

Monday, 29th March, 1943

# COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

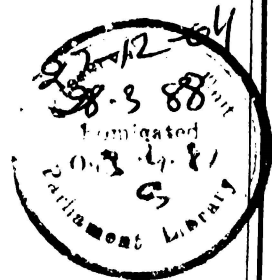
VOLUME I, 1943

*(15th February to 3rd April, 1943)*

## THIRTEENTH SESSION

OF THE

# FOURTH COUNCIL OF STATE, 1943



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# INDEX

PAGE(#).		PAGE
<b>Monday, 15th February, 1943—</b>		
Members Sworn	1	
Questions and Answers	1—9	
Notices of Motions for Adjournment	9—13	
Statements, etc., laid on the table	13—22	
Messages from His Excellency the Governor General	22	
Committee on Petitions	22—23	
Congratulations to His Excellency the Commander-in-Chief on his promotion to Field Marshal	23	
Governor General's Assent to Bills	23	
Standing Committee for the Department of Information and Broadcasting	23—25	
Death of Sir Muhammad Yakub	25—26	
Presentation of the Railway Budget for 1943-44	26—31	
Motion for Adjournment <i>re</i> Unconditional release of Mr. Gandhi	31—46	
<b>Tuesday, 16th February, 1943—</b>		
Questions and Answers	47—50	
Notice of Motion for Adjournment	50	
Allotment of quarters to Members of the Council of State	51—52	
Resolution <i>re</i> Excess Profits Tax Act, 1940—Negatived	52—59	
Resolution <i>re</i> Co-ordinated policy in respect of wheat and other food-stuffs— <i>To be continued</i>	59—76	
Resolution <i>re</i> Ordinances promulgated since the outbreak of war—Moved	76—77	
Motion for Adjournment <i>re</i> Restrictions imposed on the <i>Hindustan Times</i> —Negatived	77—85	
Appendix	86	
<b>Monday, 22nd February, 1943—</b>		
Protest by the Progressive Party against the policy of Government in connection with the fast of Mr. Gandhi	87	
Questions and Answers	87—104	
Information promised in reply to questions laid on the table	104	
Statements, etc., laid on the table	115	
Bills passed by the Legislative Assembly	115	
Delhi Muslim Wakfs Bill—Presentation of the Report of the Joint Committee	116	
Code of Criminal Procedure (Amendment) Bill—Petition laid on the table	116	
Statement <i>re</i> Quarters for members of the Council of State	116	
Standing Committee for the Department of Supply	116	
General Discussion of the Railway Budget, 1943-44	117—135	
Standing Committee for the Department of Information and Broadcasting	135	
Death of Sir James Taylor	135—136	
<b>Wednesday, 24th February, 1943—</b>		
Members Sworn	137	
Questions and Answers	137—141	
Resolution <i>re</i> Co-ordinated policy in respect of wheat and other food-stuffs— <i>contd.</i> —Adopted	141—143	
Resolution <i>re</i> Number of Ordinances promulgated since the outbreak of war— <i>contd.</i> —Withdrawn	148—159	
<b>Wednesday, 24th February, 1943—contd.</b>		
Resolution <i>re</i> Foodstuffs—Moved	159—1	
Resolution <i>re</i> Vesting of control over Governors of Provinces in the Governor General in Council—Negatived	160—1	
<b>Saturday, 27th February, 1943—</b>		
Bills passed by the Legislative Assembly laid on the table	1	
Presentation of the General Budget for 1943-44	175—1	
<b>Tuesday, 2nd March, 1943—</b>		
Member Sworn	1	
Questions and Answers	193—2	
Notice of Motion for Adjournment	2	
Resolution <i>re</i> Foodstuffs—Negatived	204—2	
Resolution <i>re</i> Sterling resources and expansion of currency—Adjourned	231—2	
Statement of Business	2	
<b>Saturday, 6th March, 1943—</b>		
Questions and Answers	237—2	
Statements, etc., laid on the table	243—2	
Bills passed by the Legislative Assembly laid on the table	24	
General Discussion of the General Budget for 1943—44	245—2	
	261—2	
Standing Committee for the Department of Supply	24	
<b>Wednesday, 10th March, 1943—</b>		
Questions and Answers	277—2	
Resolution <i>re</i> Sterling resources and expansion of currency— <i>contd.</i> —Adopted	286—3	
Indian Income-tax (Amendment) Bill—Introduced	3	
Resolution <i>re</i> Rationing of paper—Withdrawn	303—3	
<b>Thursday, 11th March, 1943—</b>		
Statements, etc., laid on the table	3	
Standing Committee for Roads, 1943-44	3	
Central Advisory Council for Railways	3	
Motor Vehicles (Amendment) Bill—Considered and passed	316—3	
Government Savings Banks (Amendment) Bill—Considered and passed	3	
Indian Railways (Amendment) Bill—Considered and passed	316—3	
Aligarh Muslim University (Amendment) Bill—Considered and passed	3	
Code of Civil Procedure (Amendment) Bill—Considered and passed	3	
Indian Penal Code (Amendment) Bill—Considered and passed	320—3	
Coffee Market Expansion (Amendment) Bill—Considered and passed	3	
Delhi Muslim Wakfs Bill—Considered and passed as amended	325—3	
Statement of Business	31	
<b>Saturday, 20th March, 1943—</b>		
Bills passed by the Legislative Assembly laid on the table	32	
Statement of Business	32	
<b>Wednesday, 24th March, 1943—</b>		
Members Sworn	33	
Questions and Answers	331—34	
Code of Criminal Procedure (Amendment) Bill—Presentation of the Report of the Committee on Petitions	34	

**Wednesday, 24th March 1943—contd.**

Resolution <i>re</i> Annual Returns showing communal proportion of persons employed—Negatived . . . . .	341—346
Resolution <i>re</i> Uniformity of laws to prevent alienation of agricultural land—Withdrawn . . . . .	346—359
	&
	359—364
Standing Committee for Roads, 1943-44 . . . . .	359
Central Advisory Council for Railways . . . . .	359
Reciprocity Bill—Considered and passed . . . . .	364—365
Resolution <i>re</i> Labour conditions on tea estates in Assam— <i>To be continued</i> . . . . .	366—373

**Thursday, 25th March, 1943—**

Bills passed by the Legislative Assembly laid on the table . . . . .	375
Statements, etc., laid on the table . . . . .	375
Standing Committee for the Department of Posts and Air . . . . .	375
Standing Committee for the Labour Department . . . . .	375
Defence Consultative Committee . . . . .	376
Standing Committee for the Department of Commerce . . . . .	376
Standing Committee on Emigration . . . . .	376
Indian Finance Bill—Motion to consider— <i>To be continued</i> . . . . .	376—412

**Friday, 26th March, 1943—**

Member Sworn . . . . .	413
Central Advisory Council for Railways . . . . .	413
Indian Finance Bill— <i>contd.</i> . . . . .	413
Motion to consider . . . . .	413—453
Motion to pass . . . . .	453—460
Standing Committee for the Labour Department . . . . .	461
Defence Consultative Committee . . . . .	461
Standing Committee for the Department of Commerce . . . . .	461
Standing Committee on Emigration . . . . .	461

**Monday, 29th March, 1943—**

Message from the Legislative Assembly . . . . .	463
Central Advisory Council for Railways . . . . .	463
Questions and Answers . . . . .	463—466
Central Committee of the Tuberculosis Association of India . . . . .	467

**Monday, 29th March, 1943—contd.,**  
Standing Committee for the Civil Defence Department . . . . .

	467
	&
	473—474
Tobacco (Excise Duty) Bill—Considered and passed . . . . .	467—473
	&
	474—484
Vegetable Product (Excise Duty) Bill—Considered and passed . . . . .	484—485
Standing Committee for the Department of Posts and Air . . . . .	485

**Tuesday, 30th March, 1943—**

Statement laid on the table . . . . .	487
Indian Tea Control (Amendment) Bill—Considered and passed . . . . .	487—488
Resolution <i>re</i> Labour conditions on tea estates in Assam—Negatived . . . . .	488—493
Resolution <i>re</i> Appointment of members of the Indian Legislature as non-official visitors to jails—Withdrawn . . . . .	493—507
Standing Committee for the Civil Defence Department . . . . .	507
Standing Committee of the Tuberculosis Association in India . . . . .	507
Statement of Business . . . . .	507

**Thursday, 1st April, 1943—**

Short Notice Question and Answer . . . . .	509
Bills passed by the Legislative Assembly laid on the table . . . . .	509
Message from the Legislative Assembly . . . . .	509
Hindu Code, Part I (Intestate Succession Bill)—Motion to refer to Joint Committee . . . . .	509—526

**Saturday, 3rd April, 1943—**

Members Sworn . . . . .	527
Questions and Answers . . . . .	527—533
Indian Army and Air Force (Military Prisons and Detention Barracks) Bill—Considered and passed . . . . .	533—536
Trade Marks (Amendment) Bill—Considered and passed . . . . .	536
Muslim Personal Law ( <i>Shariat</i> ) Application (Amendment) Bill—Considered and passed . . . . .	536—537

# COUNCIL OF STATE

Monday, 29th March, 1943.

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

## MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL: Sir, the following message has been received from the Secretary of the Legislative Assembly:—

"The amendments made by the Council of State in the Bill to provide for the better administration of Muslim Wakfs in the Province of Delhi were taken into consideration by the Legislative Assembly at its meeting held on the 26th March, 1943, and that the Assembly have agreed to the amendments."

## CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: I have to inform the Council that as a result of the election held on the 26th March, 1943, the following six non-official members have been elected to serve on the Central Advisory Council for Railways:—

1. The Honourable Sir David Devadoss.
2. The Honourable Kumar Nripendra Narayan Sinha.
3. The Honourable Rai Bahadur Satyendra Kumar Das.
4. The Honourable Mr. N. K. Das.
5. The Honourable Sirdar Nihal Singh.
6. The Honourable Mr. Abdool Razak Hajee Abdool Suttar.

## QUESTIONS AND ANSWERS.

### PROVISION OF CANTEENS FOR MILITARY PERSONNEL EMPLOYED AT GENERAL HEAD QUARTERS.

139. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Is it a fact that Government have opened canteens where provisions are supplied at pre-war rates to British officers and British other ranks, and also W. A. C. employed in General Headquarters? If so, what arrangements have been made for opening similar canteens for the ministerial staff employed in the civil offices of the Government of India and General Headquarters?

(a) Is it a fact that American Headquarters stationed in India offered to pay much higher salary to the Indian clerks than what the Government of India pay; but that the Government discouraged such higher salary being paid to the Indian employees by the American Headquarters?

(b) Was there any correspondence between the Government of India and the American Headquarters on the above subject? If so, are Government prepared to lay a copy of it on the table of the House or in the Library?

(c) Is there any bar to the application of Indian clerks serving in the Government of India being forwarded to the American Headquarters for employment?

