

Saturday, 26th May, 1860

PROCEEDINGS

OF THE

**LEGISLATIVE COUNCIL OF
INDIA**

Vol. VI

(1860)

Saturday, May 26, 1860.

PRESENT :

The Hon'ble the Chief Justice, *Vice-President*,
in the Chair.

His Excellency the	H. B. Harrington, Esq.,
Commander-in-Chief,	H. Forbes, Esq.,
Hon'ble Sir H. B. E.	and
Frere,	A. Sconce, Esq.
Right Hon. J. Wilson,	

MESSAGES FROM THE GOVERNOR-GENERAL.

THE VICE-PRESIDENT read Messages informing the Legislative Council that the Governor-General had assented to the Bill "for the registration of Literary, Scientific, and Charitable Societies," the Bill "to remove certain tracts on the Eastern border of the Chittagong District from the jurisdiction of the tribunals established under the general Regulations and Acts," the Bill "relating to the solemnization of Marriages in India by ordained Ministers of the Church of Scotland," the Bill "for the levy of Port-dues in the Port of Bassein," and the Bill "to amend Act XXI of 1856 (to consolidate and amend the law relating to the Abkaree Revenue in the Presidency of Fort William in Bengal)."

INCOME-TAX; AND LICENSING OF ARTS, TRADES, AND PROFESSIONS.

THE CLERK presented to the Council the following Petitions:—

A Petition of Land-holders and Ryots of Eastern Bengal against the Bill "for imposing Duties on Profits arising from Property, Professions, Trades, and Offices."

A Petition of the British Indian Association against the same Bill.

A Petition of the British Indian Association concerning the Bill "for the licensing of Arts, Trades, and Professions."

A Petition of Native Proprietors of permanently settled estates in Bengal, Behar, and Orissa against the Bill "for imposing Duties on Profits arising from Property, Professions, Trades, and Offices."

A Petition of Native Inhabitants of Madras against the above Bill, and the

Bill "for the licensing of Arts, Trades, and Professions."

And a Petition of the Seebpore Branch of the British Indian Association and other Native Inhabitants of Bengal against the same Bills.

Mr. WILSON moved that the above Petitions be printed.

Agreed to.

The CLERK reported to the Council that he had received a communication from the Home Department forwarding a correspondence with the Madras Government including the Reports of the Board of Revenue at that Presidency upon the same Bills.

Mr. WILSON moved that the above communication be printed.

Agreed to.

The Order of the Day being read for the presentation of the Report of the Select Committee on the Bill "for imposing Duties on Profits arising from Property, Professions, Trades, and Offices"—

Mr. WILSON rose and said:—

MR. PRESIDENT:—Sir, in presenting the Report of the Select Committee which was appointed to consider this important Bill, I should not be doing justice to my own feelings if I did not take the earliest opportunity to express the deep obligations, which not only the Government, but the public at large, owe to my colleagues, who formed this Committee, for the unremitting attention, zeal, practical ability, and knowledge which they have brought to the task. The Bill, as I now present it to the Council, is, in all its essential parts, as a measure of Finance, unchanged. But great changes, and I may add immense improvements, have taken place with the view of simplifying the machinery of the Bill, and of bringing it more into harmony, not only with the theory, but still more with the practice of the existing revenue system of India. These important changes will, I believe, merit most, if not all, of the criticisms which have been made upon the Bill in this respect, and will enable the existing revenue authorities in the Mofussil to exercise, in regard to

the revenue raised under this Bill, the same functions which they now exercise in regard to other branches of revenue. By this means we shall have no conflicting authority, and the just influence which the Revenue Officers now possess from their large experience will be exerted in the introduction of this measure. Of course special arrangements will be necessary in order to place at the disposal of those Officers whatever assistance may be required. The Committee have also made in the provisions of the Bill several important modifications to meet special cases, to which I will allude in greater detail before I resume my seat.

I have said, Sir, that the Bill, as I now present it, is, in all its essential parts, the same as it was when it left this Council. When I had the honor to propose this measure on the 18th of February, I stated that I did so with the full concurrence of the Noble Earl, the Governor-General, and of every Member of the Supreme Government. Let me again assure the Council, if indeed it be necessary, that the decision at which we then arrived was not taken lightly, nor without the most searching and rigid investigation into the condition of the Finances of the Empire, and the deepest conviction that nothing less than we proposed could save the country from the impending bankruptcy with which it had been for some time threatened. We were fully conscious not only of the deep responsibility, but also of the great difficulties which we incurred by the proposals which we made. But, nevertheless, we had a duty to perform which we could not evade. Since then we have had ample time and opportunity to re-consider every point, and to receive from the proper responsible authorities revised statements as to the actual and prospective condition of our finances, and, Sir, it is my duty to say in the most emphatic and unqualified manner, that all such further investigation has tended only the more to convince us of the imperative necessity of persevering with these measures. As it will be my duty to show, before I sit down, the

