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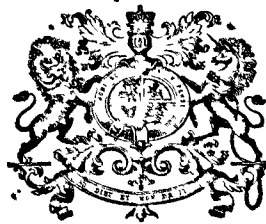
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CORRESPONDENCE,  
DEBATES IN THE LEGISLATIVE COUNCIL, S 2027  
AND  
MINUTES  
RELATING TO  
DIRECT TAXATION  
IN  
BRITISH INDIA.

COMPILED IN THE FINANCIAL DEPARTMENT OF THE GOVERNMENT OF INDIA,  
1882.

IN TWO VOLUMES.

VOL. II.,—1877 TO 1882.



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RELATING TO

DIRECT TAXATION

IN

BRITISH INDIA,

VOL. II.

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209	12 B 5th Dec	Government, North-Western Provinces	Observations on the provisions of the Trades and Professions Bill, 1879 . . . . .	291
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281	52 12th Aug	Government of Madras . . .	Forwarding a copy of amended Madras License Act, 1878, with two copies of the enactment in the form in which it was introduced into the Council . . . . .	333
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286	— 21st Feb.	Bengal Chamber of Commerce . . .	Urging the abolition of the License Tax, and suggesting that if this is not possible, the tax should be extended to all classes of the population . . . . .	341
287	1033 5th March	To ditto ditto . . . . .	Stating that the above letter has been referred to the Governor General in Council, and that the subject will receive the careful consideration of Government . . . . .	342
288	1879. 14th Nov.	Legislative Council Proceed- ings.	Debates on the motion for leave to introduce a Bill to impose a tax on Trades and Professions (Speakers: Sir J. Strachey, Mr. Batten, Sir F. Haimes and Lord Lytton) . . . . .	} 349 to 353
289	.. 24th Dec.	Ditto ditto . . . . .	Debates on the motion that the Bill to impose a tax on Trades and Professions be referred to a Select Committee. (Speakers: Sir J. Strachey, Mr. Paul, Mr. Kennedy, Mr. Morgan, Mr. Batten, Maharaja Jotandro Mohan Tagore, Mr. Colvin, Mr. Hope, Sir Ashley Eden, Lord Lytton, Mr. Evers Thompson, and Sir A. Arbuthnot.)	
290	1880. 24th Feb.	Ditto ditto . . . . .	Extracts from a speech by Sir John Strachey in introducing the Financial Statement for 1880, and moving that the Resolution of the Council of the 24th December last (Serial No 289), referring the Bill to impose a tax on Trades and Professions to a Select Committee, be cancelled (Agreed to.) . . . . .	} 369 to 374
291	... ...	Ditto ditto . . . . .	Motion for leave to introduce a Bill to amend the law relating to the Licensing of Trades and Dealings. (Speakers: Sir John Strachey and Lord Lytton) . . . . .	
292	2nd March	Ditto ditto . . . . .	Debate on presentation of Report of Select Committee on License Acts Amendment Bill. (Speakers: Sir J. Strachey, Mr. Pitt-Kennedy, Lord Lytton, Mr. Morgan, Maharaja Jotandro Mohan Tagore, Mr. Colvin, Mr. Hope, Sir Ashley Eden, Mr. Rivers Thompson, Sir A. Arbuthnot, and Sir F. P. Haimes . . . . .	} 375 to 417
293	.. 17th Sept.	Hon'ble B. W. Colvin . . . . .	Note upon the possibility of further taxation in India, with a list of various direct, indirect and other taxes, with remarks, &c. . . . .	
294	1883. 14th Jan.	Chief Commissioner, British Burma.	Submits a report, giving a history of the Capitation Tax in British Burma, with remarks on the possibility of abolishing the tax and substituting certain other taxes, with the Chief Commissioner's conclusions . . . . .	} 439 to 443

## ERRATA.

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- Page 21. Paper No. 5. Margin, *for* "28th March 1877" *read* "21st March 1877".
- " 197. " 119 (Para. 1, line 1, *for* "premission" *read* "permission".
- " 208. *For* "No. 132" *read* "No 133".
- " 270 *For* "No. 92" *read* "No. 192".
- " 361. Para. 9. Margin, *for* "Mr. Betten" *read* "Mr. Batten".
- " 369. Paper No. 290. Para 2, after the word "Extracts" *insert* "relating"; also *for* "financial" *read* "taxation."