GENERAL THE HONOURABLE SIR ALAN HARTLEY: The answer to the first part of the question relating to canteens is in the affirmative. I may, however, inform the Honourable Member that the sale prices of provisions are not fixed at pre-war rates, but are based on cost price plus cost of administration, customs duties, freight and an element of profit.

As regards the latter part of this question no such arrangements have been made, but a scheme is being worked out designed to facilitate the purchase by Central Government servants in Delhi of certain essential commodities.

(a) Government have no information about any offers made by the United States Army Authorities to Indian clerks. The second part of the question does not arise.

(b) No, Sir. Such correspondence as there was between the War Department and the United States Army Authorities dealt with the employment of lady stenographers. The second part of the question does not arise.

(c) No, Sir.

### R. I. A. S. C. SCHOOL AT KAKUL.

140. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: (1) Is there any R. I. A. S. C. School at Kakul (Abbottabad), if so, how many officers does it

annually train and how many of these officers (a) Indians and (b) non-Indians have been promoted as a result of their training per year ?

(2) How many teachers are there in the school and out of them how many are Indians ? If there is no Indian teacher, why so ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : (1) Yes, there is an R. I. A. S. C. School at Kakul.

The number of officers trained annually is not fixed, but depends upon the requirements of the R. I. A. S. C. since all officers on joining the Corps pass through the School.

As regards the number of officers promoted as a result of their training, I may state for the information of the Honourable Member that training as such does not constitute any qualification for promotion, except in the case of a special senior officers' course instituted recently.

(2) There are 69 officer instructors at present in the School, of whom none are Indians. Six Indian officers appointed as instructors since 1941, have been transferred elsewhere, three on promotion and three on more important operational roles. There were also I. C. O. instructors at the School prior to 1941. I may add that out of a total of 75 officer instructors at other R. I. A. S. C. Schools, 24 are I. C. Os.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is it intended to have some Indian instructors at the School at Kakul ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : Yes, Sir. As I just said, there are 24 at the present moment out of a total of 75 at other R. I. A. S. C. Schools. I would like to say that at Kakul the instruction is carried out entirely in English, and it is considered that I. C. Os. with instructional ability are better employed at R. I. A. S. C. Schools where their mother tongue, added to their instructional ability, can be put to better service. But that does not mean that none will be employed at the R. I. A. S. C. School at Kakul. In fact, as I have just said, there have been six since 1941 in that School.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : My question was whether it was intended to have, in future, any Indian instructors at Kakul.

GENERAL THE HONOURABLE SIR ALAN HARTLEY : That will entirely depend on circumstances.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : What is the maximum capacity of the School at Kakul for training officers for the R. I. A. S. C. ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : As I said, that varies from time to time, depending on the requirements of the R. I. A. S. C.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The Honourable Member has told us what the number actually trained is. But what I want to know is the maximum capacity of the School for training such officers ? How many officers can possibly be trained at one time at this institution should the need arise ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : I cannot tell you ; it will depend entirely on what the accommodation consists of.

#### OPENING OF AN INDIAN AIR TRAINING CORPS AT ALIGARH.

141. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government state whether any Indian Air Force training class has been opened at Aligarh, if so, when do Government intend to open similar classes at the Hindu University, Benares, and at the Khalsa College, Amritsar ; if not, why not ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : The answer to the first part is in the affirmative.

As regards the remaining parts, the Government of India are considering the extension of the Indian Air Training Corps to four other universities in 1943 and it is expected that this will be done almost immediately. These four universities include the Punjab University.

THE HONOURABLE MR. HOSSAIN IMAM : Does it include the Patna University, Sir ?

GENERAL THE HONOURABLE SIR ALAN HARTLEY : No, Sir.

THE HONOURABLE SIR DAVID DEVADOSS : Will it include the Madras University, Sir.

**GENERAL THE HONOURABLE SIR ALAN HARTLEY :** Yes, Sir. But I may say that the formal concurrence of the Madras University has not yet been obtained.

**NUMBER OF SECURITY PRISONERS DETAINED IN THE LAHORE FORT, ETC.**

**142. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** (a) Is it a fact that a number of security prisoners are detained in the Lahore Fort under the control of the military? If so, how many, and since when, and who? Is it a fact that the jail regulations do not apply to these prisoners; and no jail visitors and magistrates are allowed to visit the prisoners?

(b) For what offence are these prisoners detained?

**THE HONOURABLE MR. E. CONRAN-SMITH :** It is a fact that a small number of persons are at present detained in the Lahore Fort under police custody, not under the control of the military. It would not be in the public interest to give any information about them.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** Is the Honourable Member unable to tell us whether jail visitors and magistrates are allowed to see them?

**THE HONOURABLE MR. E. CONRAN-SMITH :** The position is that the place is not a jail in the ordinary sense and therefore the ordinary jail regulations would naturally not apply; in the same way rules regarding visits by non-official visitors also would not apply in this particular case. Such persons are only temporarily detained while inquiry is being made.

**THE HONOURABLE MR. V. V. KALIKAR :** My Honourable friend asked whether magistrates can visit the jail.

**THE HONOURABLE MR. E. CONRAN-SMITH :** I am sorry, Sir, I understood the Honourable Dr. Kunzru to refer only to non-official visitors.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** My question related both to jail visitors and magistrates. The latter part of the question asks whether it was a fact that no jail visitors and magistrates were allowed to visit the prisoners.

**THE HONOURABLE MR. E. CONRAN-SMITH :** I have said in my reply that it is not in the public interest to give any more information. But I take it that it is from creditable motives that my Honourable friend is pressing me. I would, therefore, like to assure him that there is no question of any ill-treatment and that these prisoners, while they are temporarily detained for inquiry, are properly looked after. I hope he will accept that assurance from me.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU :** I accept the Honourable Member's assurance but has he no information showing whether magistrates are allowed to visit the prisoners or not?

**THE HONOURABLE MR. E. CONRAN-SMITH :** No, Sir, I must have notice of that question. I cannot give the answer off-hand.

**THE HONOURABLE MR. HOSSAIN IMAM :** That is included in the question, Sir. The notice is already there. The question specifically says, "Is it a fact that no jail visitors and magistrates are allowed to visit the prisoners?" The notice is there.

**THE HONOURABLE MR. E. CONRAN-SMITH :** I have explained that it will not be in the public interest to give any more information. If my Honourable friend wishes to press this particular point, I will consider whether I can give him the answer afterwards. I would like to repeat again that we have nothing to conceal in this matter.

**THE HONOURABLE MR. HOSSAIN IMAM :** Will the Honourable Member accept a short notice question on this particular subject because there is no time for ordinary notice?

**THE HONOURABLE MR. E. CONRAN-SMITH :** I must ask for time to consider that.

**DETENTION OF SARDAR SARDUL SINGH CAVEESHAR.**

**143. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** Will Government state whether Sardar Sardul Singh Caveeshar, President of the Forward Bloc, is detained under their orders? If so, since when; and for what offence?

**THE HONOURABLE MR. E. CONRAN-SMITH :** Sardar Sardul Singh Caveeshar has been detained under the orders of the Central Government since the 9th March,

1942. This has been necessary for reasons of State, which it would not be in the public interest to disclose.

PROCEEDINGS OF THE PACIFIC RELATIONS CONFERENCE.

144. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Is it a fact that the Pacific Relations Conference, which met recently in Canada, recommended complete Indianisation of the Viceroy's Executive Council? If so, what steps have been taken to implement this recommendation?

THE HONOURABLE SIR MAHOMED USMAN : The proceedings of the Conference were strictly private, and Government are not in a position to divulge their substance.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Is the Honourable Member aware that the suggestions made at that Conference have been published both in the local press and elsewhere?

THE HONOURABLE SIR MAHOMED USMAN : I do not know whether they have been authoritatively published or not. I have no information.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : Has the Honourable Member seen a copy of the *Far Eastern Survey*, which is the organ of the American Institute of Pacific Relations, giving an account of the main questions which were discussed at the Conference?

THE HONOURABLE SIR MAHOMED USMAN : As far as we are concerned, the proceedings are private and Government are bound to respect the wishes of the Conference.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU : The Honourable Member has not answered my question. I asked whether he had seen a copy of the *Far Eastern Survey* which is the organ of the American Institute of Pacific Relations, containing an account from the point of view of a visitor of what happened at the Conference? The confidential discussions were not disclosed but the main points discussed at the Conference are dealt with in the article published in the *Far Eastern Survey*.

THE HONOURABLE SIR MAHOMED USMAN : I have not seen it, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : Is the Report of the Pacific Relations Conference a matter for the Governor General in Council or the Governor General in his discretion?

THE HONOURABLE SIR MAHOMED USMAN : I must ask for notice to examine the constitutional position. That any how does not arise out of this question, Sir.

NAMES OF MUSLIMS, IF ANY, WHO DEAL WITH PERSONAL MATTERS OF THE MINISTERIAL ESTABLISHMENTS OF THE POSTS AND TELEGRAPHS DIRECTORATE.

145. THE HONOURABLE MR. ABDPOOL RAZAK HAJEE ABDPOOL SUTTAR : With reference to the reply to Council question No. 121 (i), dated the 10th March, 1943, will Government state the names and duties of the Muslim or Muslims, if any, who are on that portion of the staff of the Directorate who deal with the personal cases of the ministerial establishment attached to the P. and T. Directorate, excluding Construction Branch?

THE HONOURABLE SIR MAHOMED USMAN : There are two Muslims in the Cash Section of the Directorate but neither of them deals with cases relating to personal matters of the ministerial establishments of the Posts and Telegraphs Directorate.

APPOINTMENT OF MUSLIMS AS SUPERINTENDENTS IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

146. THE HONOURABLE MR. ABDPOOL RAZAK HAJEE ABDPOOL SUTTAR : With reference to the replies given to questions Nos. 114 to 121 in the Council of State on the 10th March, 1943, will Government state whether they propose to recruit suitable Muslim assistants from other Departments of the Government of India as superintendents in the Office of the Director General, Posts and Telegraphs? If not, why not?

THE HONOURABLE SIR MAHOMED USMAN : No, as that would be contrary to rule 3 of the Government of India Ministerial Establishment (Recruitment, Promotion, Seniority) Rules.

## CENTRAL COMMITTEE OF THE TUBERCULOSIS ASSOCIATION OF INDIA.

**THE HONOURABLE SIR JOGENDRA SINGH** (Education, Health and Lands Member) : Sir, I move :—

“That the members of this Council do proceed to elect in such manner as may be approved by the Honourable the President, one person from among their number to sit on the Central Committee of the Tuberculosis Association of India.”

The Motion was adopted.

## STANDING COMMITTEE FOR THE CIVIL DEFENCE DEPARTMENT.

**THE HONOURABLE SIR JWALA PRASAD SRIVASTAVA** (Civil Defence Member) : Sir, I beg to move :—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official members to serve on the Standing Committee to advise on subjects with which the Department of Civil Defence is concerned, during the financial year 1943-44.”