reasons which impelled us to propose this tax on the 18th of July, are now even stronger for persevering with it. Sir, during the last week, since the arrival of the Governor-General, the Government have had an opportunity of reviewing all that has taken place, of re-considering the condition of our finances in every possible aspect, with the advantage of information brought down to the latest time, and after the most anxious and pains-taking examination and consideration, I am authorised by the Governor-General to express to the Council his fullest concurrence with the other Members of the Government, as to the imperative necessity of persevering with this measure in all its integrity. It was not decided upon without the most careful consideration and conviction of its necessity, and it cannot be abandoned while that necessity remains, as it does, undiminished. The Committee have also had these considerations and circumstances under their notice, as materially affecting some of the changes which have been urged in the petitions presented to this Council, and calculated to affect the productiveness of the tax. And if there was not absolute unanimity, yet I think I may say that whatever difference of opinion existed was confined to a single point to which I may have occasion hereafter to allude. In referring to the petitions which have been presented against this measure, there is a peculiarity which must have struck every Member of the Council. For upwards of two months after the announcement of the measure, with the single exception of a petition from the Clerks in the public offices, asking for a graduated scale, there was not a single petition, either from Natives or Europeans, against it. On the contrary, up to a certain time, there existed throughout India, and among all classes, greater unanimity than was probably ever experienced in respect to an important measure of public policy, and that was the more remarkable when it is considered that the measure was one which taxed all classes, and, with regard to some of them, for the first

time. Amongst Europeans and in the European Press, I may say there was absolute unanimity, and if there were any symptom of opposition among the Natives, it was seen or heard in the most indistinct manner. No one was more surprised than I was myself at this exhibition of unanimity, and almost of satisfaction, but the cause of it soon became plain and easily understood. The public had a strong conviction of the gravity of the crisis that had for a long time been undermining the credit of the State, and threatening our finances with irreparable disorder and confusion. Deeply impressed with this feeling, they were as deeply convinced of the necessity of the vigorous measures proposed by the Government—and with a loyalty and public spirit which did honor to the Indian Community, they were prepared cheerfully, almost joyfully, to submit to any personal sacrifices to extricate the State from its difficulties. As has been remarked in England, it was perhaps the first and only time when it could be said that a heavy scheme of taxation was received with something approaching to enthusiasm. Upon the announcement, even the public funds, though for the first time subjected to a tax of *four per cent.*, rose in price. Now no one will pretend that all this happened in consequence of the imposition of a tax:—no, Sir, I believe it was to be attributed solely to the fact that people generally were convinced that at last they knew the worst, and that vigorous measures would be taken to secure an adequate remedy, and whatever that was, they were willing to submit to it, rather than to go on groping in the dark as they hitherto had done. And if, Sir, after a particular time a marked change has taken place in the opinions of a portion of the European population, but perhaps even more of a portion of the European Press, I am not disposed to attribute it to mere caprice, and much less to a diminished feeling of loyalty or willingness to bear whatever burdens the necessities of the State may render necessary. If a change has taken place, it has been in consequence of an impression; *first*, that the financial

difficulties of the State, which had been the object of so much anxiety at home and in India, were after all, if not altogether, a myth, yet had been greatly exaggerated, and that the real deficit to be provided for had been greatly exaggerated; *second*, that no means had yet been taken materially to reduce the enormous military expenditure which had risen to such a height during the mutinies—and that that expenditure being still near a maximum, was susceptible of such reduction as would, within a reasonable period, obliterate the deficiency existing, even though as great as had been represented; and, *thirdly*, as a consequence, that the taxes which the Government proposed were not necessary. I will not stop here to enquire upon what insufficient grounds these impressions obtained even a partial footing in the minds of a portion of the Community. But of the fact, I think, there can be no doubt. Nor can there be any more doubt that the change of opinion which took place was attributable to this cause. And assuming that any one, upon grounds however untenable and however inconsistent with probability and facts, had, nevertheless, upon what he deemed competent authority, obtained such an impression, it would indeed be difficult to blame such an one for a change of views. Taxes at the best are most unwelcome, and however much men may be able to reconcile themselves to them when necessary, nothing but opposition can be expected to them if a belief prevails that they are not necessary. Sir, I believe this to be the true theory of the remarkable phenomenon which we have witnessed in India since the 18th of February, and which at first sight has worn so much the appearance of fickleness and caprice. So far as I am concerned, I am not disposed to find fault with it, convinced as I am that time will rectify all errors and justify all the Government have proposed.

