

Monday, 25th June, 1860

PROCEEDINGS

OF THE

**LEGISLATIVE COUNCIL OF
INDIA**

Vol. VI

(1860)

Monday Morning, June 25, 1860.

PRESENT :

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

Hon'ble Sir H. B. E. Frere,	H. Forbes, Esq., A. Sconce, Esq., and
Right Hon'ble J. Wil- son,	Hon'ble Sir M. L. Wells.
H. B. Harrington Esq.,	

INCOME TAX.

Mr. WILSON moved that the Council resolve itself into a Committee on the Bill "for imposing Duties on Profits arising from Property, Professions, Trades, and Offices," and that the Committee be instructed to consider the Bill in the amended form in which the Select Committee had recommended it to be passed.

Agreed to.

Section I provided as follows:—

"From and after the day of there shall be collected and paid for the service of the Government of India, during the term herein limited, for and in respect of the property and profits mentioned in the several Schedules contained in this Act, and marked 1, 2, 3, and 4 respectively, the yearly duty of 8 Rupees for every 100 Rupees of the annual value thereof, that is to say,

"SCHEDULE 1.

"For and in respect of the property in, and profits arising from, all lands and houses in India.

SCHEDULE 2.

"For and in respect of the annual profits arising to any person residing in India from any kind of property whatever, whether situate in India, or elsewhere; and for and in respect of the annual profits arising to any person residing in India from any profession, trade, or employment, whether the same shall be carried on in India or elsewhere.

"And for and in respect of the annual profits arising to any person whatever, whether a subject of Her Majesty or not, although not resident in India, from any property whatever in India, or any profession, trade, or employment carried on within India.

"And for and in respect of all interest of money, annuities, and other annual profits arising to any person residing in India, or accruing and payable in India to any person, whether residing in India or not, not charged by virtue of any other Schedule of this Act.

"SCHEDULE 3.

"For and in respect of all profits arising from interest, annuities, or dividends payable

in India to any person, whether residing in India or elsewhere, out of any public revenue of India.

"SCHEDULE 4.

"For and in respect of every public office or employment of profit in India, and every office or employment of profit in or under any Company in India, and upon every annuity, stipend, or pension, payable to any person residing in India, or paid in India, to or on account of any person whatever, by the Government of India, except annuities charged to the Duty under Schedule 3."

Schedule 1 being read by the Chairman—

MR. SCONCE said, he desired to take this opportunity of stating to the Council the grounds upon which he adopted this Schedule, directing his remarks especially to the estates comprised within the Permanent Settlement of Bengal, the profits of which, he entirely agreed with the Right Honorable Gentleman, were rightly brought under assessment by this Bill. He felt it to be in a manner incumbent on him, however imperfectly, to give the reasons which satisfied himself in this matter, both because of the high importance of a right decision to the proprietors of the Permanently Settled Estates, and because of the clear opinions entertained by others—some of whom it might be were not personally interested in those estates—that, in strict conformity with the conditions of the Permanent Settlement, the incomes of zemindars could not form the subject of assessment by this Bill.

Now, in the first place, he would ask the Council to look to the terms of Regulation I. 1793, which legalised the settlement of estates in Bengal. The declaration made by this law was this, that the zemindars, their heirs, and successors should hold their estates for ever at the assessment which by the Settlement they had engaged to pay; and the clear purport of this declaration he took to be that the re-assessment of the estates in question was for ever barred. Regulation I. 1793 undoubtedly was an ample and complete guarantee that no re-settlement of the estates referred to in the Law should ever take effect; but, on the other

hand, it seemed to him that the Law gave no guarantee that the proprietors of those estates should never be called upon to aid in the relief of the future necessities of this Government, by contributing according to their means or incomes. It was almost superfluous to say that no such provision was contained in Regulation I. 1793 which, he might repeat, did no more than perpetuate the Revenue Settlement which had been already executed.

But it seemed to him that the arguments relied upon to support the claims of zemindars to be exempted from the present Bill pointed more to the rights vested respectively in the State and in zemindars previous to the Permanent Settlement, than to that Settlement itself. For example, in the Petition presented to this Council by the proprietors of Permanently Settled Estates, it was stated that the revenue paid to the Government was a deduction made from the gains of landowners; and again, in the 20th paragraph of the same Petition, that the tax (that is the revenue) was taken from the landowner for all time, and was a permanent diminution of his property and capital. The right asserted by the Zemindars in these words seemed to him to go to the root of the matter. Was the revenue assessed a tax in the sense here asserted, that is, a deduction charged upon the profits or gains of zemindars and diminishing their gains to the same extent, or was it levied in virtue of a substantive and paramount title vested in the State? The Law of 1793, he thought, left no doubt on this point. Let him refer the Council first to Regulation XIX. 1793, of which the first words were these, that—

“By the ancient law of the country, the ruling power is entitled to a certain proportion of the produce of every beegah of land, demandable in money or kind, according to local custom.”

Here, obviously, the right to revenue from land was said to be inherent in the State, and not to be a deduction by way of a tax from the

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profits of the proprietors of land: and the Council would find the same fact brought out in a still stronger light in Regulation VIII. 1793. He might remind the Council that, in ordinary cases, the rule followed in framing the Permanent Settlement was to fix the revenue of each estate according to the amount received for the year or years immediately preceding: but in some cases a different mode of proceeding was provided for. It might be for example that, in some instances, the actual produce of the lands had been ascertained; accordingly, to meet such and other cases, it was provided in the 75th Section of Regulation VIII. 1793, that the assessment should be so regulated as to leave to the proprietors a provision for themselves and families equal to about ten per cent. on the amount of their contribution to Government. Taking these two Regulations together, we found both the nature and the extent of the interest of the State asserted: the title was paramount, and it amounted to eleven-tenths of the rents levied from the ryots. The words, too, in which the interest of the zemindars was described, were, it seemed to him, of peculiar significance. This interest was said to be a provision, and to be left to them after the right of the State to revenue had been satisfied. He attached much importance to a proper understanding of the relative interests vested in the State and in zemindars at the time the Permanent Settlement was undertaken, and in consideration of the view which he has just expressed, he would wish to read to the Council an extract from the Minute of Lord Cornwallis of the 8th February 1790. His Lordship observed—

“The question that has been so much agitated in this country, whether the zemindars and talookdars are the actual proprietors of the soil, or only officers of the Government, has always appeared to me to be very uninteresting to them; whilst their claims to a certain percentage upon the rents of their lands has been admitted, and the right of Government to fix the amount of those rents at its own discretion has never been denied and disputed.”

Here also then was the right of the State to revenue clearly asserted: and he might quote the opinion expressed to the same effect by Mr. Shore at the same period, who remarked that the *revenues of the land belonged to the ruling power* which, being absolute, claimed and exercised the right of determining the proportion to be taken for the State: and again that *no alienation of the land by the proprietors or diminution of the rental could deprive the supreme authority of its title to the revenues of the land*. Thus, whether he referred to the opinions of the Statesmen by whom principally the Permanent Settlement was completed, or to the laws enacted in 1793 to regulate the rights held under that Settlement, he derived the clearest conviction that the revenue assessed on behalf of the State was a charge payable absolutely to the State in its own right, and was not in any proper sense a diminution of the rents enjoyably by zemindars.