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT** : With reference to the two Motions which have just been adopted by the Council, I have to announce that nominations will be received by the Secretary up to 11 A.M. on Tuesday, the 30th March, 1943, and the date of election, if necessary, will be announced later.

## TOBACCO (EXCISE DUTY) BILL.

**THE HONOURABLE MR. C. E. JONES** (Finance Secretary) : Opinion regarding tobacco and its use, Sir, is by no means unanimous. While some regard it as “the rich man’s solace and the poor man’s comfort”, there are others who strongly object to its use. Whatever disagreement there may be as to its intrinsic merits, however, its eligibility for taxation cannot be disputed. It has long been taxed in almost every other civilised country in the world and has been made to yield substantial revenues. Its virtues as an object of indirect taxation in India were well summed up by the Honourable Mr. Bazett Colvin, a former member of the Government of India, as long ago as 1880, when he wrote :—

“The tax is indirect. It is sanctioned by the example of almost every civilised country in the world, and it falls upon an article which cannot be called a necessary of life, when there are so many people by whom it is never consumed. At the same time it is consumed by a large part of the population, and would therefore yield a considerable revenue. Nevertheless, the incidence of the tax, if skilfully adjusted, would be little felt by the consumer; because the effect of a moderate duty would scarcely be distinguished amongst the fluctuations to which the price of tobacco is constantly liable from variations in the amount of crop, and other natural causes”.

When the total annual consumption of tobacco in British India is in the neighbourhood of 850 million lbs., it is obvious that even a moderate tax, if properly applied, must yield a very large revenue. As the Honourable the Finance Member explained in his Budget speech, the possibility of tapping this rich source has been frequently studied during the last 80 years; but the numerous and considerable administrative difficulties which must obviously beset the taxation of a commodity which is produced all over India and passes through innumerable hands in the course of its distribution, as also the fact that tobacco has not until recent years been a central revenue head, have hitherto made such a project infeasible. The second of these obstacles has now disappeared and the Government of India have in recent years developed their own organisation for the operation of the central excises. On the other hand the need for a tobacco excise to fill a conspicuous gap in India’s fiscal system has been enhanced by the fact that the present high duties on imported tobacco not only entail inequality of taxation between different classes of consumers but must lead to the attenuation and perhaps ultimate disappearance of the revenue which we have for many years drawn from this source. This inevitable tendency is clearly evidenced by the fact that the cultivation of better quality tobacco in India has notably increased in recent years. For these reasons and because, as Honourable Members are aware, the present need for additional sources of revenue is very great, the whole question has been examined afresh by the Central Board of Revenue. The Board started with the initial advantage of having at their disposal the considerable body of information regarding tobacco cultivation and manufacture which was gathered during the marketing survey carried out a few years ago, and have supplemented this, where necessary, by special inquiries carried out by their own local officers. In the light of this thorough and detailed inquiry of, which Mr. Greenfield, now a member of this House and who will be available to give informed answers to informed criticism that may be put forward in this House, was in direct charge and



[Mr. C. E. Jones.]

which extended over a period of ten months, the Government of India now consider that the difficulties confronting the taxation of indigenous tobacco, while still very numerous and even formidable, are not insurmountable; and a comprehensive excise system has been devised and is embodied in the Bill which is now before the House. Conditions vary a good deal in the countries which tax tobacco and several different methods of taxation have for that reason been evolved. The United Kingdom has its own system, adapted to its special circumstances, chief among which is the fact that manufacture of most of the tobacco consumed there takes place after its arrival in the country; in the United States of America and other countries taxation is effected by means of revenue stamps affixed to the packages in which the tobacco is made up for retail sale; in Australia and other countries manufacture takes place in bond; while, in some European countries and in Japan, tobacco is the subject of a monopoly, which may be managed either by a duly constituted State department or by a private or quasi-official company acting on behalf of the Government. These systems, while differing substantially both in alignment and pattern, have this much in common, that producers of tobacco are subjected to an elaborate system of control which requires them to keep a strict account of every detail of their operations. India too must clearly evolve its own system of taxation, because the circumstances in which tobacco is produced and distributed in this country are appreciably different from those obtaining elsewhere. Various alternative methods have been considered in the past, chief amongst them being:—

- (1) the taxing of cultivation;
- (2) a Government monopoly of production and manufacture;
- (3) the levy of licence fees on sale; and
- (4) an excise on manufacture;

but all have been found impracticable or otherwise undesirable and the objections then taken to them still hold good. Government have accordingly been faced with the task of devising a system to which these objections would not apply.

Now it is obviously an essential condition of any form of internal taxation in India that it should apply to all forms of tobacco consumed in the country. Only so can it be made fair to all classes of the community and all branches of tobacco production and trade and, what is equally important, can be made to produce any considerable revenue. Secondly, as a consumer's tax, it ought to be levied at a point just before the goods pass into consumption. At first sight, it may appear that the tax could most conveniently be levied on manufactured products, but this method is ruled out by the fact that much of the tobacco consumed in India is not manufactured at all but is sold in a roughly cured state. Moreover the units producing the various forms of tobacco products consumed in India are so numerous and scattered that, unless their number were greatly restricted and the forms of packing for retail sale were likewise severely curtailed, taxation at this stage would not even cover the whole range of manufactured products, apart from the large quantity of tobacco which is retailed to the consumer in the form of cured leaf. From the revenue standpoint also, the taxation of factory products would not be satisfactory, because the total quantity of Indian leaf used in the manufacture of cigarettes, cigars, cheroots and *biris* is less than one-fifth of the total indigenous tobacco consumed in India. Moreover the greater part of the *biris* and cheroots, and even some cigarettes, are made in small premises which would be very difficult to control and which would undoubtedly multiply if factory production alone were taxed, so that such a form of taxation would probably not touch more than 10 per cent. of the total crop. It is clear therefore that an excise on tobacco produced in India can only be productive and equitable if it is directed to the cured leaf and is levied at the stage of wholesale purchase; and this is in fact the basis of the excise system incorporated in the Bill which the House is now asked to consider. The provisions of the Bill are similar to those of other central excises Acts and I need not, I think, offer any explanation on them, except perhaps to say that all persons engaged in the production, sale, storage and manufacture of cured tobacco are required to be licensed, but that no licence is needed for its cultivation. As members are aware, certain provinces already tax wholesale trade in tobacco, and where this is the case we are in negotiation with the Provincial Governments for withdrawal of the present taxation measures, subject to reasonable compensation.

Similarly, the rules, which were published on the 1st March, are clear and precise and need no detailed exposition; but for the convenience of Honourable Members I will briefly outline the main features of the system. Its basic principle is that the tobacco becomes liable to excise as soon as the leaf has been cured and made fit for sale to the wholesale dealer, but that realisation of the tax is postponed until the tobacco is about to pass into consumption. In order to ensure that the whole crop comes under assessment, provision is made for official supervision and control over the commodity from the stage of its production until it is finally marketed; but the system has been devised with careful regard for the practical conditions of the industry and with a view to reducing inconvenience to a minimum and to ensuring that official operations are adapted to the requirements of the trade. Where the owner so desires, the duty may be paid immediately the tobacco has been cured; but for the general convenience of the trade, and in particular to allow remission of duty to be claimed in respect of losses incurred during storage and of refuse tobacco unsuitable for manufacture, and in order also to postpone payment until the tax can be transmitted to the consumer with the least possible delay, the warehouse dealer is permitted to warehouse his goods under bond and to pay the duty when they are ultimately despatched to the manufacturer or retail dealer; and, in order to facilitate the disposal of tobacco, the ultimate market for which is situated at a considerable distance from the original place of production, provision is made for transport under bond from one warehouse to another. Abatement of duty will be allowed in respect of evaporation during storage, of waste due to handling within the warehouse and of refuse such as butts and stems, provided that this is destroyed in the presence of an excise officer or that satisfactory proof is given that it is to be utilised for manure or some other agricultural purpose; and refund of duty will be allowed in respect of all tobacco exported by sea. The rules relating to warehousing operations are generally akin to similar provisions in the Sea Customs Act which have operated satisfactorily for many years and should, therefore, present no difficulty to merchants.

It is not pretended that the system will be easy to operate. On the contrary, as I have already indicated, many difficulties are likely to be encountered and some may be serious; and it may be that the system will have, from time to time, and perhaps in particular areas, to be altered in certain details of its working; but the Government are satisfied that, given close supervision and careful governance, which we have arranged to provide, the system can be made an efficient fiscal instrument which should impose no check on production, nor be burdensome to the trade.

On the other side of the picture, it is beyond question that the operation of the system will inevitably produce certain incidental consequences advantageous to the cultivator, and any Honourable Members who have practical knowledge of tobacco production and trade will readily appreciate that it can be accompanied by measures designed to bring substantial benefit to both the producer and the consumer. Thus the marketing survey which was conducted a few years ago showed that weightment of tobacco has hitherto been carried out with weights which are "numerous and often incomprehensible" and which must therefore "provide much scope for exploiting illiterate producers and stand in the way of the development of trade and market news service"; and the survey officers also observed other malpractices and found that the market charges were "scandalously high". It is clear that under the controls which necessarily form part of an excise system of this kind, such malpractices must inevitably tend to disappear; and even a small percentage of improvement in price returns owing to better marketing would clearly entail a considerable addition to the cash income of producers. As with many other goods, quality is a factor of outstanding importance, and the Agricultural Marketing Adviser expressed the opinion that "if the general level of quality is to be raised and maintained it can only be done by organised direction and control". It is obvious that when the whole production of tobacco is regulated by an effective and comprehensive excise system, Provincial Governments will be in a position to obtain more direct control than they can now exercise over the quality of tobacco produced in their provinces and to ensure that curing barns and redrying plants handle only leaf of approved types and of a quality suitable for the purpose for which it is intended; and they will similarly be able to take steps to check the grosser forms of adulteration to which *hookah*, *chewing* and *biri* tobaccos are now subjected. If action on these lines is taken, the

[Mr. C. E. Jones.]

quality of Indian tobacco and of various products made therefrom can be materially improved and a wider market for Indian tobacco both in this country and abroad can thereby be ensured.

In order to distribute the tax between the various classes of consumers in proportion to their capacity to pay, and in order also to take some account of the greater element of luxury in the more expensive forms of smoking, the schedule of duties has been steeply graded according to the purpose to which the leaf is to be applied; and for convenience, a separate duty is to be levied on certain manufactured products in addition to the tax on the leaf of which they are composed. As explained in the Statement of Objects and Reasons, the scale of duties is so adjusted as to entail an average increase of approximately 20 per cent. in retail prices, which is in conformity with the general rate of tax on consumption goods. Such a rise in prices will obviously not be a serious burden on consumers, and the ordinary and medium qualities, which form the bulk of the consumption, will still be sufficiently cheap to place the luxury within the reach of the poorer classes of the community.