But, Sir, I might ask, were there no *prima facie* reasons well known to the whole world which might have raised, to say the least, a strong presumption against the impressions which thus obtained? Had it not become an

ascertained and recorded fact in the proceedings of Parliament, that the deficits in the Indian Exchequer in the year ending the 30th of April, last year, was no less than £13,393,000, and that the deficiency in the last year was between nine and ten millions? Was it then a thing so incredible, even upon the suspicion that the deficit of the coming year should stand at the reduced sum of £6,500,000, that the accuracy of the public department responsible for accounts should be doubted? No new sources of income, except the Customs Bill of last year, and an increase in the Duty on Malwa Opium, had become available. How then had the ascertained deficiency of 1858-59 of £13,393,000 been brought down, first, to £9,290,000 in the first year, and to an estimated deficiency of £6,500,000 in the year to come? And that, too, in the face of the fact that since 1858-59 the interest of the debt has increased by nearly £1,500,000. I would submit then that, independently of the authoritative statement made by the Supreme Government upon the responsibility of the department's charged with such accounts, there were *prima facie* grounds for believing that that estimate was at least not exaggerated. But, Sir, there is one of the petitions which has been presented against this measure, in respect to which I would wish to say a few words; *first*, because it is the only petition of the same kind that has proceeded from a general community, including, I suppose, Europeans, and presided over by a European gentleman of some distinction; and, *secondly*, because, I believe, that the remarks I have made in relation to the change of opinion which has taken place, and the cause of it, are peculiarly applicable to that community, and to those who composed the meeting. I allude to the petition from the inhabitants of Madras. But here I hope the Council will permit me to say one word by way of personal explanation. I observe by the papers of that place that I have most unintentionally given umbrage by some words which I used in relation to the Governor, and the notice which I took of his published

Minute. I certainly never intended to say anything which could be considered discourteous to that gentleman, and still less to slight any opinions or views which he might bring under the notice of the Government of India, and I may appeal to those who then heard me, whether anything I did say could bear such a construction. In the very brief allusion to the appearance of those documents in our public papers, I certainly used the expression that "but for their publication and the notice, slight as it may be, which thereon seems due to this Council, I should not have referred to their existence." But I never intended by that, nor can I think the words convey the meaning, that otherwise the representations from the Madras Government would not have received from the Supreme Government all that attention they are justly entitled to. It was our duty to consider them as confidential communications in the Supreme Council as the Government of India, but not to discuss them in the Legislative Council. And as the best proof that the representations made from Madras had not been neglected by the Supreme Government, I may state that, before we even knew of their publication, a reply had been sent to the Madras Government, stating the manner in which the Governor-General of India thought it best to deal with the Minutes in question, and at the time I spoke, a despatch embracing almost every point in that Minute had been addressed to the Secretary of State. I hope this explanation will be sufficient to convince the people of Madras that there was no desire, nor intention whatever, to treat lightly the representations proceeding from their Government. But why have I arrived at the conclusion that the change of opinion in Madras has proceeded from the causes I have named? Why, because I find that the first and pressing reason stated in support of the petition is that "the present magnitude of the Army in India is equally dangerous on political and financial grounds, and that an adequate reduction in the military expenditure of the Empire

will be productive of means wherewith to absorb a large portion of the present deficit." I have no doubt that this resolution was framed before my statement in this Council, in reply to a question put by my Honorable friend opposite (Mr. Harrington), was known, in which I showed the great extent to which the Army had been so rapidly reduced. I am aware that complaints have been made that I was not sufficiently full in my explanation upon this point as well as upon the fact of the great increase in our civil expenditure in my statement of the 18th of February. I know it is said that, if I had stated as much in detail then as I have done since, much misconception would have been avoided. Sir, I very much regret if my want of fullness of explanation has misled any one; I am only afraid that those who were condemned to hear me thought my address long enough. But what was necessarily defective in my statement, I endeavored to make up by the returns which were presented at the same time; and I have always been ready to afford any further explanation which any Member of this Council desired. But if, then, I am right in concluding that the change of opinion which is manifested by the petitions against this measure has taken its rise from the causes I have named, I would claim the indulgence of the Council for a short time, while I make a few observations upon these three heads.