The Council will remember that, when the Right Honorable Gentleman first announced the intention of the Government to introduce an Income Tax Bill for our consideration, he read to us a remarkable statement made by Lord Cornwallis in the Minute above quoted, from which the Governor-General seemed to anticipate the time when some such measure as the present might have to be adopted by the Legislature. The words of the Governor General to which he (Mr. Seance) referred were these:—

“By reserving the collection of the internal duties of commerce, Government may at all times appropriate to itself a share of the accumulating wealth of its subjects, without their being sensible of it. The burden will also be more equally distributed. At present, the whole weight rests upon the landholders and cultivators of the soil: whereas the merchants and inhabitants of the cities and towns, the proprietors of rent-free lands, and in general all persons not employed in the cultivation of lands paying revenue to Government, contribute but little, in proportion to their means, to the exigencies of the State. It is evident therefore that, varying the assessment on the land is not the mode of carrying into practice the maxim (before referred to by Lord Cornwallis) that all the subjects of a State ought to contribute to the public

exigencies in proportion to their incomes: and that other means must be employed for this object.”

For his own part he thought these words fully authorized the inference that the Right Honorable gentleman drew from them. It was true that Lord Cornwallis rejected the idea of supplying the future exigencies of the State by varying, that is increasing, the assessment payable by zemindars from their estates: but he added that some other means must be employed for effecting that purpose. Now what were the *other means* thus contemplated by the Governor-General? One means, among others, Lord Cornwallis himself indicated, namely, reserving the collections from the internal duties on commerce, which would bring in to the Government a share in the accumulating wealth of its subjects: and obviously such duties, which would operate as duties on consumption, would affect the wealth or incomes of zemindars as of the whole people. But one or two other points intimately bearing upon this question arose from the observations of Lord Cornwallis. Surely it was very far from Lord Cornwallis' intention to admit that the Permanent Settlement operated partially against zemindars, and that the inequality so caused must be redressed by a scheme of taxation which would exempt zemindars and reach other persons. Lord Cornwallis must be acquitted of any such intention. He undoubtedly accepted the Permanent Settlement as final. He would have no addition to it. But he held that, at a future time, when the public necessities required larger revenues, the increase must be demanded from the wealth of the whole people. Another inference he (Mr. Seance) would just as surely draw from the same observation was that Lord Cornwallis had no intention of deciding for his successors in the Government between direct and indirect taxation. He did indeed suggest that Inland customs duties were a legitimate source of additional revenue; but surely the Governor-General had no purpose to declare that the wealth of the people should not be required to con-

tribute in a more direct form to the relief of the public exigencies.

He (Mr. Sconce) had but one more remark to make on this subject. It appeared to him that the conviction he had expressed that the proprietors of permanently assessed Estates were not legally exempted by Regulation I. 1793 from the provisions of this Bill, was thoroughly supported by another law of the same year; he meant Regulation XIX, which laid down the rules by which rent-free tenures should be held valid. In the case of a valid rent-free tenure, this Regulation provided that no revenue at all should be demanded, just as Regulation I. 1793 provided that, in the case of a permanently settled Estate no additional revenue should at any time be assessed. Both laws treated the same subject, revenue; and they treated it in the same way by barring future assessment. But no one, he apprehended, would contend that, under the provisions of Regulation XIX. 1793, the proprietors of valid rent-free tenures were absolutely exempted from liability to contribute to the general taxation of the country. Upon them, indeed, as upon zemindars, no revenue assessment could be imposed; and certainly, as would have been observed, the proprietors of rent-free lands were expressly pointed at by Lord Cornwallis as among the parties exempted from revenue assessment, and whose means in a general scheme of additional taxation it was desirable to reach.

The Schedule was then put and carried.

Schedule 2 being read by the Chairman—

MR. HARRINGTON said, he rose not for the purpose of offering any opposition to this Schedule, but merely to make an observation in respect to it. The Schedule, as worded, rendered the profits of all property belonging to a person residing in India liable to duty, whether the property was situate in India or elsewhere. This was also the case as regarded the profits arising to any person residing in India from any profession, trade, or employment, wheresoever the same might be carried on. The Bill, however, did not intend

that where, in either of the two cases just mentioned, the profits were not received in India, they should be taxed, and he thought it would be better that this should be made clear in the Schedule, or, if there were any objection to the introduction of some words into the Schedule to remove all doubt upon the point, a proviso might be added at the commencement of the part of the Bill which contained rules for making assessments under this Schedule declaratory of the exemption of profits arising from property situate, or from a profession, trade, or employment carried on out of India, which, though belonging to a person residing in India, were not brought out to or received by such person in India. A case in point would be that of a person residing in Calcutta who had a house or a landed estate in England. If the rent or profits of the house or estate were remitted to the proprietor in Calcutta, they would be liable to be taxed under the Bill, but if they were not sent out to India, they were to be free.

MR. WILSON said, he must remind his Honorable friend, that this Schedule, as well as the other Schedules, were drawn as widely as possible. The principle adopted in the Bill was, first by the Schedules to tax every description of property, and then by special rules to make exemptions.

MR. FORBES said, he thought that Rule 23 Section XC VII already contained a provision which met the case supposed by the Honorable Member for the North-Western Provinces.

MR. HARRINGTON said that, supposing the profits had been received up to the time when the present Bill came into operation, they would be liable, under the wording of the Rule mentioned by the Honorable Member for Madras, for the first year that the Act was in force, though they had not been brought out to India in that year. This he believed was contrary to what was intended, and it was in order to prevent the imposition of duty in a case such as that which he had just supposed, that he was anxious to see some words introduced to the effect stated in his previous remarks.

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SIR MORDAUNT WELLS said, he was quite alive to the pressing necessity that existed for the passing of the financial measures of the Government as soon as possible. At the same time he believed that a proper and reasonable discussion on the provisions of the important measure now before the Council would have the beneficial effect of removing many objections now existing in the public mind, and he trusted the Council would not deem it an intrusion on his part if he ventured to express as succinctly as possible the views he entertained respecting the measure now under the consideration of the Legislative Council. He avowed at once that it was his intention to give his humble but warm support to the Bill for taxing incomes. He believed the measure deserved that support at his hands on its own merits. At the same time he did not shrink from stating that, having confidence in the Executive Government of India, he should not, under any circumstances, feel justified in offering a substantial opposition to the principle of the financial measure submitted to this Council by that Executive Government.

One word on the subject of a double Income Tax. He entertained a decided opinion of the soundness and propriety of such a tax, and he would briefly state his reasons.

A man paid the Income Tax at home in respect of the income he received and expended in England, because he had the benefit and protection of the laws of that country. Why did he invest his money in the Indian Funds? Simply because he could obtain two per cent more for his capital than in England: he then became materially interested in the financial state of India. If it became absolutely necessary to impose an Income Tax to avert serious financial crisis, surely the possessor of Indian Government securities ought to contribute towards the tax, and after he had paid the double tax, he would still receive from one and a half per cent to two per cent more for his money than if he had invested in the English Funds.