Where production is so widely scattered and fragmented, reliable statistics are not readily procurable; and it is clear also that for climatic and other reasons there must be a good deal of fluctuation from year to year. It is not easy, moreover, to calculate exactly how much tobacco is retained by primary producers for their personal consumption, which under the rules will not be liable to tax; while allowance must further be made for variation in the quantities of tobacco which, owing to flaws in curing, becomes unfit for consumption, or which cannot for other reasons find a purchaser. The total revenue likely to be derived from the excise duty cannot therefore be precisely calculated, but making such allowance for these factors as is possible with our limited knowledge, we estimate that the tax will yield Rs. 10½ crores.

In the course of the investigation of this problem Government have been impressed by the possibilities of developing the cultivation of tobacco in India. In point of quantity India is now one of the principal tobacco-producing countries in the world, and for a number of years has produced an increasing amount of good quality cigarette tobacco. There can be little doubt that substantial benefit would accrue from special measures for the improvement of cultivation and marketing, such as have been taken in other Empire countries and in America and Greece. The marketing survey to which I have already alluded shows that the grower at present obtains only a comparatively small share of the consumer's or manufacturer's price; and there is plainly much scope for extending both internal and external trade in high quality leaf. Better prices can be secured for the growers by economies in distribution, by the production of high quality tobacco, by establishing regulated and open markets in the main producing areas, by the reduction and regulation of market charges, and by the adoption of uniform standard quality grades. Under the stimulus of private commercial enterprise, remarkable progress in the cultivation of virginia leaf has been made in the principal tobacco-growing area in the Province of Madras, and in the 13 years from 1928 to 1941 the acreage and yield of such tobacco in this neighbourhood rose from 80 acres and 42,000 lbs. to 126,000 acres and 55 million lbs., while the number of flue curing barns sprang from two to nearly 8,000. This development has greatly benefited the local people and similar results might be achieved in other parts of the country. If, as would appear, good quality cigarette tobacco could be grown in Bengal, Bihar, the United Provinces, the Punjab and Bombay, India ought to be able to expand her exports of this variety, which, though they have undergone a remarkable increase in recent years, particularly to the United Kingdom, still amount to less than 4 per cent. of her total annual crop. Internal consumption also of this quality of tobacco seems likely to increase, for as long ago as 1924, the Indian Taxation Enquiry Committee observed that there had been considerable expansion of the manufacture of cheap cigarettes in India. Production has since increased by nearly 150 per cent. and in view of the growing popularity of the cigarette, which is manifest here as in other countries, there is likely to be a further increase in the future. Much of India's tobacco is purchased on the growers' holdings and prices are therefore bound to vary considerably from one area to another, generally to the disadvantage of the grower; and he would obviously be benefited by a market news service. Better prices would also

result from the establishment of markets in producing centres, where growers could bring their tobacco for sale and be able to compare the prices offered for their produce with those paid for other lots; such markets would also enable buyers to obtain their supplies quickly and would further serve to educate the grower in proper methods of production and curing. If standard grades were introduced in the chief areas of production, the more important varieties of tobacco would be enabled to develop a market reputation, thereby increasing the demand for such tobaccos and enhancing their selling prices; and the adoption of standards in regard to quality, moisture content and packing would also minimise the sorting and re-sorting which now takes place at almost every stage and is an outstanding feature of the trade. There is room also for substantial improvement in the yield and quality of the tobacco used for *biris*, *hookah*, chewing and snuff; and, in all varieties of tobacco, improvement could be ensured by arranging a supply of reliable seeds. In the hope of inducing developments along these lines, for which of course the co-operation of producers, merchants and manufacturers will be essential, Government are allotting an annual grant of Rs. 10 lakhs from the proceeds of the excise duty for financing measures designed to improve cultivation and marketing.

Sir, I move.

THE HONOURABLE RAJA YUVERAJ DUTTA SINGH (United Provinces Central : Non-Muhammadan) : Sir, I regret I cannot support the proposed excise duty on tobacco. It is a duty which essentially affects the poor man, the man who cultivates tobacco, and the man who uses it as a manufactured article, in the shape of *biris*, etc. I will briefly take the case of the former first. The cultivator, being in most cases, a poor man, has only a small field on which he grows tobacco, which, after the crop is cut and dried, is sold. This fetches him a little money, out of which he pays his rent to the landlord, and keeps the rest for food and clothes. The sale proceed hardly suffices for his own needs; and to impose an excise duty on tobacco is to impose an additional hardship on him which he would be unable to bear.

The definition of tobacco, given in clause 2 (a), includes any form of tobacco, "whether cured or uncured"; and "curing" in sub-clause (b) includes "drying" whether by sunshine or air. For this elementary process of agricultural operation, the tobacco-grower will have to take out a license under clause 6 of the Bill.

Clause 14 of the Bill confers on the Central Government power for making rules to carry into effect the purposes of the Act. The rules are necessarily complicated, and impose upon the illiterate cultivator duties and obligations, which it will be impossible for him to fulfil; and will almost inevitably land him into difficulties with the excise-officers and their underlings. I will give a few instances. The cultivator may be prohibited from curing the tobacco except on land and premises approved by the excise officer. The poor and illiterate cultivator cuts his tobacco crop, and puts it out to dry in his field, or on the adjoining land. Under the Act, he may be called upon to take it to a distant bonded warehouse, or any other approved premises. This will entail upon him unnecessary labour and expense, which he may be unable to incur. He will have to furnish information, keep records, and make returns, and perform other duties, which will be beyond his capacity to perform; and in default, or failure, he will be visited with penalty which may go up to two thousand rupees, and the article in respect of which any breach is committed shall be liable to be confiscated. Then again, the rule which authorises and regulates the inspection or search of any place or conveyance used for the curing, storage, sale or transport of tobacco, confers upon the excise officer, or whoever he may be, extensive power to search the cultivator's dwelling house, at all hours of the day or night, and to subject him to harassment, trouble, and extortion, if he is so inclined.

Clause 10 of the Bill provides that if a cultivator fails to supply any information, which he is required by the rules to supply, or supplies false information he shall be punishable with imprisonment which may extend to six months, or with fine, which may extend to two thousand rupees, or with both. In his ignorance and illiteracy, if the poor cultivator of tobacco is not able to supply the information in time, or supply information which may not conform to the rules prescribed, he may be hauled up and sent to jail. Sir, I will not dwell more upon this aspect of the Bill.

[Raja Yuveraj Dutta Singh.]

When the tobacco is manufactured, and comes out as a finished product, in the shape of *biri* or chewing tobacco, which are used mostly by poor men, they will have to pay the excise duty, in the form of increased price. This will undoubtedly hit the poor man to whom tobacco has become an article of necessity, and gives him a little solace, after his grinding labour of the livelong day—from morn to sultry noon, from noon to dewy eve. As one who spends a considerable part of his time in his zamindari, and is somewhat intimately acquainted with the condition of the villagers, I sincerely feel that this excise duty will work very hard on poor and illiterate persons, either as cultivators, or as users of tobacco product; and I regret I cannot support this Bill.

\* THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhamadan) : Sir, my Honourable friend who has preceded me has represented in detail all the difficulties to which both the manufacturer and the consumer will be subjected to on account of this proposed taxation. I do not, therefore, intend to traverse the whole field and repeat the arguments which have been stated by him. I am simply mentioning one or two salient features which appear to me to be very objectionable in regard to this proposed tax.

Sir, my Honourable friend the Finance Secretary, who is very capable and always ready with his arguments to support any financial measure which he proposes, stated some opinion in the course of his speech which went to show that tobacco was not a necessary of life. But I would ask the Honourable Mr. Jones to consider whether he thinks that the opinion which was expressed some years ago still holds good. Does he not realise that in the present-day conditions of life the use of tobacco has come to be almost a necessity under modern conditions?

THE HONOURABLE MR. C. E. JONES : I can answer that at once—for the simple reason that people who do not consume tobacco do not die.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : Whatever the consequences of using tobacco, Sir, with some people the use of tobacco has come to be such a settled habit that it is very difficult for them to give it up or to adjust it. This is a fact which cannot be denied at all. The smoker or one who uses tobacco in some form or other, either as chewing tobacco or as snuff, would rather give up his meals than forego his tobacco. Therefore, it is quite obvious that this is an article which has come to take a prominent place among the necessities of life and that any tax on it is bound to affect the consumer. The question is, who are the consumers who are affected. So far as the prosperous section of the population is concerned it does not matter whether this article is taxed or not. But I am concerned rather with the poorer section of the population to whose condition my attention has been drawn by my Honourable friend who has just spoken before me. You know, Sir, that after all the national income in our country is very small and every individual among the poorer section has very little amount to spend on necessities of life and on account of this taxation on tobacco, his *biri* or his country cheroot will go up in price and the margin left to him for spending on other necessities of life will have to be curtailed. The result would be, there would be a consequent fall in the standard of living, and, as you know, Sir, the standard of living in our country is already very poor and it is very difficult for us to reconcile ourselves to anything which would go to affect adversely the standard of living in our country which, if it needs any change at all, needs it in the direction of levelling up and not levelling down.

The analogy of more prosperous countries is given. It is not the correct thing to take our guidance from those countries where the conditions so widely differ. We have to take into consideration the methods of cultivation and the yield from the land. Tobacco cultivators still use those primitive methods of cultivation which have been in use for years. My Honourable friend Mr. Jones said that the yield of tobacco was increasing. But I would ask whether it is increasing at the rate at which it should increase, whether it is anything like the yield which ought to be got from the acreage which is under cultivation? Unless the yield is made to become larger, unless the methods adopted by the ordinary cultivator are improved, I do not think there is any justification for taxing this commodity. It might be

said that at a time when the State needs additional revenue, it is necessary and only just that tobacco should come in for taxation also. But I say it might come but not at this time. This is the most inopportune moment because the prices of all the necessaries of life have gone up, and if you add to this difficulty also, you will be putting too very great a hardship on the poor man in this country. For additional revenue you should have looked to other avenues of income and you should have waited until better times came, until the prices of other commodities had gone down and had found their old and peacetime level. Until that time you should have waited and then I do not think there would have been such objection to the levying of this tax.

Again, Sir, I have received a number of representations. My province is one that is very badly affected by this taxation. I have received representations from all the people concerned in this taxation, representations both from the labourers and from the factory owners, the *biri* workers and the *biri* merchants. All of them have with one voice lodged a strong protest against this tax. The *biri* labourers have held meetings at which they have stated that the *biri* industry in Madras will be very seriously affected by this taxation and it is apprehended that a number of *biri* workers would be thrown out of employment. Now, Sir, thousands and thousands of them, not only male members but even females, manufacture the *biri* at home and thereby eke out their livelihood and it is greatly feared, Sir, that if this tax is levied, those people who are engaged in this cottage industry and who are able to eke out a few annas by making *biris* at home will be deprived of the means of eking out their livelihood.