First, as to the amount of the deficiency; *second*, as to the extent of our military reductions already taken place; *third*, as to the possibility of effecting such further reductions as can be relied upon to meet such deficiency.

In the first place, then, I hold in my hand a carefully revised estimate of the income and expenditure of the current year. You, Sir, will recollect with how much caution and reserve I spoke of the estimates on which my calculations of the 18th February proceeded. But I am bound to say to the credit of the Departments which framed it, that, with allowance for changes which have since taken place, the estimate made up now varies but

little from that of the 18th of February. But let me explain how these estimates are framed. The Accountants General of the several Presidencies in communication with the different local Accountants and with the local Governments, and having the advantage of the actual knowledge of receipts and disbursements possessed by no one else, transmit from time to time to the Accountant General of the Government of India their estimates under every head; he furnishes this to the Financial Department, where they are aggregated and worked up into a whole. These estimates are, therefore, the result of the experience and knowledge of officers all over India, who alone have reliable information on the subject brought together into one focus. Estimates framed in this manner have generally and in ordinary times proved as correct as estimates can be expected to be. But whether with regard to military expenditure or any other, when local Governments have had recourse to any other means of framing these estimates, they have, I believe, always been found to be incorrect, and of this we have had some remarkable proofs of late. What I then wish to be understood to say is this, whatever estimates the Government of India accept or act upon, are those exclusively which are made up in the manner described by the Finance Department based upon the returns of the Accountants all over India, who are the only responsible Officers for that purpose; all other estimates we must reject as proceeding from those whose knowledge and means of judging cannot be equal to those of the officers I have named. The estimate which was furnished to me on the 18th February showed a deficit of £6,500,000. The revised estimates which I now hold in my hand, though varying but little in the great bulk of detail, yet show a considerably worse result. On the 18th of February the deficit stood at £6,500,000. But since that, as one of the measures of my Budget, the new Customs Bill has come into operation, and credit is taken in the receipts of this revised estimate for the increase consequent

thereon. Credit is also taken for some increase of receipts under the new Abkaree Bill, to which the consent of the Governor-General has been given this day. Credit has also been taken for some increase from the new Stamp Bill which will come into operation on the 1st of September. The amount of new taxes taken credit for now, and which have been provided for since February, is £267,000. On the other hand, when I spoke in February, the amount of military reductions which had then been ascertained by all the Accountants, over and above those which affected the expenditure of 1859-60, was £1,740,000. I then stated that we had great confidence in adding, in the course of the year, considerably, to that sum. The estimate revised up to this time shows a further reduction of £697,345, making a total reduction even upon last year of £2,437,345. We feel confident in being able still further to increase this reduction during the present year, at least to the sum I stated upon a former occasion. These items together ought to have reduced our deficit as it stood on the 18th of February to the sum of £5,600,000, that is, by increased income from new sources on the one hand, and diminished expenditure on the other. In place of this, however, the deficit now stands according to this revised estimate at £6,348,019. This increase has arisen chiefly from a cause to which I pointedly directed the attention of the Council on the 18th of February. You will remember that I called your attention to the precarious character of our Opium Revenue; deeply impressed as I was with the danger attached to that source of income, I scarcely expected to see my apprehensions so quickly assume a real and practical shape. In the estimate before me those apprehensions have, in three months, acquired a reality in the shape of loss of revenue to the extent of £576,727. A few weeks ago it became known, as the deliveries of Opium were made for the season, that the yield was defective, and the department computing their

sales for the Financial year 1860-61, have reduced their receipts by £301,727. But at the same time another fact became apparent. Notwithstanding the rise in price to the ryot from Rs. 3-4 to 3-8 per seer of last year, it became evident that that was not enough to induce cultivators to go on, as many gave notice that they would not again take advances. It is only a fortnight since we received from the Lieutenant-Governor of Bengal a despatch, giving cover to a Report of the Board of Revenue upon this subject. His Honor pointed out that in Bengal, during the last three or four years, all the leading crops, wheat, rice, potatoes, and sugar, had increased in price by 70 to 100 per cent., and he urged the necessity of a further rise in the price paid for Opium, in order that it might maintain its ground against those other articles. The Government of India have therefore sanctioned a further rise to Rs. 4 the seer, which, we hope, will have the necessary effect, and secure us against a further decline in the cultivation. But this increase entails a further cost of £275,727 in the price of this year's computed crop. So that while our receipts fall off by £301,727, the cost increases by £275,000, making the net loss upon Opium £576,727. This sum, together with a small increase on the cost of collection of revenue, and an increase in the estimate for the new Madras Police, chiefly make up the difference. Therefore, though the deficit exhibited by this revised estimate, is actually £151,981 less than that of February, yet relatively, it is, from the causes I have explained, somewhat worse.