VOL. II.



## N.-W. P. LICENSE TAX, 1877-78.

Acct Pro , Dec 1876, Nos. 1 & 2.  
 „ March 1877, Nos. 159 to 162  
*Vide A Accts. for this month, Nos. 11 to 17*

No. 1 ]

No. 88,(a) dated 16th March, 1877.

*From—The Government of India,  
 To—The Secretary of State for India.*

In continuation of our Despatch No. 416,(b) dated 8th December 1876, we have the honor to forward copy of the Financial Statement(c) made and published by the Hon'ble Sir John Strachey, K.C.S.I., on the 15th instant. The Statement consists of two parts, Part I being a Speech delivered in the Legislative Council of the Governor General, and Part II a minute reviewing the Accounts of 1875-76 and the Regular Estimates of 1876-77.

Acct. Pro , April 1877, Nos 18 to 21

2. We need make no further reference to the Accounts of 1875-76, having said enough upon them in our Despatch No. 421, dated 15th December 1876.

3. The Regular Estimates for the year 1876-77, now completed and published, compare with the Original Estimates, and the Estimates for 1877-78 compare with the Regular Estimates for 1876-77, as follows :—

*Abstract Table to compare the Original with the Regular Estimates, 1876-77, and the Original Estimates, 1877-78, with the Regular Estimates, 1876-77.*

	Opening	Revenue.	Other	Total	Expendi-	Other Dis-	Total Dis-	Closing	Deficit	Result ex-	Result ex-
	Balances.		Receipts.	Receipts.	ture.	bursments	bursments.	Balances		cluding	cluding
	Rs.	Rs	Rs	Rs	Rs.	Rs	Rs.	Rs	Rs	Rs	Rs
1876-77											
Original Estimates	16,96,08,000	51,48,54,000	63,72,33,000	1,31,30,94,000	55,11,04,000	60,87,05,000	1,81,30,94,000	15,32,85,000	3,81,60,000	Rs	Rs
Regular Estimates	17,87,24,000	51,30,07,000	67,46,93,000	1,36,54,19,000	57,38,50,000	66,66,01,000	1,36,54,19,000	12,02,78,000	3,07,33,000	Surplus	Deficit
Better	88,16,000		4,73,86,000	5,33,85,000						14,40,000	63,46,000
Worse		38,87,000			2,17,46,000	5,89,86,000	5,33,35,000	3,54,07,000	2,46,38,000	2,87,33,000	48,08,000
1877-78											
Original Estimates	13,58,78,000	59,19,37,000	65,99,43,000	1,38,77,57,000	58,44,34,000	60,92,11,000	1,30,87,47,000	13,51,13,000	4,24,97,000	63,17,000	62,83,000
Better		98,80,000			84,26,000	5,94,80,000	5,66,72,000	42,34,000	1,08,86,000	1,66,66,000	30,36,000
Worse	5,18,46,000		1,46,88,000	5,68,73,000							

4. The differences shown in this table are fully explained in Sir John Strachey's Statement, and we need not repeat the explanations.

5. In accordance with your Lordship's desire, we shall shortly transmit to you the Estimates for 1877-78, prepared in the old form.

No. 2.]

Telegram, dated 25th March, 1877.

*From—The Viceroy,  
 To—The Secretary of State.*

\* Issued from the Public Works Department.

Your orders in paragraphs 2 to 6, despatch of 11th\* November 1875.

Acct. Pro , Feb 1878, Nos. 98-100

With reference to proposed measures for enforcing provincial responsibility for extraordinary works, there was no time before budget statement to report officially, and it was desirable to avoid risk of premature publicity to enable Mr. Eden to make quietly all preliminary arrangements with influential natives and disarm possible opposition. Result is that orders above quoted have not been strictly obeyed.

(a) Acknowledged in Despatch No. 328, dated 11th October 1877, vide Accounts Proceedings, April 1878, Nos. 332 to 344, not printed here.

(b) Forwarding Revenue Accounts for 1875-76. See Accounts Proceedings, March 1877, Nos. 159 to 162, not printed in this Collection.