Anyway, Sir, it looks as if the Government are determined to levy this tax. I would request the Government, if they cannot give up this tax, at least to see that it is reduced. That is one request. Another request is that every possible and necessary care should be taken to see that the money that is allotted for the improvement of tobacco cultivation is really very advantageously used, so as to benefit the cultivator. The cultivator should be enabled to have better facilities in regard to cultivation, obtaining of seeds and marketing of tobacco. The middlemen should be prevented from fattening at the expense of the poor cultivator. Marketing facilities should be improved and a very serious attempt should be made to see that insects and other pests which spoil the tobacco plant are rooted out as effectively as possible and the cultivator should be made to adopt better methods and should be enabled to grow much larger quantities of tobacco so that the incidence of the tax might be alleviated and the price of the *biri* may not become so exorbitant as it would be if the present methods of cultivation continue and the yield from the land is not increased.

THE HONOURABLE THE PRESIDENT: You have not given notice of any amendment for the reduction of the tax.

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR: Sir, reduction is out of the question, because Government is not going to do it. That is why I make the suggestion that Government should see that the yield is increased, methods are improved and marketing facilities are given to the poor cultivator. I join my Honourable friend who has preceded me in requesting Government to see that officers who will be entrusted with the administration of this Department are given clear instructions not to be hard on innocent cultivators. I have no objection to punish as severely as necessary those who deliberately try to cheat the Government of their dues; but the poor cultivator who does not understand the rules and who is not in a position to satisfy all the conditions should not be harshly treated and the officers entrusted with the duty of collecting this tax should be instructed that they should be lenient to the poor tobacco growers and not be hard upon them.

#### STANDING COMMITTEE FOR THE CIVIL DEFENCE DEPARTMENT.

THE HONOURABLE SIR JWALA PRASAD SRIVASTAVA (Civil Defence Member): Sir, I wish to make a small amendment to the Motion which I made earlier this morning. I would like to substitute the word "three" for the word "two" in the second line of the Motion. It was a mistake on my part. I have agreed that the strength of the committee should be eight, five members being elected by the Assembly and three by the Council of State.

THE HONOURABLE THE PRESIDENT: The Motion has been passed this morning. I shall have to place it before the House again.

The Question is:

"That the word 'three' be substituted for the word 'two' in the Motion."

The Motion was adopted.

TOBACCO (EXCISE DUTY) BILL—*contd.*

THE HONOURABLE MR. V. V. KALIKAR (Central Provinces: General): Sir, after the very lucid and elaborate speech of my Honourable friend Mr. Jones, I still think that the tax is a tax on agricultural produce. The arguments against this tax have been clearly stated by my two Honourable friends who have preceded me and I think I need not repeat them. In my province I find that there are many people who manufacture *biris* and many agriculturists grow tobacco as an agricultural produce. I read and re-read the Bill and I find that the Bill does not exempt even the grower if the grower after his first cutting of the plant dried up the tobacco for sale for the manufacture of *biris* or for sale for chewing. Reference has also been made to the fact that this is a solace which is essential to the poor.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN: On a point of order, Sir. There is no quorum in the House.

THE HONOURABLE THE PRESIDENT: Secretary, will you please ring the Bell. (The bell was rung and a quorum obtained.)

THE HONOURABLE MR. V. V. KALIKAR: I was saying that there might be a difference of opinion whether tobacco is an essential or a non-essential. I must state, and I think those who are acquainted with the agriculturist and the poor population who live in the villages know that a large number of people either use tobacco for chewing or for smoking: some use *biris*. In my province the poor agriculturists use what is called *chillum*. It is an earthen pipe and when they meet their friends that is the only way of showing hospitality to their friends by offering *chillum*. So there is no question that this particular Bill will affect or hit the poor. Of course, I quite understand that any taxation measure when it is imposed, hits somebody and complaints come from this quarter and that quarter against that taxation measure. But here I am concerned only with the poor people who stay in villages. I am myself one of those who smoke heavily. I think it is a very bad habit. I do not mind if I am taxed. But, Sir, I feel sorry that people whose yearly income is not more than Rs. 50 should be hit under the Bill. That is a matter to be seriously considered by the Government.

THE HONOURABLE THE PRESIDENT: Will they not get more income?

THE HONOURABLE MR. V. V. KALIKAR: They will not get more money because whatever more money they are getting under emergency conditions they will have to spend for the essentials of life, for instance, foodgrains and clothing.

The second point that I wish to urge is about the punishment of sentence which has been provided for in clause 9 of the Bill. Sir, if one takes into serious consideration the illiteracy of India and specially the poor people who stay in villages who are not expected to fill in the forms correctly as required under the rules, I think by passing this measure we give a handle to over-enthusiastic officers to unnecessarily harass the poor, and especially the villagers. Therefore, I submit that if Government want to inflict some punishment they should have raised the amount of fine but the sentence of imprisonment seems to me to be a very objectionable feature of the Bill.

Then, Sir, I am told—I do not know how far this information is correct, and, if my information is not correct I hope my Honourable friend the Finance Secretary will correct me—I am told that if you fix a flat rate of annas six on the ordinary tobacco—we know, Sir, that there are various qualities of tobacco produced—I know that in my province two or three qualities of tobacco are produced—although it will be only annas six per pound, that means Rs. 30-12-0 per Bengali maund and that means that the quality of tobacco that is sold for Rs. 4 will now be sold for Rs. 34. If that information is correct after this tax is imposed the quality that is produced in my part of the province—I mean inferior quality which is sold between Rs. 4-8-0—will now be sold, say, at a maximum of Rs. 38. I do not think, Sir, that will in any way improve the lot of the agriculturist. I therefore submit, Sir, that even though the Taxation Enquiry Committee found that this was a commodity on which tax could be imposed, Government ought to have waited for better times and then they

should have imposed this tax on this commodity, but taking the circumstances of the present situation into consideration and the want of essentials to the poor agriculturist this commodity ought not to have been taxed. I therefore am afraid I can not give my support to this Bill.

THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN (United Provinces West : Muhammadan) : Sir, I have to oppose this Bill as it stands for various reasons. I might have given my support if it was not intended to tax the growers or to issue licences to them. Unless the policy of the Government is to stop or discourage the growing of tobacco the taxing of the tobacco on growers or issuing licences should not be pursued. I warn the Government of the danger that the production of tobacco will considerably decrease and probably except for big industrial concerns the cultivation of tobacco by the ordinary tenant will disappear. An ordinary agriculturist, a village man, is an easy going person and he cannot tolerate or submit to the strict rules of licensing and he would rather prefer to give up the growing of tobacco and take up some other cultivation than this commodity and therefore I would ask the Government, if they want to pass this Bill without causing injury to the poor man, to reconsider this matter and withdraw the Bill as it stands. Of course, I know they will not do so. When the question of securing money is concerned reason does not come near them. There is one very great objectionable feature in this Bill besides the danger that I have pointed out : that the people who use *biris* and ordinary tobacco in *hookah* will suffer most. I know there is a good deal of taxation on manufactured cigarettes and cigars in other countries and I would not object to a taxation on cigars and cigarettes—that is certainly in India a luxury or at least it is used by a class of people who can bear the brunt—but the *biri* smokers or the ordinary *hookah* smokers, the number of which is very large among poor people, ought to be avoided. In the schedule to this Bill there are two kinds of tobacco—Virginia tobacco and country tobacco—but when we see under the head of Virginia tobacco we find a heading “containing no imported tobacco” and intended to be used for *biris*, cheroots, and so on. Then, again, we find in class II of this Schedule, Part I, country tobacco. Now it is very difficult to understand for the purposes of this Act what is the definition of the country tobacco because Virginia tobacco when put down under “containing no imported tobacco” means what is grown in India. It may be of a different kind but when it is called “country tobacco” in Part II I do not know whether it excludes that tobacco. Therefore, I would like that there should be a definition of country tobacco clearly differentiating between the kind of Virginia tobacco grown in this country and other kinds of tobacco. As pointed out by the Honourable Mr. Padshah the tobacco in India is grown in different qualities. Some quality is more useful for manufacturing cigarettes ; at least it pays more than for using it for *hookah* or snuff or smoking purposes. There is another kind of tobacco which is more useful for snuff than for smoking purposes. *Hookah* tobacco in many cases is not pure tobacco but what one might call tobacco compound in which according to the degree and the quality of compound the ratio of tobacco is small. Now in this way certain kinds of tobacco are taxed twice ; one in an unmanufactured condition and again when it is manufactured into cigarettes, *biris* or cheroots. Therefore, these things ought to be carefully considered and double taxation ought to be avoided. Again, *hookah* tobacco has been treated as one standard thing. I can say that many kinds of *hookah* tobacco exist from Rs. 80 per seer to annas two per seer and to treat them as one class will be absolutely unfair.

Then, as my Honourable friend pointed out, tobacco is certainly today a necessity of life. The Honourable Mr. Jones says that a non-smoker does not die. That is not the point. There were people who covered themselves with leaves and did not die. Why is cloth a necessity of life ? Meat should not be a necessity of life. Vegetarians do not die. We must face the facts as they stand. Smoking in this country, and as a matter of fact in every European country, has become a necessity of life. Therefore, we ought to consider this necessity in relation to the poor and classify the taxation in a manner so that it may not be very harsh on them. Particularly the licence system, I am quite certain, will almost stop the growing of tobacco by ordinary cultivators ; the growing of tobacco will be confined to industrial firms who may take up this industry and cultivate tobacco for the purpose of sale.

On account of these objections, I have to oppose this Bill.



THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces-Northern : Non-Muhammadan) : Mr. President, the lucid speech of my Honourable friend the Finance Secretary explaining the principle on which the Bill has been drafted and the more important provisions in the Act and the rules has made by task very easy. My Honourable friend frankly admitted that it was not pretended that the system which the Bill proposed would be easy to operate ; he even went so far as to say that experience might show the need for making alterations in it. I personally have no doubt that the system would be attended with considerable harassment in the case of the ordinary cultivator and that Government will soon be compelled to alter it suitably.

Now I shall deal first with the system which Government want to adopt for obtaining full particulars regarding the area under tobacco and controlling all the subsequent stages after tobacco has been grown. Let us take, first, the ordinary grower. The responsibilities cast on the grower are by no means light—I shall deal with them in a moment—but the only reference to the grower in the Act is in clause 14 (iv), which relates to the subjects which are to be covered by the rules to be made under the Act. It is the rules that define the word "grower", and regulate his activities.

Now, let us see what the responsibilities of the grower are. They are laid down in rule 5, which says that every grower shall, in each year, before making use of any land for growing tobacco, make a true declaration in the form prescribed by Government. It is provided, however, that where the grower intends to cultivate less than ten acres of tobacco, he may furnish these particulars orally to the tobacco excise officer who visits him to find them out. This provision is obviously intended to cover the case of the poorer cultivator, who would be almost certainly illiterate, and who would therefore find it very difficult to comply with the provisions of rule 5. But I personally do not think that, in spite of the provision that I have just referred to, the position of the small cultivator would be appreciably eased. I do not know, in the first place, whether he would be able to supply, even orally, all the particulars that he is required to give. In the second place, if the excise officer makes a mistake in reducing the particulars to writing, the responsibility will be, not of the officer, but of the cultivator; and under rule 82 the cultivator would be liable to a penalty which might extend to Rs. 1,000, and the tobacco in respect of which the offence is committed might be confiscated. If our cultivators were educated, it would be possible to work the complicated system embodied in the rules. But the cultivator is, as everyone here knows, illiterate. I am afraid, therefore, lest he should be harassed by the subordinate officials.