Again, it must be remembered that the proposed financial measures of his Right Honorable friend would, he predicted, within one year, from the present time, cause a considerable rise on the value of Government papers, and the discontented double Income Tax payer could then sell out at a considerable profit, and other capitalists would be found only too willing to invest their money in the Indian Funds, feeling confidence in a Government dealing out strict justice to all. He was certain it would be a great misfortune if the Home Government should yield to the importunities of those so well able to pay the tax, and who had voluntarily invested their surplus incomes in the Indian Funds.

MR. WILSON said, he entirely agreed with the Honorable and learned Member who had just sat down. He did not wish to prolong discussion, but he only wished to state for public information, that the condition of the Indian Stock showed every sign of health imaginable. This was the best evidence to show that there was no foundation for the alarm which was said to exist amongst English investors. It would be interesting to the Council to be informed that week by week large demands were being made for enfaced notes in execution of orders from England, and the average quantity of enfaced notes was five or six lakhs a week.

MR. SCONCE said, he was inclined to offer no opposition to what was called a double Income Tax. It appeared to him that what concerned them as regards the Bill before the Council was to be assured that the grounds of assessment set forth in the Schedules were sound and uniform. The words double Income Tax were not found in the Bill: but it was very important that they should have a clear impression of the operation of the Schedules, so that no incomes should be included which they intended to exempt, or exempted which they intended to include. He did not wish to anticipate discussion on Schedule 3; but as the Honorable and learned Judge who had preceded him had

referred to matters which related to that Schedule, he (Mr. Sconce) would take this opportunity of saying that since that Schedule included incomes derivable from the public revenue of India, it was desirable to distinctly pronounce how far it was intended to go: for example, as respects the loans contracted in England and in India, and with respect to the Railway Companies, for whose benefit under the guarantee the stipulated interest was paid out of the revenues of India. The guaranteed interest payable to Railway Companies was estimated at upwards of a crore of Rupees. Some of the share-holders in these Companies were in England and some here. What he wished to know was, whether the profits received by share-holders in England, who constituted nineteen-twentieths of the Companies in question, were to be taxed under this Bill.

Then as to the Assam Company, the head office was in London. The whole produce of that Company was sent to, and sold in England, the dividend was declared there. Would that also be subject to the Indian duty?

THE CHAIRMAN said that there was a wide difference between Schedules 2 and 3. He quite agreed with the Honorable and learned Member (Sir Mordeant Wells) as to the effect of Schedule 3. He saw no reason why English profits should not be taxed. A man paid his Income Tax in England for the protection which his property enjoyed there. If he chose to bring his money into India and invested it in Indian stocks, the Indian Government was fully entitled to tax it in common with other investments in the country. If English investors were obliged to pay an Income Tax in England for the purpose of supporting the institutions of that country, the Indian Government had just as much a right in demanding of them a like duty for the support of its institutions here. It could not be said that coercion or inducement was held out to English capitalists to invest their money in our stocks, but they came with their own accord. Why then should not they contribute their

portion to the State, especially in a time of emergency.

The Honorable Member for the North-Western Provinces had suggested that words should be introduced in the Schedule to make it clear that profits of persons residing in India, but not brought out to or received by them in India, should not be taxed; but the principle adopted in this Bill, as in the English Act, was to make the Schedule general, and to grant exemptions by special rules. Section XCVII Rule 23 provided that

“The duty to be charged on any person residing in India, in respect of any interest or income arising from any property situated out of India, whether in any part of Her Majesty's dominions or not, shall be computed at a sum not less than the full amount of the actual sums which have been received in India during the preceding year, without other deduction or abatement than is herein allowed.”

This Section, he (the Chairman) believed, was quite sufficient for the purpose; though, if there were any doubts as to this, the amendment would better be made in this Section than in the Schedule.

With regard to the question proposed by the Honorable Member for Bengal in respect to Railway shares, he (the Chairman) thought that so much of the profits of the Railway Companies as would remain over the five per cent. guaranteed interest would be subject to the Income Tax.

This was according to the *lex loci contractus*. If the East India Company chose to make such a contract, we could not now alter the terms of that contract.

With regard to the Assam Tea Company, he (the Chairman) thought that the whole of its profits would be taxed according to the Rules under Schedule 2.

MR. HARRINGTON trusted the Committee would not suppose that he disputed the justice of the proposition, that when a person residing in India received in India profits arising to him from any property situated, or from any profession trade or employment carried on, out of India, such profits

should be taxed equally with profits made in the Country. In principle he thought that this was quite right but what he was afraid of was that the Schedule might be carried beyond what was intended. Similar fears had occurred to the Honorable and learned Judge (Sir Mordaunt Wells), who had come down with words which would quite meet his (Mr. Marington's) objection, and remove any doubt that might arise upon the point.

The Schedule was then put and agreed to.

Schedule 3 was passed after a verbal amendment.

Schedule 4 and Section II were severally passed as they stood.

Section III provided as follows:—

“From and after the day aforesaid, there shall also be collected and paid, under the Rules contained in this Act, for the purposes hereinafter mentioned and described as local purposes, for and in respect of the property and profits mentioned in the said several four Schedules respectively, the further yearly duty of 1 Rupee for every 100 Rupees of the annual value thereof.”

MR. SCONCE said, he was unwilling to trespass again upon the time of the Council, but he entertained very strong objections to this Section, and with the permission of the Council he would state them briefly. He would premise by observing that the special object of this Bill was to meet the deficit in the revenues of the country. While admitting that to be a good ground for the introduction of our Income Tax Bill, he would venture to say that that was by no means a sufficient reason for the proposal of a tax of one per cent. for local purposes. He submitted that the Council should, before giving its consent to the imposition of a tax for raising so large a revenue as would be realised by this tax, carefully consider for what object that taxation was to be imposed. His impression was that the rate proposed had been too lightly regarded, as if a tax on incomes of one per cent. was a comparatively insignificant impost. In England a percentage tax was hardly attempted to be imposed. The tax was there taken by pennies, whereas a one per cent. tax was equal to a $2\frac{1}{2}d.$ tax. It should also be

recollected that the Right Honorable gentleman had, in more than one of the statements which he had made to this Council, mentioned that it was not the intention of the Government to discontinue this tax even though the Income Tax might lapse in the course of five years. That appeared to him (Mr. Sconce) to be a strong reason for not anticipating, or, as he might call it, precipitating the imposition of a one per cent. tax this year. If it was to be permanent, he thought it would be time enough next year or the following year to come forward before the Council with better authority for the adoption of the measure than had at present been shown to exist. What he objected to was the indefinite character of the Bill, as it now stood, with regard to the application of this tax. Take for example this City. The Right Honorable gentleman, if he recollected rightly, suggested that from this tax quays might be constructed. But he apprehended that in the opinion of the generality of the community more important works than quays should be undertaken. He believed that a copious supply of fresh water was more urgent, and he might here mention such a great work as bridging the Hooghly. But at any rate, till some such project had been agreed upon, it seemed to him premature to levy so heavy a tax on the residents of this City. In fact, taking the matter as it comes before us in this Bill, he must say that it appeared to him to constitute strong objections to the measure, that we did not know how much money we should get under this one per cent. duty, how much we wanted, and what we should do with it when we obtained it. For these reasons he considered the proposal of this tax to be premature, and that its imposition would be an unnecessarily grievous burden on the people.