(c) See Proceedings of Legislative Council, page 3

You have been informed of proposed legislation for North-West Provinces. We propose to pass Bills on Wednesday, and hope you will approve. There is no opposition or even hint of disapproval in or outside Council. Mr. Eden has made all preliminary arrangements, and now asks immediate sanction to introduce Bills into his Council next Saturday. First Bill authorizes Local Government to impose moderate compulsory water-rates on irrigable land. Second Bill authorizes moderate increase of existing road cess to meet new charges. Mr. Eden anticipates no difficulty or opposition if Bills are introduced at once, present feeling being highly satisfactory; but delay may cause extreme embarrassment and may even be fatal to success. Also if Bills are not passed soon we shall lose this year's income. In anticipation of your approval, Mr. Eden has been authorized to proceed with Bills. Please telegraph reply

No. 3.]

No 106, dated 30th March, 1877.

*From—The Government of India,*

*To—Her Majesty's Secretary of State for India.*

In the Financial Statement made by the Hon'ble Sir John Strachey on the 15th instant, a copy of which was forwarded to Your Lordship with our despatch No. 83, dated the 6th idem, the measures are described by which we propose to throw upon each Province, so far as this is now practicable, the responsibility for meeting the cost of canals and railways and other public works constructed for purposes of provincial and local utility. The reasons for these measures have been so fully explained in the Financial Statement that it is needless to repeat them here, and we trust they will meet with the approval of Her Majesty's Government.

2. The Budget arrangements for the coming year have been made under circumstances of peculiar difficulty. The time which has elapsed since Sir John Strachey assumed charge of his office has been very short, and this and other causes have brought upon the Financial Department of our Government an extreme pressure of work. For these reasons we could not throw into formal shape the details of our Budget arrangements in sufficient time to enable us to draft and transmit for Your Lordship's formal sanction, before their introduction into the Legislative Council, the Bills connected with the measures which we proposed to adopt. We trust, however, that notwithstanding an informality caused by exceptional circumstances, Your Lordship will accord your sanction to our proceedings.

3. In the Telegraphic Abstract of the Financial Statement sent to Your Lordship on the 15th instant, we informed you that it was proposed to levy fresh provincial taxation in the North-Western Provinces and in Bengal, with the object of carrying into effect the policy of enforcing provincial responsibility for works of local utility. We stated that in the North-Western Provinces it was proposed to establish a light license-tax on trades, and to assign for meeting charges incurred on canals and railways a portion, not exceeding 10 per cent., of the existing local rates. We have now the honour to forward copies of the Bills (*deposited*) for carrying out these objects. Your Lordship was informed by telegraph on the 25th instant that we proposed at once to pass the Bills into law; and, as we learnt in reply that you did not object to this course, although you reserved an expression of opinion, if necessary, to a later period, the Bills were passed at a meeting of the Legislative Council on the 28th instant. They have been entirely approved by the Government of the North-Western Provinces; they have met with no opposition, and were passed without a dissentient voice. It will be observed that the License-tax Act is, in its final shape, a more simple measure than it was in its original form, and than it was described to be in the Financial Statement. The Act is now for all practical purposes almost identical with the Bill proposed by Sir William Muir in 1874.

4. In our telegram dated the 15th instant we gave an abstract of the explanation contained in Sir John Strachey's Statement regarding the measures proposed for raising the amount which Bengal will have to contribute. It was said that these measures had not been actually settled, but that it was desired to extend the existing system of provincial taxation and to impose no tax of a novel character. We have since been in communication with the Lieutenant-Governor on the subject; but, as explained in the telegram dated the 25th

instant, official action was delayed because it was thought desirable that, before publicity was given to the proposed measures, the Lieutenant-Governor should have the opportunity of discussing them with influential native gentlemen and others.

No 4.]

## FINANCIAL STATEMENT FOR 1877-78.

*Legislative Council, March 15th, 1877.*

MY LORD,—For the first time since 1872 a Statement regarding the Finances of British India is made before the public and in this Council. During the last five years no legislation has been proposed in connection with the Budget, and, under those circumstances, no Statement could have been made in the Legislative Council, without infringing the provisions of the Act of Parliament by which the Council was constituted: the Government is glad, on the present occasion, to be able to return to the practice which formerly prevailed.