The next point then to which I would refer is the extent to which Military reductions have already taken place. Here is an account which has been made up to the present week, showing the amount of the Military Expenditure for each year up to the present time, divided under two heads, first, the General Army under the Commander-in-Chief, and, second,

what may be termed the local Military. It is as follows :—

MILITARY.			
	Military including Stores. <i>a</i>	Local Military. <i>b</i>	Total as shown in the Parliamentary Returns.
	£	£	£
1856-57	10,947,643	544,262	11,491,905
1857-58	15,107,184	462,741	15,569,925
1858-59	20,581,972	498,976	21,080,948
Estimate			
1859-60	17,048,877	662,788	17,711,665
Estimate			
1860-61, Feb. .. .	15,308,877	662,788	15,971,665
Estimate			
1860-61, May .. .	14,662,232	614,088	15,276,320

This table shows that since 1858-59, that is in little more than a year, reductions have been effected to the extent of £5,803,680, and in a very short time this sum will exceed £6,000,000. But let it be borne in mind that it is after effecting all these reductions, after reducing the cost of the General Military from £20,581,972 to £14,662,232, that still we have to grapple with a deficiency of £6,348,109.

Sir, we have no doubt, if we are but blessed with a continuance of peace, that we may reduce this expenditure, still, by a very considerable sum. But it must be borne in mind that the greater the reductions which have been made, the greater must be the difficulty of pressing them further. And I am confident that there is no merchant in India, nor any European, nor any loyal Native, who, however much he may desire to see our expenditure reduced, would wish

to see the country unduly denuded of troops at a time when the political atmosphere outside of India is so threatening. Nevertheless, I believe, I may state with some confidence that in each of the three Presidencies very considerable further retrenchments will be made, so as to affect the finance of next year, that is 1861-62. But great as they may be, even if as great as each Presidency has promised to effect, in addition to what has been done, they will still leave the deficit of the present year almost untouched, and by far the larger portion of it in the next year. I am sure then that I have said enough to show that if I were to encourage you to rely upon reductions of expenditure alone, for meeting this serious deficiency in our finances, I should only be deceiving and misleading you. And I think that, whatever others may persuade themselves, no Member of this Council will indulge the belief that the actual crisis which we have to confront is less severe than has been represented, that the deficiency in our finances is less than the responsible departments have shown it, or will be disposed to think that the Government has been either indifferent to reductions of military expenditure, or unsuccessful in accomplishing them, or, lastly, will be disposed to delude themselves into a belief that such a deficit can be met by reduction alone. Sir, the Government would indeed be glad if it could indulge in so comforting a doctrine as the last I have indicated. I regret that facts will not permit us. We must refuse wilfully to deceive ourselves or to be the means of deceiving others. Finance, unlike many other branches of politics involving moral and social interests, has an absolute touch-stone by which it must, and that at a time

a. Including charges of the Local Infantry Battalions, Poona Irregular Horse, Southern Mahratta Irregular Horse, and a portion of the Sind Military charges, the Commissariat Ordnance, and other miscellaneous charges appertaining to which have been estimated.

b. The details of the Local Military charges are given in the accompanying Statement.

23rd May 1860.

Mr. Wilson

always near at hand, be brought to actual test. People may dispute for ever as to the abstract merits or success of particular laws affecting the interests of society, but there is no disputing when a treasury becomes empty, or is only replenished by continued loans one after another at increasing rates of interest.

But, Sir, we are not insensible to the necessity of using every effort to reduce expenditure to the lowest. On the 18th of February, I stated the determination of the Government to introduce the English system of annual Budgets and estimates for every branch of the service, and to supplant the system of special grants so limited by a concurrent audit as the year proceeds, and by a final audit at the close of the year. Steps have already been taken to accomplish these objects. Even the estimates for the present year have been all referred back to the local Governments to be again examined and revised. It remains to be seen what may be the result. But though it may be small in the present year while yet the system is new, yet I do hope for important results in future years in checking that rapid increase of establishments which for some years past has taken place. Sir, our attention has been so much of late confined to Military matters and Military expenditure that it has not perhaps been sufficiently attracted to the growth of our Civil expenditure. I have seen an account which shows in great detail the Income and Expenditure under each year since 1856-57, and including the last revised estimate for the present year in the same detail, this account includes both the Indian and Home expenditure, and at one view presents a comparison between each year and every item. This return I will lay on the table, and have it printed for the information of this Council and the public at large. My Honorable friend the Member for Bengal, referred to such an account some time ago, and I expressed my readiness to present it if moved for. As it has not been moved for by any other Member, I will do so myself. By this account it will be seen that,