SIR MORDAUNT WELLS said, it would be admitted on all hands that the true and genuine strength and greatness of a country were very materially influenced by its fiscal regulations. If inordinate taxation demanded from ingenuity and industry larger sacrifices than they were able or perhaps could be justly called upon

to make, in exchange for the benefits accruing from the superintendence and protection of a Government, dissatisfaction arose. Now it could not be said that the people of India were too heavily taxed. His Right Honorable friend proved demonstratively that the Queen's subjects in India were lightly taxed. Then what was the objection to an Income Tax? Surely it was manifestly for the advantage of all classes that the finances of India should not remain in the present crippled condition, with an income wholly inadequate to meet the legitimate demands of the State. Unless the finances of India could be placed on a satisfactory and solid basis, hundreds now in the employ of the Government would be turned adrift, and, in the face of a financial panic, how could they expect to obtain employment? He knew full well that the Income Tax would press heavily on individuals having small incomes, but once develop the resources of this great empire, and there would exist such a demand for skilled labor, that those who were now called upon to make a sacrifice, would within a short period of time reap lasting and substantial benefits under a sound and secure financial system. He had seen the practical working of the Income Tax in England, and he was justified in saying that, by means of that tax, fiscal alterations had been made from time to time, which had conferred almost fabulous benefits and advantages on all classes of the community. Means must be adopted for placing the finances of the country upon a proper footing as the necessary preparation for any effectual reform in other respects. There was no country on the face of the earth which possessed such materials for the substantial improvement of the condition of the whole empire. The future prosperity, the future greatness of British India mainly depended on the construction of public works of various kinds; and, although the Government ought not to be called upon to expend money on the construction of works which, when completed, would be for the exclusive benefit of individuals in contradistinction to such

undertakings as might be properly designated as national works, it was absolutely necessary that funds should be obtained to enable the Government to commence at once such works as they might consider advantageous for the public at large.

Now he asked what kind of works were contemplated? He answered, branch Railways, tramways, basins, docks, roads, extension of the canal system to communicate with Railways and navigations, piers, jetties, harbours, and steam ferries, so opening out districts that produced cotton, tea, indigo, silk, coals, iron, and agricultural produce of all kinds. In fact, the producing Districts must have communications with the consuming Districts, and it must be remembered that the masses of the people could not consume the imports unless these goods could be conveyed safely and cheaply to the markets in the interior. Some might say that this was not the time for increased taxation for Public Works. But he would answer unhesitatingly that, looking at the existing railway works and their probable completion within five years, this present time was the very time for proceeding with such works as would make the Railways profitable, and by an early development of the resources of the country, create increased national income by means of indirect taxation, and render unnecessary an Income Tax. He considered that a judicious expenditure of the one per cent would enable the Government to reduce the three per cent tax within five years. It must be well understood that private enterprise could not, without the assistance of Government, accomplish all that was required—in England it might be different.

Having explained his views most imperfectly and somewhat crudely, he wished to say a few words as regarded the machinery by which it was proposed to expend the one per cent when collected. He had confidence in the Executive Government. He said sincerely that he had full confidence in the financial ability and state-manship of his Right Honorable friend. He had confidence in the

administrative talents of his Honorable friend opposite (Sir Bartle Frere). He had confidence in the resoluteness and sagacity of his Honorable and gallant friend, (Sir James Outram) whose absence was all deplored, and the Governor General gave his support to the Financial measure of his Right Honorable friend, and he believed the Public here as well as at home entertained the same confidence in the Executive Government. That being so, it was better for the Government to manage this one per cent themselves. Pray do not place these funds in the hands of irresponsible parties. If so, the money would be squandered away in the most profligate manner. He had in his mind's eye the fearful waste of the public money in Ireland, chiefly owing to the jobbing of Local Boards. Municipal Commissioners must not be allowed to touch this national fund. He begged to suggest to his Right Honorable friend the propriety of striking out all the Clauses having reference to the management of this fund, and introduce a simple Clause empowering the Executive Government to carry out such works as they might consider beneficial for the public.

MR. FORBES said, he wished to address the Council upon the general question of this Section ; but before he did so, he wished to say one word upon what had fallen from the Honorable and learned Judge upon the machinery proposed in this Bill for the management of the one per cent. duties to be raised under this Section. The Honorable and learned Judge was of opinion that the management and expenditure of these duties should be retained in the hands of the Executive Government, and not be entrusted to any local agency. But he thought it was impossible that the Executive Government should undertake this duty. There were two members of the Government now present, and he would ask these gentlemen, if they had now half a lakh of Rupees to expend in Patna, if they could name one single work on which to expend even a small part of that sum? He was sure that they could not, and that they would feel at

once that they were wholly dependant on the suggestions of the local authorities for a judicious expenditure of the money. But as regards the suggestions of the Honorable and learned Judge, he would ask that Honorable and learned gentleman to refer to Section CCI, in which he would see that provision was made for the local committees acting in the expenditure of the one per cent. duties only under the sanction and direction of the Executive Government.

Whatever doubts he had regarding this Section did not arise from any question of the soundness of its principle, and he should give it his support. The representations which had been made of the unpopularity of this part of the Bill, although entitled to the fullest consideration by the Council, did not perhaps call for more consideration than was accorded to the objections which had been urged to the whole principle of the Bill, in the many Petitions which had been presented against it from different parts of India. Those objections to the general principle of an Income Tax had been considered by the Council, and, notwithstanding their expression, it was still thought expedient to proceed with the measure, and he did not see in the objections that had been urged to this particular part of the Bill any thing that should have more weight with the Council in inducing it to hesitate in its course, than was to be found in the objections urged to the general principle of the tax.

He took a different view of, and anticipated a different result from the construction of public works from that taken and anticipated by some other Honorable Members, probably in consequence of the part of India in which nearly all his public life had been passed. The waste land in Bengal having been given up at the time of the Permanent Settlement, the Government had no direct interest in the construction of works which would tend to an extension of cultivation. But in Madras, where the waste land belonged to Government, every channel that was dug, every aqueduct that

was built, and every tank that was constructed, added at once to the public revenue; and these things had been so constantly before his eyes, and so habitually familiar to him for many years, that the shining of the sun at noonday was not with him a better ascertained fact, than was the return received by Government from money laid out on works of public improvement. But he went much farther than this, and he could in no way consent to limit the Government returns from money expended on public works to the mere direct return. In his opinion it was impossible that the country should increase in wealth and prosperity without benefit to the public revenue, although not a single rupee might be directly received from that particular source whence the people had derived their profits. It was in this view of the case that he said that, although the advantage derived by the public Exchequer from public improvements in Bengal might not be so great, or so palpable, or so direct, as in some other parts of India, they would be quite as certain, and that therefore this part of the present Bill was of no less importance here than it was in those parts of the country to which he had before referred. It was to little purpose that the ryot raised a crop if, when it was reaped, he could not convey it to a market; and it was the want of the means of conveyance which, no doubt, in a very large proportion of the country, still retarded the spread of cultivation. If, however, canals or roads or bridges, or whatever the nature of each locality might demand, were given, the means of disposing of his produce at market would soon lead the ryot to raise that produce, and some part of the profit that he would receive from the sale, would find its way to the public Exchequer, in the shape of duty or excise on additional consumption of taxable articles, as the ryot's means increased, while there would also be the Custom Duty on the additional produce exported from the country. This indirect benefit to the revenue would be even larger in Bengal than elsewhere, because the whole profit from extended cultivation would go

to the landlord and his tenant, and no part of it would be absorbed by a direct payment to the Government.

