I have also to make one or two observations in this matter. In the first place, I feel with my Honourable friend, Mr. Sen, that the punishment proposed to be given to people who keep wireless sets without licence is rather drastic. It is quite sufficient if the apparatus is removed from the owner and confiscated. The licence fee is only Rs. 10 while the apparatus is always worth ten times, if not more than, the fee; and it will more than serve the purpose if Government confiscate the apparatus.

Another suggestion is that under clause 4 schools and colleges should be statutorily exempted from the payment of fees. The time is not far distant when, under the auspices of the Directors of Public Instruction, lectures on hygiene, sanitation and other subjects of useful and educational character will be broadcasted throughout the provinces. It is, therefore, in the interests of education that the schools and colleges should be exempted from these licence fees. I trust these questions will be fully considered in the Select Committee, and I have great pleasure in supporting the motion before the House.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): I had no intention of speaking on this motion, but after hearing my Honourable friend, Mr. Sen, I have made up my mind. I must say that the broadcasting industry is very necessary for India and it should be encouraged rather than discouraged. On that ground, I feel that this penal provision

[Mr. Lalchand Navalrai.]

is uncalled for. There are other ways of recovering licence fees, by means of attachment through the civil court, or by the way suggested by my Honourable friend which is the best one. Before selling an apparatus to any man, the seller should insist upon the licence being produced, and that will remove all risk. Further, we find that for the first offence the penalty, as we find in clause 6, is Rs. 200 and then three months' imprisonment. This is too hard and severe and should be modified by the Select Committee. Then, there is the provision of power to search and confiscate the apparatus. This is absolutely discouraging this industry. In the very beginning, such a stringent measure should not be enacted and I would, therefore, submit that when it is intended that broadcasting should be increased and that everybody should take advantage of it, it is really necessary that we should proceed very cautiously. I hope the Honourable the Mover of the Bill will consider this very carefully and seriously. I further think, no licence is necessary for possessing these apparatuses. If the licence is not issued, there will be several other ways of check. There are inspectors who can take that duty upon themselves and see that no breach occurs in what is required by the law. In these circumstances, I support the views of my Honourable friend, Mr. Sen.

The Honourable Sir Frank Noyce: Sir, at this late hour I do not propose to accept one of the two invitations that my Honourable friend, Mr. James, extended to me. I do not propose to discuss the wider aspects of broadcasting. Mr. James has, I have, no doubt, read what the Royal Commission on Agriculture, with which I had something to do, said about it; and he will gather from that that I realise as much as he does the part that broadcasting can play in the development of this country in every direction. The second invitation he extended to me is one that I hope in due course to accept with very great pleasure, and that is to see what the authorities in the Presidency from which he and I both come are doing in the direction of putting broadcasting to the best possible uses. I hope some day, in the not far distant future, to do that under his guidance.

There is one point that I should like to make quite clear. When I said that broadcasting should not be a charge on the general tax-payer, I had in mind the revenues of the Central Government. I have every sympathy with my Honourable friend, Mr. James, in his desire to get Local Governments to use it for the purposes he mentioned. My point is that Central revenues cannot be expected to bear the cost of doing that, and that those who listen to the programmes, that we provide from our broadcasting stations, ought to pay for them.

Mr. James put two other definite questions to me. He asked me what view the Government of India would take if Local Governments started their own broadcasting stations and whether we should be willing to give them back any part of the licence fees. I can assure him that our object is to extend broadcasting as much and as rapidly as we can, that we should welcome any assistance that Local Governments can give us in that direction, and that I have not the slightest doubt that we should be able to come to a suitable arrangement in regard to license fees. I should be prepared to consider most sympathetically any proposals put forward with that end in view, because I am quite certain that it will

be a very long time to come before our Central Broadcasting Service can open up sufficient stations for the whole of India or indeed any very large part of it. And that brings me to a point raised by Dr. Ziauddin, of whose versatility the House has again had evidence. I entirely agree with him that it is desirable that we should increase the number of broadcasting stations, and the whole object of this Bill is to obtain funds from which we can find the money to do so. Mr. James mentioned another rather technical point. He asked me if I was satisfied with the present arrangements in regard to the relaying of programmes. Well, Sir, I am not as expert in these matters as he is, and as the State has not provided me with a wireless set, I had not had any opportunity of finding out for myself how things are going on. But I think it will interest him if I say that we are shortly expecting in this country a representative of the B. B. C. and that we propose to discuss with him the exact points that Mr. James mentioned.