while the net income from 1856-57 to 1859-60 increased by no less a sum than £4,402,817, yet that the charges other than Military, that is, charges including all Civil purposes, increased in India by £3,751,347, and at Home by £2,167,492, making an increased charge during those four years, altogether, independently of our Military charges in India, of no less than £5,918,839, while the increased revenue was, as stated, £4,402,817, so that in round figures we are worse by £1,500,000, in a financial point of view, in relation to our present Civil expenditure, than we were before the mutinies. The account which I will present will show in detail, item by item, at one view, how this remarkable result has arisen. I may, however, mention the chief heads of increased income and of increased expenditure:—

The additional income adverted to consisted of

	£
Land Revenue	772,702
Sayer	51,923
Abkarry	100,804
Customs	1,402,531
Salt	345,000
Opium	1,060,000
Post Office	344,096
Stamps	46,200
Mint	164,366
Judicial Receipts	87,814
Sundries	27,381
Total ..	<u>£4,402,817</u>

The great bulk of this increase consists of Land Revenue, Customs, and Opium, and is chiefly attributable to the acquisition of new territory, or the imposition of new taxes.

The increase of expenditure was:—

	£
Collection of Revenue ..	169,838
Civil and Political Establishments, deducting £1,000,000, for compensation as above explained	1,127,293
Judicial and Police charges ..	1,051,342
Buildings, Roads, and Public Works	403,750
Interest of Debt in 1859-60, to which £200,000 is to be added for the future	792,406
Sundries ..	206,723
Total ..	<u>£3,751,347</u>

These are the items as they appear in the Indian accounts. The increase in the Home charges has arisen chiefly from about £1,000,000 additional for interest for loans, and the remainder consists of increased charges connected with the relief of a larger European Army in India, and the annually increasing interest of the Guaranteed Railway Companies. But the return which I will present will show all those details, both for the past years and the estimate for the present year. And of this I feel confident, that the more these facts are examined and understood, the more it must be seen that it is utterly impossible for the Government to recede from the position it has taken, or make any concession that could in any sensible degree affect the productiveness of the Income-Tax.

Sir, in listening to the petitions which have been read at the table to-day, I think one of them concluded with a prayer for two objects:—one was that at least this Council would consent to postpone this tax, and the second was that, if ultimately it should be found that adequate reductions could not be made, then, that some tax less objectionable should be imposed. Now, Sir, to the first of these prayers I would at once say, that nothing could be more dangerous than to adopt the ordinary subterfuge in difficulties of putting off the evil day. But I would say more, if, were we disposed to adopt so objectionable a course, we could not do it. People speak of the state of our Finances before 1856-57, but was it a satisfactory one? In the five years of peace which preceded that year, our annual expenditure was supplemented by £5,000,000 of borrowed money during those years. But, however discreditable such a system was in time of peace, it was at least possible with a deficiency of one million a year, but with such a deficiency as we now have,

hold it to be simply impossible to resort to such a system, however much it might be desired. But if it were, where should we be three or four years hence? We should have an additional debt, the interest of which would

absorb another Income-Tax. Then I ask those who now object so much to taxation to the extent to which it is necessary under existing circumstances, what they would do when the increased interest of further debt, perhaps doubled the amount which it would then be necessary to raise? No, Sir, the time will never come when the emergency can be met, when our downward course can be arrested, by so small an amount of taxes as at this time, nor, I sincerely believe, when the people will be more able or willing to bear them. But then, they ask for a less objectionable tax. Well, Sir, all that I can say upon this point is this; the primary rule laid down by the Government in fixing upon this tax was that it should affect all alike according to their incomes, whether Natives or Europeans, whether official or non-official. That was a rule from which nothing could induce us to depart. Well, we have industriously enquired into every description of tax known to the Natives, either before or since British rule. I have here the celebrated report of Mr. Mountstuart Elphinstone of the condition of the territories of the Peishwa when conquered by the English. His account of the revenue system shows that the taxes, both direct and indirect, were very numerous. We have examined other records of native taxes, and I am bound to say that in the whole number I have found only *one*, the incidence of which would not in practice fall almost exclusively on Natives; and that *one* is thus described amongst others by Mr. Elphinstone as "*a tax upon shop-keepers varying with their means—in fact an Income-Tax.*" Those are Mr. Elphinstone's words. But I know that it is not so much to the payment, as to the supposed inquisitorial nature of the tax, that the Natives, like others, object. Well, Sir, that is a question of administration, and I entertain strong hopes that by the improvements introduced into the Bill, that objection will be greatly modified, if not altogether removed. And fortunately, we are *not* without experience on this head. The Income-Tax has been partially in operation in the Punjab for some months;