That the Government revenue indirectly benefited largely from an increased prosperity of the people was not matter of doubt or speculation, but was a known and ascertained fact; and he could adduce instances from districts in which he had been himself employed where the fact was palpable. In Tanjore the Government receipts, from what are termed the extra sources of revenue, that is, all excepting the land revenue, were about one lakh and a half of Rupees in the average of the five years, from 1800 to 1805, while in the past five years they had averaged nine lakhs and a half; and in Rajahmundry, in the same way, the exports increased sixfold in a very few years, after the people had become prosperous in consequence of a large expenditure on local public works.

It appeared to him, therefore, that the opposition that was offered to this part of the Bill arose very much from a want of a full comprehension of its scope and intention, and of what would be its certain results.

The Income Tax it was now proposed to lay on for five years, and the Right Honorable gentleman had told them that he was sanguine that, at the end of that time, it might be dispensed with. He hoped that this anticipation might be fulfilled, and that no external war or internal commotion, might arise, to dim this bright prospect. But he was sure that there was nothing that would have a greater tendency to make the anticipation a reality than the very part of the Bill to which objection was now taken. It was on an improvement in the general revenue that we must rest our hope of the discontinuance of the Income Tax, and there was nothing, in his opinion, that would so certainly and so speedily effect that improvement, as an expenditure on local public works. He would take only one case as an instance. The Government, as they all knew, was pledged to a large annual payment as the guaranteed interest on the Capital subscribed for the construction of Railways. Nothing would free the Govern-

ment from the responsibility of the payment but the Railway themselves yielding a dividend of five per cent.; every thing therefore which enhanced the Railway profits would diminish the Government expenses. Now what would raise the profits of the Railways but their being extensively made use of by the people, and what would lead to this more extended use so much as the formation of roads and bridges to serve as feeders to the rail, so that the produce of the country might reach it?

He supported this part of the Bill therefore on the ground that it afforded the best basis for hope that they might, within a certain specified time, be relieved altogether from the Income Tax.

The Honorable Member for Bengal had said that they did not know how much money they should get under this one per cent. duty, nor how much they wanted, nor what they should do with it when it had been obtained. He (Mr. Forbes) must say that he thought this a very extraordinary remark, and he was quite sure that the Government was under no alarm or apprehension that they would obtain too much, and had no feeling of fear or doubt that they would be unable to expend the money, let its amount be what it might. He held in his hand the Public Works Budget of the Madras Presidency for 1857-58, and he found, on referring to it, that its total amount was seventy lakhs of Rupees, and that this total sum was divided among the different districts in sums varying from two to four and a half lakhs of Rupees, and he would undertake to say—and he said it with an honest pride in the service of which he had the honor to be a Member—that there was not one Collector of any one of those districts who would not gladly have undertaken to expend double the sum allotted to him, and who would not have expended it very greatly to the benefit of the country and the advantage of the Government revenue.

If he had any doubt about the one per cent. tax at all, it arose from a want of information on this point, and he would state it freely, in the hope

that he might elicit some distinct explanation from the Government. The Council knew that, under the system which now obtained, each Presidency in India annually sent to the Supreme Government a Public Works Budget, detailing the several works proposed to be undertaken and naming a certain sum for their construction. The total sum that the Government of India could allow from the public revenue was then apportioned among the Presidencies, and they were left to carry on their own works. Now he wished to know if this sum was to be in future granted as additional to, and irrespective of what might be raised from the one per cent. duty, or whether the total expenditure on public works would remain the same, and be composed, partly of the one per cent. duty, and partly of a fresh grant from the Exchequer?

The Madras Public Works Budget for 1857-58 was seventy lakhs. What he wished to know was whether, supposing a similar budget were sent up for 1860-61, it would be sanctioned in full, or minus the amount that would probably be received from the one per cent. duties? If the one per cent. duties were to be in addition to the ordinary budget, he considered that it would be a great good to the country; if they were to be included in the ordinary budget, then it would result in a mere matter of account, and no practical good would be attained.

SIR BARTLE FRERE said that the remarks of the Honorable and learned Judge, and the Honorable Member for Madras in which he entirely concurred, left him little to say in support of his opinion that this provision for one per cent of the Income Tax to be devoted to public works was one of the most valuable parts of the Bill. Perhaps the Honorable Member for Bengal would have been better satisfied if he had considered more particularly the wants of that class of works which would principally benefit by the proposed enactment. We had here in India the same three grand classes of public works as in England and elsewhere, namely, Imperial, Provincial, and Local.

The first class, Imperial works, would include all the great trunk roads and Railways, the great harbors, military works, and other works, imperial either in the extent of their utility or in the nature of the use to which they were applied. The youngest of the Members here present could recollect when little or nothing was attempted in India in the shape of public works, except perhaps fortifications, naval and military works, and public Offices. Of late years more attention had been given to works of a reproductive character, and such works as the Grand Trunk Road, the Ganges Canals, and the improvement of the Godavery had been undertaken. It was impossible to mention this last named work without thinking of General Arthur Cotton, to whom more than to any other single man in England or in India was due the interest which had been of late taken in Indian Public works, the sound principles which had been laid down, and the progress which had been made in doing a part of our duty as regarded them. But all such works, with very few exceptions, were now at a stand for want of funds.

As regards public works of a provincial character, such as would in England be executed from the county funds, we had in this country made hitherto little or no permanent provision. There was in the North-Western Provinces and in the Punjab a road fund formed by a percentage tax on the land, but with a few such exceptions there was no way of providing for provincial public works, save by direct grants from the public treasury. To this class belonged all the Railway feeders, most of the docks, canals, and works of a reproductive character. They could hardly be called imperial, because their direct influence was confined to the province or district to which they belonged, though he fully agreed with the Honorable Member for Madras that every mile of made road, no matter where it was, which assisted to bring produce to market, was a direct and valuable addition to the resources of the empire. At present all these provincial works depended mainly on grants from the general revenue of the

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country, which were now, and must be for some time to come, suspended. It was works of this class which would probably most feel the advantage of the one per cent. devoted to public works.

For the third class, or merely local works, such as would be provided for from the funds of towns or parishes in England, some provision existed in Municipal Funds, Ferry Funds, and the like—very inadequate, but still not absolutely at a stand—still like the works of more extended utility depending on the imperial treasury.