I shall now take the case of the bigger cultivator, the man who cultivates more than ten acres. The condition of the country is such that even cultivators of large areas, occupancy tenants with 40 or 50 acres of land, are not literate, and they will find it no easier to give the particulars asked for by Government than the smaller cultivator growing tobacco on less than ten acres of land.

I shall now pass on to another provision in the rules which is of an even more onerous character than the one I have already dealt with. I refer to rule 11, which says :—

"The proper officer shall deliver free of charge to every grower who intends to grow ten or more than ten acres of tobacco and to every curer who intends to cure 100 or more than 100 standard maunds of tobacco in the following year a tobacco entry book in Form T. E. B. 1."

And there are a number of provisions which relate to the manner in which entries are to be made in this book. I will not read out any of the entries, because Honourable Members are familiar with them. I doubt whether even a man of ordinary education would be able to fill up quite correctly the numerous entries that are required to be made under rule 11. To suppose that when people cultivating less than ten acres of tobacco have been exempted from giving the required particulars in writing, enough provision has been made to see that the smaller cultivator who is illiterate is not harassed, is, I think, to make a serious mistake.

What I have said with regard to the bigger cultivators in relation to rule 5 applies equally with regard to rule 11. It is these provisions which give point to the remark made by my Honourable friend Mr. Muhammad Hussain that unless the system is altered, a premium will be placed on the cultivation of tobacco by capitalist agencies to the detriment of the small cultivator. This apprehension may seem far-fetched to Government but there are many people connected with

the cultivation of tobacco who have expressed the same fear to me, and although I am not in any way connected with tobacco cultivation myself, I think that the fears of the cultivators are not without substance.

While dealing with the complicated provisions relating to the growing, curing and sale of tobacco, I think I should also refer to rule 21 which requires that for the transport of more than two standard seers of tobacco a permit or certificate should be obtained. Let us take the case of the small dealer. Most of the dealers in the United Provinces are small scale dealers who, in addition to being poor, are uneducated. They too will find the provisions of the Bill almost as irksome as the cultivators, and it will become exceedingly difficult for them to carry on their business if the restrictions laid down in rule 21 are to be fully observed. These dealers are very apprehensive that if the rules relating to them are not simplified and some other method is not found of controlling the illicit sale of the cured tobacco, they will be placed at a considerable disadvantage.

I shall now pass on to rule 30 which requires a wholesale dealer or manufacturer to maintain a book in the prescribed form. I shall not deal with the particulars to be written in this book, because the more important particulars are laid down in the rules which Honourable Members are doubtless familiar with. I am, besides, not concerned not with the entries to be made by the wholesale dealer or manufacturer, but with the definition of the wholesale dealer or manufacturer which indirectly given in the table on page 13 which relates to licences for maintaining tobacco shops. According to this, a wholesale dealer may be a person who purchases 500 maunds or less. If I am right in my understanding of this particular position, it means that if a man sells in the course of a year about 25 or 50 standard maunds of tobacco he will be regarded as a wholesale dealer and will be required to comply with the provisions of Article 13. I do not know, Sir, what the state of things in other Provinces is, but in the United Provinces most of the tobacco dealers in the important cities are men of very little education and are not infrequently illiterate. There are, I know, some big tobacco firms, for instance, in Lucknow. But it would be a mistake to imagine, because of the existence of a few large firms, that the rules which have been laid down could be easily worked by other tobacco dealers. I venture to draw the attention of the Government to these particulars not because they have not considered these points or are not aware of the difficulties that they will create. Indeed, the speech of my Honourable friend Mr. Jones shows that Government are fully conscious of the complicated character of the rules that they have made. But I wish to ask the Government to make a serious effort to simplify the rules, and, if possible, to change the system.

I shall now, Sir, deal briefly with the excise duty to be imposed on *hookah* tobacco. The proposed duty is 1 anna per lb. or Rs. 5-2-0 per standard maund of 82-2/7 lbs. In ordinary times the price of tobacco used in *hookahs* was about Rs. 4 or Rs. 5 per maund or Rs. 5 to Rs. 7 per maund. It was in any case very moderate. But it is now, I understand, between Rs. 9 and Rs. 15 per maund. If the tax on *hookah* tobacco is Rs. 5-2-0 per maund, it is obvious that it would amount to as much as 50 per cent. on some varieties of tobacco and to about 33 per cent. even on the more highly priced tobacco. I am not speaking now, Sir, of tobacco used for making *biris*, because in that case the Government might say that the taxation, though apparently heavy, would be spread over a large number of *biris* and that the burden of the tax would therefore be very lightly felt by the consumer. I am dealing with another kind of tobacco altogether, tobacco which is used by labourers, domestic servants and people of that kind tobacco which is greatly in use in the United Provinces to which I belong. It was stated on behalf of Government in the Assembly that the duties had been so arranged that the burden on the consumer might not be more than 20 per cent. on the existing price. If my information with regard to the price of *hookah* tobacco is correct, then it seems to me that the duty would not amount to 20 per cent. of the present price, but would range between 33 and 50 per cent.

The next point that I should like to refer to in this connection is tobacco dust, the excise duty on which is to be one anna per lb. Now the price of this, I understand, at present is Rs. 5 to Rs. 7 per maund and the duty would therefore amount, on the inferior kind of tobacco dust to cent. per cent., indeed to a little more than

[Pandit Hirday Nath Kunzru.]

that. I gathered from the speech of my Honourable friend the Finance Secretary that the effect—intended or indirect of the duty as laid down in the Bill would be to prevent adulteration in the manufacture of *hookah* tobacco. As the duty on tobacco dust will be as high as on *hookah* tobacco, it may be claimed that there will be no temptation on the part of the manufacturers of this kind of tobacco to use tobacco dust and that they will therefore supply a purer article to the consumer. I do not know whether that would be the case in fact, but there is no doubt at the present time that there are classes that subsist on the sale of tobacco dust and of tobacco refuse which is known as *khakri*, by the sale of which Harijans, mostly in Gujerat, derive some income. If the Government want to take steps of a reformatory character, I wonder whether the method that they have chosen in the Bill is the best one.

Sir, before I point out possible alternative to the method chosen by Government, I should like to deal with one or two small points. I have already referred to the case of the license duties. It is clear that if the requirements of the Act and the rules are not to be evaded tobacco can be sold only by licensed dealers. But the scale of license fees requires consideration. If tobacco is going to be taxed, the license duties ought to be light, so that there may not be two kinds of taxation on the same article, but according to the license fees prescribed on page 13 of the rules, they will extend from Rs. 5 to Rs. 100. Now, compared to the quantity of the tobacco to be sold and its value at the present time, the license duties may not be heavy. Nevertheless I should like to know why a man who purchases 2,000 or more than 2,000 maunds of tobacco should pay a license fee of Rs. 100? I do not want to stand up for the capitalist; he is quite capable of looking after his own interests. But I should as a matter of principle like to know why the license fee in his case should be as high as Rs. 100 when the excise duty that he will have to pay will be sufficiently heavy.

The last point that I shall deal with relates to the restrictions imposed by Government on the grower. I have studied this point with some care and I have no doubt that the matter has received the careful consideration of Government. They must have been advised by the Legislative Department that the restrictions which they were imposing on the grower were within their competence and that the right to impose an excise duty on tobacco involves as a necessary and incidental measure the imposition of restrictions on the cultivation of tobacco. The matter, however, seems to me, Sir, to be a very difficult one. The Federal Legislative List makes it competent for the Central Government to levy an excise duty on tobacco. But Agriculture in all its forms is an item in the Provincial Legislative List. It is somewhat difficult for a layman like me to believe that the complicated provisions the grower of tobacco would be asked to comply with can be regarded as incidental to the power of imposing an excise duty on tobacco. They seem to me to be intimately connected with the cultivation of tobacco and in so far as the Central Government takes this matter in its own hands it is trenching on the powers of the Provincial Governments, whose rights it is anxious, and it seems to me too anxious, to safeguard. I have read in this connection the Concurrent Legislative List in order to see whether the case that I am dealing with can be regarded as one of the overlapping of powers but there is nothing in that list to show that the Central Government have been even indirectly given the power of dealing with the cultivation of tobacco in any manner. This seems to be entirely within the jurisdiction of the Provincial Governments. I should like to know whether the Central Government approached the Provincial Governments in this connection and obtained their consent to the passing of legislation by the Central Government in connection with this matter. If they have not obtained the consent of the Provincial Governments I personally fear that they may have gone outside their province and have taken a step which might be challenged in the law courts.

Sir, my Honourable friend the Finance Secretary referred in his speech to the desirability of improving the quality of the tobacco. I am glad, Sir, that the Government are now going to take an interest in this matter. Whatever improvements may in future be made in the tobacco that is grown in this country and to whatever extent it might replace the high grade imported tobacco, I cannot forget that the purpose of the Bill before us is much more to raise revenue than to increase the

quality of the tobacco." There is no doubt that about Rs. 10 lakhs have been set apart in order that Government might be able to take measures to encourage the growth of high quality tobacco. I hope that their efforts will bear fruit but it was not necessary for Government to have this complicated Bill in order to find a little money for the purpose that they had in view.

Sir, I have dealt with a number of objections that can be urged, and can be rightly urged, against the Bill before us. I may be asked whether it is possible for anybody to suggest any other method which will be simpler and which will enable Government to get the money that it needs. It is by no means easy to suggest another method, but if Government are prepared to take far-reaching steps in this connection would it not be better for them to buy up all the tobacco that is grown in the country and make themselves responsible for the subsequent operations, except sale which should be carried on through the ordinary trade agency, rather than leave matters as they are? They have got a monopoly in respect of salt. They may not have a monopoly in regard to the cultivation of tobacco but the sale of tobacco can be dealt with in the same way as that of salt at the present time. Government, after having purchased all the tobacco, and, after having manufactured it in the different forms in which it is used in the country, can sell it to the dealers who will be in touch with the consumers. I am asked, Sir, what about the price? Perhaps the suspicion is that Government would raise the price. It would all depend, Sir, on the pressure of public opinion. They cannot, they must not, suddenly raise the price in such a way as to make it very difficult for the poor man to obtain the tobacco that he is used to. If they take the step that I have suggested they will be able to improve the quality of the tobacco, they will be able to prevent adulteration in its manufacture and will at the same time enable the dealer to be free from the complications in which he will be involved if the provisions laid down in the rules are adhered to.