in Oudh it has been introduced generally into every town and district. The assessments have been all made; in many places the first instalment has been wholly collected, and in all a large portion of it; and we are assured by the officers on the spot that all this has been done without having resort to any such inquisitorial practice, and without even any difficulty. But even this experience has suggested improvements which will be useful in other places. Are we then to believe that what has proved so possible in Oudh cannot be equally well done elsewhere? Our most recent informations from Oudh and from the North-West is most encouraging in this respect. We have not yet found a single officer who has expressed a doubt of being able to carry out the tax and without difficulty, especially in the altered form in which it will now be framed. The chief complaint that we hear from Oudh is, that while they are subjected to this tax, their neighbors are still exempt. These, Sir, are our reasons for adhering to this tax; these are the grounds upon which we cannot consent to postpone its operation.

Well, Sir, I will now, in a few words, describe the modifications we have made in the Bill. But first as to the changes which we have not made, though urged in many petitions. We have not raised the limit above 200 Rupees, because we could not do so without materially affecting the productiveness of the tax; and that we should not be justified in doing. We have not given up the one per cent. for local public works, because it is so much required; because, although expended on local public works, it cannot fail very materially to benefit indirectly our Imperial finances. Considering the relation which the Government of India holds towards the people of India, there are many works which, though purely local, are yet so important to the interests of the State indirectly, that, if not done by the localities from local funds, must, in self-defence, be done by Imperial funds. Even take the example of this port; it is clear that the trade must suffer, and if the trade

suffer, the revenue suffers. But take a more striking and general example; Railways are being made in every part of India; the interest of the capital is guaranteed by the Government. The risk is ours. How are they quickest and best to be made profitable, so as to relieve the Government of that charge, and to return, in the course of time, the accumulating balance annually placed at their debit in the books of the State? This can best be done by the means which best promote traffic. What is the complaint most made now in respect to this point? The Lieutenant-Governor of Bengal has sent us up an able report, showing that without new roads made to the Stations on the line, the development of traffic must be much retarded. Well, these are local works in which Imperial finance is directly interested. It is these and similar reasons which induce us to retain this part of our proposal. We look to general prosperity as being the best guarantee for financial improvement, and we look to these works as being one of the best means of securing that prosperity. The modifications which we have made are these:

1. As the Bill stood, we proposed to assess the Zemindars holding under periodical revisions at *one-half* of the Government jumma. In enquiring into this point on his way down from the North-West, the Governor-General has come to the decision that one-half more than represents the real profit of the Zemindar, inasmuch as no allowance was made for the cost of management, and that if 10 per cent. were allowed for that, the real proportion would be *one-third*. Again, the Honorable Member for Madras has represented that in that Presidency the settlement is made upon the basis of about three-tenths of profit. The Bill as amended adopts therefore *one-third* in place of *one-half*.

2. There are several questions arising out of what is called the double Income-Tax; for example, a person in India holding Consols in England is charged with the Income-Tax there, and, if charged here, would be liable to two Income-Taxes. We propose therefore to exempt Incomes from

foreign funds, except so far as such Incomes may be brought into India, and form part of a person's means of living in this country.

3. We apply the same rule to Income derived from other property, such as lands, or houses, or investments in England or any foreign country.

4. With regard to pensions, either Civil or Military, if the person resides out of India, and draws them from the Secretary of State in England, they will be exempt. But if drawn in India, whether the person reside in India or not, or if drawn at home by a person residing in India, they will be chargeable.

5. With regard to commercial profits, we desire to pursue the same course as nearly as we can. In England the profits of merchants having houses in England are charged wherever made. What we think is this; the profits of all Indian houses, whether made in India or elsewhere, so long as the business is, in either aspect, Indian, are chargeable. If goods are bought in Manchester, and consigned to the same house in Calcutta, though the profits might be made to appear in the Manchester, and not in the Calcutta books, yet the profits should be regarded as equally Indian as English, so far as the house here is concerned; or if produce be shipped to London, the profits in like manner should appear as those of the Indian firm.

But suppose a merchant in Calcutta is a partner in a house in London which has branches of business, of an entirely neutral kind, say between London and South America, or between London and Australia, not involving Indian business at all, then we think the merchant should be exempt in respect to the profits of such neutral trade, except so far as he might import such profits as a part of his Indian Income.