A return had been recently called for of the larger public works at present suspended for want of funds. This return was not to include all desirable public works, but simply such as had been duly estimated for, and sanctioned, and were either in progress or in a state to be commenced at once. No works were included which were calculated to cost less than £10,000 (a lakh of Rupees) each, and the total amount of such works now suspended or not commenced for want of funds was close on ten millions sterling. Among them would be found, besides great public Offices of various kinds urgently wanted, such works as the Wet-Docks for Calcutta, improvements in the water communication of Bengal, bridges on the Grand Trunk road, irrigation works in Cuttack and South Behar, the completion of the great Ganges Canal in the North-Western Provinces, of the Baree Doab Canal in the Punjab, of the great military lines of road in that Province, the canal system of Sind, the Godavery navigation in Madras, and Railway feeders in all the Presidencies. These were but a few of the works he could enumerate, but they would serve to show the character of the works now suspended, and the immense extent of the resources required to carry out a portion, and but a small portion of the works needed—some to afford means of transport, some of irrigation, some calculated to return directly thirty or forty per cent. on the outlay, others to open out large provinces to commerce. On many of the works thus suspended great progress

had been made when they were stopped. The sums already expended on them amounted to 2½ millions sterling. There were many of the most valuable of these works which could not, for a long time, be taken up by Government out of the general revenue, but which might be immediately put in hand with the help of this one per cent.

Of the objections taken by the Honorable Member for Bengal, most had been already noticed by the Honorable and learned Judge and the Honorable Member for Madras. With regard to the suggestion that this portion of the Bill, however good in itself, should be deferred, he would observe that every month's delay of such necessary works was a very serious evil. The Honorable Member must be aware how long it took to put any large work into active operation. At first little progress could be made, labor and materials had to be collected, the working season was limited, and it was not till the second and third year that much progress was made, and it was of course some time longer before any direct return could be expected. The Honorable Member had said the term "local" was too indelinite, but he (Sir Bartle Frere) felt no doubt that his Right Honorable friend would be able so to limit the application of the funds as to prevent the money being spent on any works of merely local importance, and to secure that all should be duly devoted to works which would be directly reproductive and so improve the general revenue of the country.

As regarded the machinery to be employed, he did not question the justice of much which had been said of the municipalities, but he believed that, if such bodies were properly constituted, so as to include a proper representation of all classes of the community, if they were made in reality what they professed to be—real representative bodies—you could not have better judges of the works on which it was desirable to lay out money. In the application of the money, he believed it would be desirable to provide for the supervision

of responsible public officers under the control of Government.

His Honorable friend the Member for Bengal said that the one per cent. would be a heavy addition to the three per cent. No doubt it formed a considerable proportion in the total tax of four per cent., and he rejoiced that so much of the new tax was to be effectually secured for application to reproductive public works, and put out of the power of Government to spend in other ways. He believed that, after a brief experience, it would be the most popular part of the Bill, and that, before the term fixed for the expiry of the Act, it would be willingly paid by all classes, Natives as well as Europeans. He did not speak unadvisedly in the matter. He believed that in India as everywhere else, the people were fully aware of the advantages of such taxation if they saw the proceeds honestly laid out in the manner stipulated for. No inference to the contrary could be drawn from any instance in which faith was not so kept with the people.

It had been remarked that, owing to the circumstance of the tax on public funds, large salaries, and other prolific sources of income tax being payable at Calcutta, that city would get more than its fair share. He did not grudge this. It was a privilege which every capital city would and ought to enjoy, and there was ample room for the application of any amount of funds in a manner which would more or less directly benefit the inhabitants of the city itself as well as the country at large.

MR. HARRINGTON said, in coming down to the Council to-day to assist in passing this important Bill through Committee, his wish was that, beyond perhaps having to suggest a few verbal alterations as they proceeded with the Bill, he should not have occasion to address the Committee. They had been given distinctly to understand that the Bill was brought in and proposed for their adoption entirely upon the responsibility of the Executive Government, and he was willing to accept the Bill and to give it his support upon that understanding.

Quoting the words which he believed fell from the Honorable and learned Judge on his left (Sir Mordaunt Wells), his (Mr. Harington's) desire was to accept the Bill as a whole, and not to pick holes in any part of it. In the few remarks which he ventured to offer to the Council, after they had been addressed by the Right Honorable gentleman opposite and had heard from him the very full and able statement which he made in this Chamber in February last, he tendered his services to the Right Honorable Gentleman in preparing the Bills which he informed them it was his intention to bring in, and he added that, whatever might be his individual views in respect to some of the important questions discussed by the Right Honorable gentleman in the statement just referred to, he (Mr. Harington) proposed to keep those views to himself when they differed from those of the Right Honorable gentleman, and to avoid as much as possible any thing that might embarrass the Government. He trusted that he had acted up to the intentions expressed by him, and that he had fulfilled his pledge. He might mention that that very day, though a most important question had been raised, upon which he was supposed to entertain a different opinion from the Honorable Member who had discussed the question, he (Mr. Harington) had purposely remained silent. As regarded the Bill itself, he could truly say that he had labored, heartily and earnestly, conjointly with the Right Honorable gentleman and the other Members of the Select Committee, to improve the Bill and to render it as workable a Bill as possible, and he wished to take this opportunity of acknowledging the manner in which the Right Honorable gentleman had spoken of the services of the Select Committee.

He commenced these remarks by stating that it had not been his wish to address the Council on this occasion, but after what had fallen from Honorable Members on the subject of the Section before the Committee, he felt that, if he gave a silent

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vote in favor of that Section, it would naturally be supposed that he approved of and acquiesced in it, whereas the very contrary was the fact. From the time that he heard of the intention to raise funds for local purposes by means of an Income Tax, he had entertained the most serious objection to the proposition, and he very much regretted that it had been embodied in and formed part of the Bill to which it appeared to him it could not, under any circumstances, be considered properly to belong. He agreed in much that had been said on the subject of this Section by the Honorable Member for Bengal. He willingly admitted that it was most necessary that the whole or the greater part of the public works which had been mentioned by Honorable Members who had preceded him in the debate should be pushed on as rapidly as possible to completion. No one was more sensible than himself of the immense advantages that would result from the completion of those works. There could be no doubt that they would materially contribute to the comfort, prosperity, and happiness of the people, and that they would be beneficial to England, as well as to India. Funds on a very large scale were, of course, required to carry on these works, and they must be provided, though he thought that this might be done in some other way than by means of an Income Tax. In the North-Western Provinces, and he believed in the Punjab and Oude also, the Zemindars contributed one per cent. on the Government jumma to a road fund which was found to be quite sufficient for the purpose of constructing district roads, and as the railways extended to those parts of the country, roads, as feeders to them, would no doubt be made without difficulty from the same source. In the Presidency towns and some other places they had municipal taxes, by means of which considerable local improvements were being carried on. These were legitimate ways of raising money for local purposes, to which it was proposed to appropriate the one per cent. of the Income Tax now under discuss-

sion, but if more money were required, as doubtless it would be, for some of the larger and what might be called the more productive works, he thought that it might properly be raised by means of a public loan, the amount with interest being eventually repaid out of the profits of the works upon which it was expended. He considered that this would be preferable to raising money for public works by means of an Income Tax. He thought that there could be no doubt that, in the existing state of the country, an Income Tax, such as had been proposed, was absolutely necessary to restore the equilibrium between income and expenditure, and to place the finances of the country on a satisfactory footing. He accepted the present Bill on conviction of that necessity. He considered that what had from time to time been stated to them on this point by the Right Honorable gentleman opposite, was conclusive and amply sufficient to satisfy all reasonable men. The Right Honorable gentleman had fully made out the necessity for the measure. The need of such a tax was greatly to be regretted. But the necessity existed, and it must be faced and met. He (Mr. Harington) did not know any other way in which it could be less objectionably met, and therefore whatever objections he might have to the introduction of a Bill of this nature into India, he felt that his duty was to waive those objections and to give the Executive Government his support in carrying the present Bill through the Council. Still he could not conceal from himself that there was a vast difference between the two objects which this Bill was intended to accomplish, namely, to make the income and expenditure of the country meet, and to provide funds for local purposes. For the one an Income Tax might be a perfectly proper tax, but not so for the other. Had the Right Honorable gentleman been in the country at the time to which His Excellency the Governor General alluded in the early part of the speech on the Customs Bill, which His Lordship made in that