My Honourable friend, Mr. Gaya Prasad Singh, for whose support I am, as I always am, very grateful, suggested that we might raise the license fees. I think that that, if I may say so with all respect, is exactly what we ought not to do at this moment. Just at this time, when we are trying to bring in fresh people, when we are trying to stop illicit listening-in, we do not want to encourage it by raising our fees still higher. As a matter of fact, I consider that the fee is already rather high, though I do not quite see how that can be avoided in the present conditions. I believe that the fee in England is only 10s. 6d., whereas we have to charge Rs. 10. I should like to see our fee brought down, and I hope that when we get a little nearer to those 4½ million listeners-in that I mentioned, we shall be able to do something in that direction.

Mr. Mitra seemed to see some Machiavellian purpose behind this Bill. I thought myself it was lucid enough; I have hitherto been associated with no machinery for torture.

Mr. S. C. Mitra: I meant nightly searches.

The Honourable Sir Frank Noyce: Mr. Mitra seemed to think that we were going to make a discrimination in regard to the grant of licences. I think I can completely reassure him on that point. We want all the licensees that we can get. There is no intention of refusing a license to anybody who is prepared to go to a Post Office and pay Rs. 10 for it. Mr. Mitra can be quite certain that politics does not enter into this subject at all; it is merely a question of hard cash.

I found a little difficulty in following my Honourable friend, Mr. Sen's objections to licensing. He seemed to me to object to the whole system, and both he and my Honourable friend, Mr. Lalchand Navalrai, seemed to think that it is possible to do something better. Our whole object is to prevent people from getting something for nothing, and I do feel that that is a legitimate object. And the only way we have been able to devise is to make the possession of wireless apparatus without licence an offence. I can assure both those gentlemen who made the suggestion that we should try to do so by forbidding dealers to sell to people without licence, that that suggestion has been most carefully considered, but unfortunately it has not been found possible to adopt it for two simple reasons. One is that it makes the dealer a kind of inquisitor. It makes him unpopular with the people to whom he sells his stuff and, therefore, such a system would be bound to break down in practice.

Mr. Lalchand Navalrai: The penalty is too much.

The Honourable Sir Frank Noyce: I will come to that later.

Another and a more cogent reason is that it is possible to make your own wireless set and that a great many people do it, and how can we stop them? Again, when a man buys a set, he may have a licence, but the licence is a yearly one, and how are you going to trace possession of the set covered by it after the first year? It is for these reasons that we have been unable to adopt a suggestion which looks at first sight a very good one that we should throw the onus on the dealer and not on the purchaser.

I think, Sir, that covers most of the points which have been raised by the speakers in the course of this discussion, with the exception of the point that our penalties are too high, and also that searches should be confined to the day and not be done at night. As regards penalties, I would assure the House that I shall be very willing, if that is a feeling in the Select Committee, that they are too high, to yield to it and to reduce them. These points are emphatically points for the Select Committee and that is why we have moved this motion to refer the Bill to the Select Committee.

In conclusion, Sir, I should like to thank the House for the support that it has given to my motion

Mr. Deputy President (Mr. R. K. Shanmukham Chetty): The question is:

"That the Bill to regulate the possession of wireless telegraphy apparatus be referred to a Select Committee consisting of Mr. T. N. Ramakrishna Reddi, Mr. Rahimtoola M. Chinoy, Kunwar Hajee Ismail Ali Khan, Rao Bahadur M. C. Rajah, Sir Leslie Hudson, Sir Thomas Ryan and the Mover, with instructions to report on or before the 28th February, 1933, and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Monday, the 20th February, 1933.