Leg Coun.  
15th March 1877  
Sir J Strachey

I do not, however, propose to submit to the Council the whole of the details which explain the accounts of the Revenue and Expenditure and Receipts and Disbursements of 1875-76, and the Regular Estimates for 1876-77. They are more than usually voluminous; and it seemed desirable to keep them separate from my present Statement. The first year for which your Excellency as Viceroy is financially responsible, is now about to commence, and this is the first opportunity which I have myself had, since I assumed my present office, of stating the opinions which I have formed; the time is especially fitting for making the examination of our existing financial position, and of the operations of the past and the present year, as complete as possible: but I could not do this without entering into a mass of details, which, however valuable and interesting they may be, would be out of place, and sometimes hardly intelligible, in a statement made orally to this Council. I have, therefore, thrown them into a separate Minute: it has been published to-day, and it is now in the hands of the Members of the Council: in it I have endeavoured to give the fullest information in my power regarding the Accounts and Estimates of the two years which are now about to close. I propose to give to the Council a brief summary only of some of the main results which that Minute shows, and to confine myself now for the most part to an explanation of the Estimates of the coming year; to a statement of the facts necessary for a clear understanding of our present position; to noticing some of the more important principles by which the Government of your Excellency proposes to direct its future financial policy; and to describing the measures by which we hope to improve the existing condition of affairs: some of those measures will require the sanction of this Council.

I must, before going further, quote from my Minute an explanation which is there given at greater length. "The Abstract Statements of the Accounts of the Revenue and Expenditure of 1875-76 and the Estimates of 1876-77 and 1877-78 differ in form from the Statements prepared during the last seven years.

"From the 1st April 1871, the Government of Lord Mayo entrusted to the management of the Local Governments and Administrations certain important services, with Consolidated Allotments from the Imperial Revenues for their support, and the revenues connected with these services were, at the same time, surrendered for provincial uses. It was thought inexpedient to retain in the Imperial Accounts and Estimates the details of the revenue and expenditure thus made over to the Local Governments: accordingly, since 1871-72, these transferred Heads of Revenue and Expenditure have been excluded from the General Estimates and Accounts, the whole transactions respecting them being represented there by a single net entry under the head *Allotments for Provincial Services*. The details thus omitted have been published in subsidiary Statements, and each Local Government has given due publicity to its own Provincial Estimates and Accounts.

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15th March 1877  
Sir J Strachey

"The Government of India now sees reason to regret the method then employed, because, by this method, figures of interest and importance are relegated to subordinate Statements; the General Accounts and Estimates become incomplete; and the character of the arrangements between the Imperial and the Local Governments is not truly represented, nor their operation sufficiently illustrated. The Government of India has, therefore, resolved to re-introduce into the Imperial Accounts and Estimates all the details omitted therefrom since 1871-72. Thus, henceforth, any one desiring to ascertain the gross revenue and expenditure of British India, under the several recognised Heads of Account, will be able to do so from the General Accounts and Estimates. It seems to me that this will be an advantage, and that the re-combination of the Accounts of the Imperial and Provincial Governments into one Imperial Account, will make the whole more intelligible, and enable both the Government of India to control the Revenue and Expenditure, and the public to criticise the Accounts, more effectually than heretofore."

I have one more preliminary remark to make. I ask the attention of the Council to the observations made in my Minute, regarding the use of Pounds sterling in our Accounts and Estimates: for the reasons there given I came to the conclusion that it was better to state all the figures in Rupees, and I have done this in my detailed review of the Accounts of 1875-76 and of the Regular Estimates of 1876-77. In spite of the apparent inconsistency, I shall to-day usually speak to the Council of Pounds sterling, on the old assumption that the English pound is equal to ten rupees, because I shall thus make myself more readily intelligible to my audience; and, as the figures which I shall have to give will, for the most part, represent estimates only, exact accuracy is less important. It must, however, always be borne in mind that, when I speak of Pounds sterling, I am really using a conventional term of account, and that the Pound sterling of my Statement means ten rupees, a very different thing from the English pound.

The Accounts of 1875-76 show a surplus on the ordinary account of £1,668,882. If the extraordinary expenditure on Public Works be included, this surplus becomes a deficit of £2,601,740.