Chamber in the month of March last year, when income and expenditure were nearly balanced, and no necessity for an Income Tax to restore the equilibrium between them existed, but when most of the public works to which reference had been made had been projected, and funds for their construction were required almost as urgently as at the present time, would he have ventured to propose an Income Tax of one per cent. or even of any amount for the sole purpose of raising or supplying those funds? He (Mr. Harington) thought that he might anticipate the Right Honorable gentleman's answer, and that it would be in the negative—and why—simply because it could not be proper to impose an Income Tax in any country solely for such a purpose. No doubt it was generally admitted that, in theory, no tax was more equitable than an Income Tax, but it was as generally admitted that in practice it operated most unequally, and that it was so objectionable that only a great and pressing necessity should ever call it into existence, and that it should cease as soon as that necessity had passed away. If every man were honest and promptly paid his quota, the tax would be most productive, and no oppression would be practised in its collection; but it was notorious that the very reverse of this was the case; that every attempt was made to evade the tax where it existed, and that it gave rise to forgery and perjury and all kinds of dishonest practices, while so great was its inequality that it had come to be regarded by many as a most unjust tax. He had read a good deal on the subject of an Income Tax during the time the Bill had been before the Council; and he found that almost all those who had written or spoken on the subject, including the recent speakers in Parliament on Mr. Gladstone's Bill, were opposed to such a tax as a permanent measure, and, although they all admitted that, in a case of emergency, an Income Tax was perfectly justifiable and might be unavoidable, it should be given up as soon as possible, and indirect taxation again reverted to.

That such an emergency now existed he had already admitted, and therefore he thought that the Government were right in proposing the present Bill, but only for general and not for local purposes. The objections to an Income Tax were aggravated in this country by the agency which it was necessary to employ to carry it out. It was notorious that, whenever natives were employed to collect any tax, they collected as much for themselves as they did for the Government, and he believed that any dislike which the natives might have to the tax now proposed, was rather from the fear of the oppression to which they knew they would be exposed in its collection at the hands of their own countrymen and which, whatever arrangements might be made, it would be extremely difficult, if not impossible, to prevent, than from any real unwillingness to pay the tax. If all cause for this fear could be removed, he believed that, in most cases, the tax would be paid cheerfully enough. But look at the consequences of retaining this one per cent Income Tax for local purposes after the necessity for the rest of the proposed tax should have ceased. Nearly the same agency would be required for collecting one per cent. as four per cent. The same inquisitorial, vexatious, and harassing processes must be resorted to in order to save the Government from being defrauded, and what would be the result, why, the expenses of collection would swallow up a very large proportion of the sum collected. This appeared to him to be a very great objection to the Section in question. The Right Honorable Member opposite had told them that he confidently expected that the state of the finances would enable him to give up an Income Tax for general purposes at the expiration of five years, and to confine its collection to local purposes; but if an Income Tax were not open to the objections which he (Mr. Harington) had stated, it would be better to make the tax permanent, and to give up other taxes which pressed most heavily upon the poorer classes, such as the duty upon salt. He believed he

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had not overstated the case. The Honorable Member of Council on his left (Sir Bartle Freere) was of opinion that the natives would be quite reconciled to the tax of one per cent. for local purposes, when they found that the money was really spent in a manner by which they directly benefited, and he had instanced applications which had been made to him by persons who offered themselves for taxation on condition of the money being expended in local improvements. He (Mr. Harington) always distrusted these voluntary offers on the part of the people of this country. Not long ago, they were told that in the Punjab the increase of the town duties was hailed with delight and rejoicing—that a kind of jubilee was held on the occasion. Subsequent reports had rather thrown doubts on the statements that had been received, and there was reason to believe that the authorities had been imposed upon. The general timidity or obsequiousness of the native character led them often to agree to measures proposed by their European superiors, to which at heart they were strongly opposed, and hence it was that so many measures, the introduction of which was made to depend upon the acquiescence of those for whose benefit they were designed, though nominally assented to, proved so unpalatable and unpopular. He (Mr. Harington) had been much struck with a remark which he found in a letter from a very able officer under the Bengal Government on the proposed Income Tax. The officer alluded to was Captain Dalton, the energetic and intelligent Commissioner of Chota Nagpore. He said—

“The necessity of the imposition of one per cent. in perpetuity for public works is not to me apparent, and I regard it as an addition that will add greatly to the difficulties of expounding to the native community the thoroughly equitable principle on which the Government wish to proceed in restoring the finances to a healthy state.”

Having thus stated his objections to the provision in question, he would willingly leave the matter in the

hands of the Executive Government. He should vote for the Section, but he should much rejoice if the Executive Government, upon further consideration, should determine to withdraw the provision contained therein even though in so doing they should find it necessary to propose an increase of the three per cent. duty to four or even five per cent, on the understanding that the rate would be reduced as the necessities of the State became less, until the time arrived when it might be found possible to give up the tax altogether.

THE CHAIRMAN said, it was not his intention to occupy the time of the Council at any very great length. He was very much in favor of a Public Works Tax. He thought it was quite fair that they should have a tax to enable the Government to carry on public works of utility in this country, and he fully agreed in the observations made by the Honorable and learned Judge and the Honorable Member of Council (Sir Bartle Frere) in support of the measure. In this year's budget, 1860-61, he found a demand for public buildings, military or otherwise, amounting to four and a half crores. It was very desirable that regular public works, such as were calculated to open the resources of the country, should not be neglected; but he doubted very much whether so large a revenue as would be derived from such a measure, the greatest portion of which would be collected in this city, should be devoted to municipal purposes, and be placed under the control of the municipality in Calcutta, instead of being laid out for the prosecution of that class of public works which would be reproductive to the country. It must be remembered that most of the money thus collected would be paid, as he had said, in Calcutta. There were here the Banks, Railway Companies, and the largest mercantile houses. It must also be borne in mind that the largest civil salaries were paid here, and as regards the military, the largest staff salaries also. The question therefore was, whether the large sum of money that would thus be collected ought to be entrusted in the hands of the Municipal Commissioners, to

be applied by them, subject to to the approval of the Lieutenant-Governor. He thought, by entrusting it to the Municipal Commissioners, they would suppose that it was intended to be applied to municipal purposes, and not to the construction of reproductive works, such as would develop the general resources of the country. He was certain there would be a strong objection to this on more grounds than one. Suppose a gentleman residing in Patna had a large sum of money vested in Government Paper, and also landed property situated in that district. He would be assessed wholly in Calcutta, and thus his property would not benefit in any way by the municipal improvements carried on in Calcutta. It was but fair that he should have some return for the tax paid by him. Take again the case of a Member of Council whose salary was not paid for his services in Calcutta, but for the whole of India. He quite agreed with his Honorable and learned friend and the Honorable Member for Bengal as to the application of the tax to imperial purposes. He (the Chairman) thought that the Honorable Member for Madras was under some misapprehension as to the observations of the Honorable Member for Bengal. He (the Chairman) did not understand the Honorable Member for Bengal to say, how the money *could* be expended, but how it *would* be expended, so as to be most reproductive.