(At this stage a speech was made in Urdu by the Honourable Chaudhri Ataullah Khan Tarar. He was requested by the Honourable the President, at the end of his speech, to send in a translation in due course.)

THE HONOURABLE RAI BAHADUR SRI NARAIN MAHTA (Bihar: Non-Muhammadan): Mr. President, I wish to congratulate my Honourable friend Chaudhri Ataullah Khan Tarar on the speech that he has made strictly from the point of the grower. I am also a small grower of tobacco, and I wish to echo all the fears that he has expressed. It was contended by my Honourable friend Pandit Kunzru that the tax is somewhat of an encroachment on the provincial field of taxation. The contention is justified because though we find today the Government of India taxing sugar it is the Provincial Governments that are taxing sugarcane. If the tax were confined merely to manufactured cigars and cigarettes and not applied to indigenous tobacco used in crude form such as for the purpose of *hookah* smoking or in the manufacture of *biris*, I should then have found something to justify that there were really intended to be no attempt at encroaching on the provincial field.

I have a word, Sir, with regard to one suggestion made by the Honourable Pandit Kunzru that the Government should buy all the tobacco and then deal with the other stages of the stuff. To supplement that suggestion I would like to say that the Government may prescribe the quality of tobacco to be grown, and they may also fix the price at which they will be prepared to buy the tobacco. If they do these two things then it will be easy for the cultivators to decide whether they will take to that cultivation or not. If they take to that cultivation with the knowledge of what price the tobacco that they are going to grow is going to bring them, then there will be no justifiable complaint of hardship on them. I should think the proposal would work well. In certain parts of India I think—although in a very restricted sphere—this is actually being done in the case of wheat. I myself was a grower one year of Government wheats, what I mean is that the quality was prescribed by the Provincial Government and the seeds were supplied by them. I grew wheat from the seeds supplied by the Government and sold the produce to them. If we proceed on the basis of that example, I think the suggestion offered by my Honourable friend Pandit Kunzru will work very well.

I would wish to close with one remark, which is this. It is needless for any one to contended that the poor man is not going to be hit by this tax. In fact, as I was listening to the speeches made on this Tobacco Bill, I was constantly reminded of

[Rai Bahadur Sri Narain Mahta.]

what had been written by Lal Bihari Dey in his book *The Bengal Peasant Life*. I read that book in my younger days. He said that looking to the life of the peasants of Bengal, devoid of all recreation and consolation, let the Government impose whatever tax they like; let them impose feast tax or fast tax but let them not tax the poor man's *hookah* which is his only solace and sauce in life.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Mr. President, I have no wish to indulge in a discussion of the merits of the Bill. I have simply to make a statement on behalf of my Party. Sir, the Muslim League has many times stated, in so many words, that it is not going to lend its support to any taxation measure, because it finds that the Government has not given it a share in the governance of the country. On this political issue, we wish to vote against the Bill. And I also wish to remind the House and the Government that proofs are being multiplied and that pointers are coming up every day, to show the popularity of the League and the unanimity with which it is regarded as representing the cause of the Mussalmans. Out of all the Ministries now functioning, Assam, Punjab, Sind are already under the League and lastly but not leastly comes Bengal; the Bengal Ministry has resigned today. All these incidents are mounting up. How long are you going to shut your eyes and keep people out of their just rights. If they want to make a show, they are welcome to have the show that they have put up. But they cannot throw dust in the eyes of the world. The world knows who is the real representative of the Indians. You will harvest what you have sown. Unrepresentative people will not be able to help you.

Sir, I oppose the Bill.

THE HONOURABLE THE PRESIDENT : I will adjourn the House for Lunch now till 2.45 P.M. when I will call upon Mr. Greenfield to reply.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. SHAVAX A. LAL (Nominated Official) : Sir, I wish to make a few observations on the last point made by my Honourable friend Pandit Kunzru. He has doubted the constitutional validity of certain provisions of the Tobacco Rules. He has described these provisions as imposing restrictions on the cultivation of tobacco. Sir, so far as I can see, there is no provision in the Rules which restricts the cultivation of tobacco. There are certainly certain provisions which require the grower to furnish certain information to the officers of the Central Government. These provisions, Sir, are vital to the proper administration of the Excise Act and they are also necessary for ensuring the proper collection of the duty. In the absence of these provisions it would not be possible effectively to check evasions of the excise duty. It is no doubt true that Agriculture is a Provincial Subject, but it does not therefore follow that any provision which affects agriculturists is a matter exclusively for the province. The principles of Constitutional Law on this subject are very clearly stated by a well-known writer on the Canadian Constitution which in the relevant respects is closely analogous to the Indian Constitution. He says :—

“A Dominion Act may contain ancillary or incidental provisions designed to make the Act more effective or to prevent its substantive or strictly federal scheme from being defeated. Such provisions, standing alone or in another setting, might properly be within provincial competence. But in the aspect which they present in the federal enactment, that is to say, in that environment and with reference to the legal relations therein dealt with, they are really not within provincial competence. In this view there is no departure from the essentially sound principle, expressly stated indeed in the British North America Act, that the jurisdictions, federal or provincial, are mutually exclusive”.

Sir, as I have already said, the provisions in the rules which affect the growers are, in the words of this author, “designed to make the Act more effective or to prevent its substantive scheme from being defeated”. I would add, Sir, that, although the provisions of the rules were brought to the notice of all the provinces, none of them has questioned the constitutional validity of those provisions.

THE HONOURABLE MR. H. GREENFIELD (Nominated Official) : Sir, a number of those who spoke this morning referred to tobacco as a necessary of life and they seemed to me to have been reading Burton's *Anatomy of Melancholy* and

to share his view that tobacco is "divine, rare, super-excellent, a sovereign remedy to all diseases". But if they had read further, they would have found that he went on to say, "But as it is commonly abused by most men, which take it as tinkers do ale, it is a plague, a mischief, the ruin and overthrow of body and soul"! Such considerations, however, are hardly relevant to revenue measures, the object of which is simply to raise revenue as the needs of the country may require.

Several of the speakers this morning laid great stress on the obligations which the Rules impose on the individual cultivator of tobacco and it has been suggested that these will constitute a severe hardship and may even discourage the cultivation of this crop. In reply to this criticism, Sir, there are two considerations to be urged. Firstly, it would obviously be seriously detrimental to our prospects of success to allow the cultivation of tobacco to be discouraged in any degree and no prudent revenue officer would be so short-sighted as to allow this to happen. Secondly, the rules take account of two classes of cultivator, namely, the very large class of small-holders, in whose hands lies by far the greater part of India's tobacco crop and whose average area under tobacco amounts to less than one acre, and the more substantial man who has more than ten acres under tobacco. The obligations laid on the former are of the slightest. And here I must remove a misapprehension which seems to be shared by several Honourable Members. It is not the case that every cultivator will have to be licensed. It is true that if he cures his own tobacco he is required to have a licence, but this will be free of charge and the process of taking it out will be made as easy for him as can be contrived. At first reading the rules undoubtedly appear formidable. This is because they have to be designed to suit the conditions of trade and production in all parts of India and to meet all possible contingencies; but in practice they will not be so burdensome as they appear. As to the cultivator, for example, at the beginning of the planting season excise officers will visit tobacco-growing villages and record statistics of the land which is to be planted with tobacco during the ensuing year and of the yield expected therefrom. They will enter these particulars in their notebooks and will check them against the village revenue records, if any. At the same time, they will ascertain which persons require licences for curing and will themselves make out the applications; so that the applicant will be required only to sign his name and will then and there receive his licence. They will collect similar statistics at the end of the harvest; and it is possible that in places both sets of statistics may in practice be collected in a single visit. The man who is fortunate enough to possess ten acres of tobacco, which means, if he follows the usual rotation of crops, that he must farm not less than 40 acres of land altogether, is expected to make out his own declarations and returns; but if he finds difficulty in doing so, the local excise officer will help him; and officers are being instructed particularly to afford such help during the first year or two, until the public grow accustomed to the system. The Honourable Dr. Kunzru made particular reference to the Tobacco Entry Book which this class of cultivator is required to maintain and thought that the average farmer might find this burdensome; but, Sir, the maintenance of this record will in fact be a slight task. At the beginning of the season he will record the date of sowing or planting, the varieties of tobacco and the area sown or planted. Later, he will enter the date on which he intends to begin harvesting and the place or places to which the tobacco is to be removed for drying and, if he does not cure the tobacco himself, the date on which he intends to remove it to the premises of a curer. That is all. The object of this record is to enable a distant supervision to be exercised over the progress of the crop without installing an officer in every village. The facts to be recorded are of the simplest and will not take more than a few minutes to write down, but if the task is too much for an individual cultivator the local excise officer will help him. Honourable Members may rest assured that the rules will be operated with tact and care, if only because, as I emphasised earlier, we are anxious to keep the grower on our side and to convince him that we are acting in his best interests. It has been suggested that he might be relieved even of these modest obligations. But, Sir, the successful operation of the system will in a large measure be dependent on his co-operation, not merely as the prime producer of the commodity which is to be taxed but as providing certain essential statistics. As a careful study of the rules will show, the essence of the new system is that the control will be exercised

[Mr. H. Greenfield.]

mainly at the warehouse. Supervision over operations in warehouses will not, however, be continuous, because it is desired to give the wholesale dealer all reasonable freedom of operation, consistent with the security of the revenue. Some independent checks on the quantities of tobacco said to be passing through wholesale channels will therefore be necessary and these will be supplied by the cultivator on the one hand and the manufacturer or the retail dealer on the other. In going to the cultivator, therefore, we seek to enlist his co-operation and I can assure Honourable Members, and in particular the Honourable Ataulah Khan Tarar, who rightly laid great stress on this aspect of the scheme, that we shall take particular pains to assure the cultivator that the rules will be made to bear lightly on him and that he may look for substantial benefits in due course from the measures which are to be taken to improve cultivation and marketing. Our officers already know, and they will be constantly reminded, that the smooth and efficient working of the new system will depend to a large extent on the co-operation of all those engaged in the production and distribution of tobacco and that they must invariably be tactful and helpful if that co-operation is to be secured to the full.

Some apprehension has also been expressed that the provision of warehouses may lay a heavy expenditure on dealers in tobacco. In fact, however, no special warehouses will be required. The intention is that all existing storehouses of tobacco shall be treated as warehouses and licensed, as such, if the owner so desires.

The Honourable Mr. Muhammad Husain wished to know the difference between Virginia tobacco and country tobacco. Sir, the Report on the Marketing of Tobacco in India and Burma says that—

“The bulk of the tobacco crop in India can be classified into two botanical species, eight commercial types and 20 classes. There are 16 classes of *nicotiana tabacum* and four of *nicotiana glauca*”.

The Virginia type of tobacco falls, Sir, in the main class *nicotiana tabacum* and the grades of this tobacco have been defined in the Rules issued under the Agricultural Produce (Grading and Marking) Act, which define five distinct grades of Virginia tobacco grown in India.