In 1876-77 a deficit is expected on the ordinary account of £2,278,300. Including the extraordinary expenditure, the deficit is £6,078,300. The result on the ordinary account is worse than the original estimate by £2,422,300. This is due to the famine in Madras and Bombay, which is now expected to cost in loss of revenue and in direct expenditure £5,250,000. Of this sum, £3,100,000 belong to 1876-77, and £2,150,000 to 1877-78. If there had been no famine, there would be a surplus on the ordinary account of £624,800, which exceeds the original estimate by £480,800.

I come now to the Estimates of *Revenue and Expenditure* in 1877-78, and the *Ways and Means* whereby it is proposed to make provision for the service of the year.

We estimate that the Revenues of 1877-78 will amount to £52,192,700, and the Expenditure to £56,442,400. Thus we expect a Deficit in 1877-78 of £4,249,700, of which, however, £3,628,000 has been granted for the construction of Extraordinary Public Works. Excluding this outlay, we expect a Deficit on the Ordinary Account of £621,700. We estimate the cost of the Famine in 1877-78 at £2,150,000.

Thus it appears, *prima facie*, that but for the Famine, our Estimates would show a surplus of £1,528,300. I am obliged, however, at once to dispel the flattering impression that might be gathered from this statement, by the observation that one of the indirect consequences of the Famine is the reduction of the entry under the adjusting Head *Loss by Exchange* by an amount which I cannot estimate at less than £700,000: there would, however, be a set-off to this, if there were no Famine, in a lower charge for interest by perhaps £100,000: thus I am led to think that, but for the Famine, our Estimates, as they stand, would have shown a surplus of £928,300. But this really represents the facts in too favourable a light, because the Expenditure on Extraordinary Public Works includes a sum of £1,206,300 to be spent on works which will not be remunerative, and which, as I shall explain further on, ought, therefore, in my opinion, to be looked on as ordinary. If these charges had been so treated, the estimated surplus of

£928,300 would have been converted into a Deficit of £278,028. It will also be seen, immediately, that I am estimating Opium at net £250,000 more than it was estimated for the current year; and also that the causes of apprehension in regard to the value of silver are, unhappily, by no means removed.

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Sir J Strachey.

Still, making all allowances, these general results are decidedly encouraging: the expenditure on unremunerative public works has never been hitherto treated as an Ordinary Charge; and it is highly satisfactory that the Estimates of the year should give us reason to believe that our income will not only cover the whole of the charges which have always been classed as Ordinary, but will go far towards paying for those great public works which, although required for the service of the Empire, are not expected to be directly profitable.

The Famine is, altogether, so serious a disturbing cause, that it seems hardly worth while to make general comparisons; however, I place together the Revenue and Expenditure of the three years as follows:—

	Revenue.	Expenditure.	Deficit.	Excluding Public Works Extraordinary.	Excluding Public Works Extraordinary and Famine
	£	£	£	£	£
1875-76 ... ..	52,515,789	55,117,536	2,601,747	Surplus 1,668,882	Surplus 2,177,437
1876-77, Regular Estimate	51,206,700	57,285,000	6,078,300	Deficit 2,278,300	624,800
1877-78, First Estimate	52,192,700	56,442,400	4,249,700	Deficit 621,700	928,300

It will be understood, from what I have already said, that I have no measures to propose at present for the imposition of any general taxation: it may be a cause of special relief to some of my audience to learn that the rumours which we have heard from time to time about the re-imposition of an income-tax have no foundation. As to the income-tax, I freely confess that I regretted its disappearance; but there has been no thought of restoring it. The Government is obliged to propose some other taxation, of which I shall speak further on.

I will now give a sketch of the plans which are proposed, leaving it to my Honorable friend, Mr. Bazett Colvin, who may now be held to represent the North-Western Provinces in this Council, to describe, hereafter, the details of the measures which will require legislative sanction.