With regard to the Indian funds, we are of opinion that under all circumstances they must pay the Indian Tax, nor does it appear that this circumstance has checked the demand for them in England, for during the last two months or so, paper has

been encafed for England, and made subject to the Income-Tax, to the extent of nearly £1,500,000 in round numbers.

6. With regard to the Army and Navy, the Committee has decided that all shall be chargeable, whose net incomes and emoluments are not less than those of a Captain in the Queen's Army.

There is only one other topic upon which I wish to say one word. I have again been urged to press the Home Government for an Imperial guarantee to the Indian debt; and it has been represented that we might perhaps save a million a year or more in the form of interest. Sir, I believe such a bargain, though it did save India apparently a large sum in this way, would be the worst in the shape of economy she ever made. Gentlemen, when they discuss this question, forget that it is a principle never departed from by Parliament, that if responsibility is incurred by the Imperial Exchequer, absolute control must be given to the Imperial Treasury, or such a power of check and interference as amounts to that. Well, Sir, when we consider the money relations which have always existed and which in future, are likely still more to exist: when we consider how hampered our action would be in India, if the consent of the Treasury were required for this and for that; if we consider how it would tell against Indian interests, if upon all occasions of settlement of accounts of balancing the respective shares in wars partly foreign, the decision of the Treasury at Home were to be final and conclusive—if we consider all this, we shall have very little difficulty, I think, in arriving at the conclusion that it would be much more economical to retain our own independent control over the Finances of India, without the Imperial guarantee, than to submit ourselves to the double supervision and final decision of the Treasury at home, with all the advantage which such a guarantee could give; and the more the character of the Indian Army becomes European, the more important this consideration becomes. The last thing a nation should give up is its

independent power and control over its own Exchequer, and as it is quite certain that, if given at all, or at any time, it could only be on such conditions, I own I cannot recommend such a step to be taken, even were it within our reach, which it is not, nor is likely to be.

Sir, I have now touched upon all the topics which it appears necessary that I should do at this time, to put our real position plainly before the country, in relation to this Bill. I have shown you, I hope, conclusive reasons why it is impossible we can recede from the position we have taken, without deserting our first duty. I have shown you that the crisis we have to encounter is as serious if not more so than it appeared to be on the 18th of February. I have told you that the mature deliberation of the Supreme Government, taken upon a review of all that has passed, and all that is known, points to a steady prosecution of the work we have begun. To this end we are ready to devote our most anxious efforts; we can consent to any personal sacrifices; we can consent contentedly to obloquy and to be misrepresented and misunderstood; but there is one thing to which we cannot consent. We cannot consent to be parties to deluding the public by the suppression of facts, however unpalatable, or by the adoption of palliatives which, however they might smooth our path for a time, could only end in public disappointment.

Mr. WILSON postponed till Saturday next, the presentation of the Report of the Select Committee on the Bill "for the licensing of Arts, Trades, and Professions."

BOUNDARY MARKS (FORT ST. GEORGE.)

Mr. FORBES presented the Report of the Select Committee on the Bill "for the establishment and maintenance of boundary marks, and for facilitating the settlement of boundary disputes, in the Presidency of Fort St. George."

SUCCESSIONS.

Mr. HARRINGTON presented the Report of the Select Committee on the Bill "for facilitating the Collection of debts on successions and for the security of parties paying debts to the representatives of deceased persons."

ADMINISTRATOR GENERAL.

Mr. FORBES moved that the Bill "to amend Act VIII of 1855 (relating to the office and duties of Administrator General)," be read a third time, and passed.

The Motion was carried, and the Bill read a third time.

STAMP DUTIES.

Mr. WILSON moved that the consideration of the Bill "to consolidate and amend the law relating to Stamp Duties" be postponed till Saturday next.

Agreed to.

ADMINISTRATOR GENERAL.

Mr. FORBES moved that Sir Bartle Frere be requested to take the Bill "to amend Act VIII of 1855 (relating to the office and duties of Administrator General)," to the Governor General for his assent.

Agreed to.

The Council adjourned.

Saturday, June 2, 1860.

PRESENT:

The Hon'ble the Chief Justice, *Vice-President*,
in the Chair.

His Excellency the H. B. Harrington, Esq.,
Commander-in-Chief, H. Forbes, Esq.,
Hon'ble Sir H. B. E. and
Frere, A. Seoncc, Esq.
Right Hon. J. Wilson,

ADMINISTRATOR GENERAL.

THE VICE-PRESIDENT read a Message, informing the Legislative Council that the Governor-General