Another objection that might be taken to this one per cent tax was that the Bill, in assessing incomes, made no distinction between salaries and profits arising from property. It would no doubt be very difficult to do so, and in point of fact no distinction of the kind had been drawn in England. What property had the professional man or the man who obtained his livelihood by the sweat of his brow to be protected? The man who had only his salary to depend upon might be a bird of passage and leave the country to-morrow; what benefit would he derive from this local improvement tax? He (the Chairman) therefore said that, if a tax were to be

imposed for public works, it should be for public works of a reproductive character, and he entirely agreed with his Honorable and learned friend (Sir Mordaunt Wells) that it would not be right to entrust the application of the tax to the Municipal Commissioners, but to the Government of India. The Honorable Member for Madras had asked, how could the Governor-General in Council know what public works were required in Patna or elsewhere, or what sum should be expended on account of them? Surely it was not supposed that the Governor-General acted barely on his own knowledge or information. He had a Public Works Department and a Public Works Secretary, and he had budgets submitted to him by the several local Governments, showing the various public works required to be constructed in the course of the year, according to which the Government of India decided upon the expenditure for that year in each Presidency. It therefore appeared to him that the whole of this one per cent. duty should be placed under the Government of India in the Public Works Department, for the purpose of developing the resources of India and of being employed in reproductive works.

MR. WILSON said, although we had been anticipating the discussion that had taken place on a later part of the Bill, it must be admitted that an hour had not been better spent. He agreed in much that had fallen from the Honorable and learned Chairman and the Honorable and learned Judge on his left (Sir Mordaunt Wells), and he did not think that the arguments which had been urged by them were incompatible with the views of the Honorable Member for Madras and the Honorable Member opposite (Sir Bartle Frere). Although the Bill called it a tax for local purposes, it was never intended that the amount collected in each district would be expended for the benefit of that district only. There would be a separate account of the amount realised by this tax, and in apportioning the total sum among the several Presidencies according to their requirements, the specific sum so distributed would

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be carefully managed at each district. The sole object of this tax was to improve the resources of the country, and as the Honorable and learned Judge had remarked, would prove the most effectual means of getting rid of an objectionable tax. He (Mr. Wilson) was indebted to the Honorable Member for Madras for having pointed out one or two anomalies, as well as for having suggested the manner in which they might be met. With regard to the question put by the Honorable Member for Madras as to whether the one per cent. duty was to be in addition to or in substitution of the present budget, he (Mr. Wilson) felt no hesitation in stating that the tax was intended to be added to our permanent charges on account of public works, and would be applied to works, the construction of which had been duly sanctioned. It was not the intention of the present Government to reduce in any possible way our present expenditure for those purposes, and he hoped that when we saw our finances improving, there would be an increased prosecution of public works which had long been neglected.

THE CHAIRMAN then moved the substitution of the words "reproductive public works" for the words "local purposes" in line 6.

The Motion was carried and the Section as amended then passed.

Sections 4 and 5 were passed as they stood.

Section 6 was passed after the omission of the words and figures "1st day of May 1860," leaving the date for the commencement of the 1st year of assessment to be fixed hereafter.

The consideration of the Bill was then postponed.

STAMP DUTIES.

MR. HARRINGTON moved that a Message be addressed to the Right Honorable the Governor-General in Council, requesting that he would have the goodness to furnish the Council with a statement of claims relating to the recovery of Rent preferred in the Revenue Courts of the Lower and North-Western Provinces of the Presidency of Bengal, from the

1st August 1858 to the 1st July 1860, and of the amount of Stamp Duty paid on the claims or petitions of plaint—and a statement of regular suits and appeals instituted in the Lower and North-Western Provinces of the Presidency of Bengal, to set aside decisions of the Revenue authorities in cases of the nature mentioned in the preceding statement from 1st August 1858 to 1st July 1859, and of the amount of Stamp Duty paid on the petitions of plaint or appeal—under the following heads:—

1. Suits for the delivery of pottahs or kubooyuts, or for the determination of the rates of rent at which such pottahs or kubooyuts are to be delivered.

2. Suits for damages on account of the illegal exaction of rent, or of any unauthorized cess or impost, or on account of the refusal of receipts for rent paid, or on account of the extortion of rent by confinement or other duress.

3. Complaints of excessive demand of rent, and all claims to abatement of rent.

4. Suits for arrears of rent due on account of land either kherajee or lakhiraj, or on account of any rights of pasturage, forest rights, fisheries, or the like.

5. Suits to eject any ryot or to cancel any lease on account of the non-payment of arrears of rent, or on account of a breach of the conditions of any contract by which a ryot may be liable to ejectment or a lease may be liable to be cancelled.

6. Suits to recover the occupancy or possession of any land, farm, or tenure from which a ryot, farmer, or tenant has been illegally ejected by the person entitled to receive rent of the same.

7. Suits arising out of the exercise of the power of distraint conferred on zemindars and others by Sections CXII and CXIV of Act X of 1859, or out of any acts done under color of the exercise of the said power.

8. Suits by zemindars and others against their agents, or the sureties of such agents, for money, papers, or accounts.

9. Applications for ejectment of cultivators, farmers, &c, by zemindars.

10. Application to dispossess grantees of land exempt from revenue.

11. Amount of Stamp Duty paid on the claims or petitions of plaint in the foregoing cases.

12. Appeals from decisions passed in the foregoing cases.

13. Amount of Stamp Duty paid on petitions of appeal.

In making the motion, he (Mr. Harington) said that the information returns which he now had for would supply, would show to some extent, not only how Act X of 1859 (Mr. Currie's Act) had worked generally, but also what had been its effect on the Stamp Revenues.

Agreed to.

MR. HARRINGTON then moved that Mr. Wilson be requested to take the above Message to the Governor-General in Council.

Agreed to.

The Council adjourned at half past 10 o'clock on the Motion of Sir Bartle Frere, till to-morrow morning, at 7 o'clock.

Tuesday Morning, June 26, 1860.

PRESENT :

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

Hon'ble Sir H. B. E. Frere,	H. Forbes, Esq.,
Right Hon'ble J. Wilson,	A. Sconce, Esq.,
H. B. Harington, Esq.,	and Hon'ble Sir M. L. Wells.

INCOME TAX.

The Order of the Day being read for the adjourned Committee of the whole Council on the Bill "for imposing Duties on profits arising from Property, Professions, Trades, and Offices," the Council resolved itself into a Committee for the further consideration of the Bill.

A verbal amendment was made in Section II on the motion of Mr. Harington.

Sections VII to XVI were passed as they stood.