Then, Sir, objection was taken to the rates of duty applied to *biris* and to *hookah* tobacco. As to this, Sir, I should like to say, firstly, that the schedule of duties has been very carefully drawn up and, as stated in the Statement of Objects and Reasons, is designed to ensure no more than a 20 per cent. increase in retail prices and, secondly, that the rates of duty have also been carefully balanced one against the other. I may also say, Sir, in regard to the criticism that the rate of annas six a pound is equivalent to Rs. 30 a maund is therefore very high, that the rate of duty already in force in Bombay City is Rs. 30 a maund; so that as to that class of tobacco the result will be that, as we hope that the Bombay taxation measure will be withdrawn,—the rate of duty there will remain the same and the taxation of such tobacco produced elsewhere in India will be equated to it.

In considering the Schedule, moreover, it must be remembered that this is a consumer's tax and that each rate of duty has to be related to retail prices. According to our inquiries the retail prices of *biris* vary from Rs. 1-6-0 a thousand in Delhi to Rs. 3-8-0 a thousand in Calcutta. About 80 per cent. of the *biris* manufactured in India are of medium size so that we shall be on safe ground in confining our calculations to the medium priced *biri*. If we take an average retail price of Rs. 2 per thousand, the price of *biri* tobacco at this stage is Rs. 175 a maund and a tax of Rs. 30 on this price is within the 20 per cent. ratio given in the Statement of Objects and Reasons. As is commonly the case when a new tax is announced, retailers have already begun to charge higher prices though the tax has not yet been imposed, but inquiries in Delhi show that while the prices of some varieties have increased by between 15 per cent. and 20 per cent., others show appreciably smaller increases.

Again, Sir, if the present prices of *biri* tobacco in the cured leaf stage are, as was stated in the other House, between Rs. 8 and Rs. 50, we may regard, say, Rs. 30 as an average price. Now between this figure and Rs. 175 the average retail price of a maund of *biris* in the retail stage, there is a great gulf fixed and since the preparation of *biri* tobacco and its manufacture into *biris* are both very simple processes, there is obviously room here for considerable profits and it is perhaps not remarkable

that the increases locally noticed in retail prices of *biris* since the excise was announced have not invariably been equal to the whole tax.

As to *hookah* tobacco the Honourable Mr. Muhammad Hysain told us that *hookah* tobacco products vary in price from two annas a seer to, I think, Rs. 80 a seer. In fixing the duty at one anna a pound we have considered the poorest consumer. And here I should say, Sir, that only a portion of what is consumed in *hookahs* consists of tobacco; and it is only the tobacco content that will be taxed. I should also like to say that according to the Report on Marketing of Tobacco in India the average *per capita* consumption of *hookah* tobacco in India is 2½ lbs. per annum so that, at the rate of one anna a pound, the incidence of taxation will be 2½ annas per head per annum.

Then, Sir, it was suggested that instead of adopting this system of excise Government should buy up the whole of the tobacco produced in India. That, Sir, would amount to a monopoly which has many dangerous features. Even if it were restricted in its scope, it would be a vast commercial enterprise. To mention only two or three of the objections to such an undertaking it would be necessary, first of all, to provide warehouses—well-built, expensive warehouses—in many places all over the country for the storage of the tobacco so purchased. Secondly, there would obviously be difficulty in regulating the price of the tobacco in order to satisfy the producer on the one hand and the consumer on the other. Thirdly, if the producer found the price favourable, he might produce far more tobacco than the country really required.

Then, Sir, another point which was made by the Honourable Pandit Kunzru was that the scale of licence fees seemed rather high. Experience has shown that such fees are necessary to the operation of a system such as this, and the fees prescribed in the rules have been graded in order to suit all classes of tobacco distributors. And, as a matter of interest, I may tell the House that the fees charged in Australia vary between £5 and £250.

Finally, it was argued that cheroots are subjected to double taxation, in that the tax on the leaf of which they are made is two annas a pound, whereas certain of the products are charged an additional duty approximately equal to 20 per cent. of the selling prices. The reasons for this are the very wide range of retail prices and the fact, that for the large number of cheroots which are sold at less than 10 annas a hundred the rate of two annas per pound is regarded as adequate.

Sir, no one realises more acutely than Government the difficulties which confront the operation of the new excise. They are, indeed, plain to the view, and we are constantly and vividly conscious both of their number and their magnitude. But we are also convinced that, while they are undoubtedly formidable, they are not insuperable, and that, by patience, resolution and good temper and with the co-operation of those concerned in tobacco production and distribution, they can in time be overcome, and that India can then have at its service a fiscal instrument which will be fair in its operation and will have very high revenue potentiality. Sir, our task is undoubtedly a heavy one. We fully realise this and we do not essay it in any spirit of bravado, but rather in a mood of sober confidence. To paraphrase a familiar quotation, the watchword of our officers will be: " 'Tis not in mortals to command success, but we shall do our utmost to deserve it ".

THE HONOURABLE THE PRESIDENT: Motion moved:—

"That the Bill, as passed by the Legislative Assembly, be taken into consideration."

Question put: the Council divided:

AYES—21.

Buta Singh, Hon. Sardar.  
Charanjit Singh, Hon. Raja.  
Chinoy, Hon. Sir Rahimtoola.  
Conran-Smith, Hon. Mr. E.  
Das, Hon. Rai Bahadur Satyendra Kumar.  
Devadoss, Hon. Sir David.  
Ghosal, Hon. Sir Josna.  
Greenfield, Hon. Mr. H.  
ddow, Hon. Mr. R. R.  
samuddin Bahadur, Hon. Lt.-Col. Sir.  
es, Hon. Mr. C. E.

Khurshid Ali Khan, Hon. Nawabzada.  
Lal, Hon. Mr. Shavax A.  
Mahomed Usman, Hon. Sir.  
Menon, Hon. Sir Ramunni.  
Mukherjee, Hon. Sir Satya Charan.  
Nihal Singh, Hon. Sirdar.  
Ogilvie, Hon. Mr. C. M. G.  
Prior, Hon. Mr. H. C.  
Roy, Hon. Sir Sa'yendra.  
Sobha Singh, Hon. Sardar Bahadur.



## NOES—11.

Dalal, Hon. Mr. M. N.

Das, Hon. Mr. N. K.

Hossain Inam, Hon. Mr.

Kalikar, Hon. Mr. V. V.

Kunzru, Hon. Pandit Hirday Nath.

Maht'a, Hon. Rai Bahadur Sri Narain.

Mitha, Hon. Sir Suleman Cassum Haji.

Padshah Sahib Bahadur, Hon. Saiyed  
Mohamed.

Ram Saran Das, Hon. Rai Bahadur Lala.

Ray Chaudhury, Hon. Mr. Kumarsankar.

Yuvraj Dutta Singh, Hon. Raja.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

Clauses 4 to 7 were added to the Bill.

Clauses 8 to 14 were added to the Bill.

The Schedule, Parts I and II, was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. C. E. JONES: Sir, I move:—

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

## VEGETABLE (EXCISE DUTY) BILL.

THE HONOURABLE MR. C. E. JONES (Finance Secretary): Sir, I move:—

“That the Bill to provide for the imposition and collection of an excise duty on vegetable product, as passed by the Legislative Assembly, be taken into consideration.”

The object of this Bill, Sir, as of the Tobacco (Excise Duty) Bill which the House has just passed, is simply and frankly the raising of additional revenue for the reasons which were fully explained in my Budget speech. As I then said, vegetable product is a commodity which was formerly imported from Europe into India in considerable quantities. After the raising, in 1931, of the revenue duty to which this commodity was liable from 15 per cent. to 25 per cent. the major importing firm sponsored the formation of a concern for its manufacture in India. The venture was highly successful and others quickly followed suit and there are now, I think, 11 or 12 factories engaged in this production and a further three or four under construction. The present production of vegetable product is in the neighbourhood of 100,000 tons per annum and imports are negligible. Demand for this commodity substantially exceeds supply. But the expansion of production is restricted by difficulties in obtaining plant and difficulties in obtaining materials for the containers. The raw material generally used for the manufacture of vegetable product is groundnut oil.

The measure, Sir, is an extremely simple one, devoid of the complications inherent in the case of tobacco. No administrative difficulties are anticipated in its working nor is any material inconvenience or hardship likely to be caused thereby. Criticism to this tax has been raised—I think it was raised by the Honourable Rai Bahadur Sri Narain Maht'a in the general discussion on the Finance Bill—that the tax is a “Kitchen tax”. But very few countries can escape kitchen taxes, especially in these days and most especially in conditions such as obtain in India. The Government of India are under the dire necessity of raising more revenue. The proportion of income-tax payers in India to the total population is exceptionally small. A large proportion of the population, namely, those whose income is derived from agriculture, is exempt from income-tax entirely and the vast majority of the rest of the population are below the income-tax exemption limit. It is, therefore, impossible at present, and so far as one can see will remain impossible for many years to come, to have the Government of India's taxation system based entirely on direct taxes, although, in truth, we have moved a long way in that direction these last four years. I would like to mention that the percentage of tax revenue from indirect sources to total tax revenue in 1938-39, the last pre-war year, was just under 80 per cent. and in 1943-44 it is expected to be only just over 40 per cent. Since the indirect tax-payers have to make their contribution to the public revenues, it is not possible entirely to exempt articles of food. But it is more than doubtful whether taxation of this particular commodity will at all affect the really poor. The average consumption throughout India is only about half a lb. per annum per head, distributed among all classes, rich, middle classes and poor. It must be obvious that the amount consumed by the poor must be infinitesimally small. The article

is a prepared food and the natural ingredients will remain available to the consuming public free from tax. The rate of tax originally proposed by the Government was Rs. 7 per cwt., or one anna per lb. In deference to the views expressed in the other place the Government agreed by way of compromise to reduce the rate to Rs. 5 per cwt., which is the rate embodied in the Bill now before the House. The compromise proved acceptable to the Legislative Assembly and I appeal to this Honourable House to endorse that compromise and accept the measure now before them.

Sir, I move.

The Motion was adopted.

Clauses 2 to 8 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. C. E. JONES: Sir, I move:—

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The next Bill will be taken up tomorrow as the Government propose to move it tomorrow.

#### STANDING COMMITTEE FOR THE DEPARTMENT OF POSTS AND AIR.

THE HONOURABLE THE PRESIDENT: With reference to the announcement made by me on the 25th March, 1943, regarding nominations to the Committees, I have to announce that the following Honourable Members have been nominated for election to the Standing Committee to advise on subjects other than “Roads” dealt with by the Department of Posts and Air:—

1. The Honourable Mr. Hossain Imam.
2. The Honourable Haji Syed Muhammad Husain.

There are two candidates for two seats and I declare them duly elected.

THE HONOURABLE THE PRESIDENT: The two non-official Resolutions which were postponed the other day will also be taken up tomorrow after the Tea Bill is concluded.

The Council will now adjourn.

The Council then adjourned till Eleven of the Clock on Tuesday, the 30th March, 1943.