The first of the proposed measures will be a not very extensive amendment of Act XVIII of 1871, which provides for the levy of rates on land for local purposes. Although these rates were only placed on a strictly definite and legal basis in 1871, they have been levied, for many years past, in the greater part of the North-Western Provinces: every estate in which the settlement of the Land Revenue is subject to revision is liable to the payment of a local rate, not exceeding five per cent. on the annual value of the land: in permanently settled estates rates are levied for the same purposes at an amount not exceeding annually two annas for each acre under cultivation. All these rates are, in the first instance, credited to a General Provincial Fund, from which the Lieutenant-Governor is bound to assign amounts to be applied in each district for certain specified purposes: these are the construction and maintenance of Roads and Communications; Rural Police; District Post; Education; Hospitals; Lunatic Asylums; Markets; Wells and Tanks; and other local works likely to promote the public health, comfort, or convenience; the annual assignment made to each district must not be less than the total amount of local rates levied in it; but any portion of such assignment which remains unexpended at the end of the year may be spent in any way which the Lieutenant-Governor thinks beneficial to the North-Western Provinces generally.

The principle is thus recognised, that these rates may, in part at least, be expended on objects of provincial utility; and, as a matter of fact, a large portion of them has been so expended. As it is not now wished to increase the burdens on the land, all that is proposed is to authorise the Local Government to make assignments from the local rates for the purpose of meeting charges on account of Irrigation works and Railways of provincial utility: it is proposed to fix the maximum amount of such assignments at 10 per cent. of the total sum levied under the Act, leaving 90 per cent. to be spent as at present; but I see no reason for anticipating that the actual proportion of the rates so assigned

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15th March 1877  
Sir J. Strachey

will amount to this maximum. The total amount of the local rates levied annually in the North-Western Provinces is about £430,000, and the proposed amendment of the law will not seriously diminish the existing grants for local purposes.

The second measure now proposed is the imposition of a light License Tax on trades and dealings in the North-Western Provinces. The Bill that will be laid before the Council is taken, in great measure, from a Bill proposed by Sir William Muir when he was Lieutenant-Governor in 1871, under the belief that it would be necessary to impose fresh taxation for provincial purposes: that Bill was introduced into this Council by Mr. Inglis, and passed through Committee; but the Lieutenant-Governor came to the conclusion that additional taxation was after all not necessary, and the Bill was dropped. The original Bill imposed small duties on certain specified trades, and the amount of the duties in no way depended on any trader's means: although, in this respect, the new Bill will not be so satisfactory as the old one, which would not yield as much money as we require, and the estimated receipts from which are admitted to have been greatly over-rated, no inquisition will be made into any man's actual profits, and the measure will not be an income tax in disguise: it will be similar to the License Taxes actually imposed for local purposes in many large Indian towns, and to the Pándhari tax, which has long been levied in the Central Provinces. The principal trades, as the Council will see from the Bill which I hope to be allowed to introduce to-day, have been classified and graded, and a specific sum is put down against each class and grade. The highest license fees proposed are those on Bankers and wholesale dealers in country produce, and they vary from Rs. 16 to Rs. 64 a year. Other traders will have to pay smaller sums, which are in some cases as low as Rs. 2, and in no case exceed Rs. 32. It is extremely difficult to say what this measure will probably yield, but, for my present purpose, I will assume it to be £50,000 a year.

If the plans which I have described are carried into effect, the first step for the Local Government to take will be to look thoroughly into its Public Works Establishments, and to consider whether the existing system under which the canals are managed, and under which the canal revenue is collected, cannot be improved and made less costly. It will then have to consider what means can be taken for increasing the income yielded by the existing canals: there will therefore, I hope, be no necessity for depending only upon new taxation and on the assignments from local rates, for the means of meeting the new charges.

The measures which I have thus described will, it is believed, enable the Government of the North-Western Provinces to satisfy, without difficulty, the obligations imposed upon it.

The whole of these arrangements have been settled in communication with Sir George Couper, the Lieutenant-Governor, and have received in all respects his cordial approval.

In the imposition upon Bengal of similar responsibilities for meeting the charges for extraordinary public works, similar principles will be applied; but, as the existing works are at present unprofitable, the sum to be made good annually by the province will be larger than in the North-Western Provinces: it will amount at present to about £275,000.

The Government of India is in communication with the Local Government on this subject: the Lieutenant-Governor will consider what portion of the whole burden can be recovered from the people who are primarily benefited by the works which have been constructed, and what portion must be raised by fresh taxation upon the province at large: I hope that, so far as the immediate demands of the Supreme Government are concerned, there may be no necessity for throwing on the province generally the whole of this new demand; but, on the other hand, it must be remembered that the obligations which have been placed on the Local Government will, unless the income from the works be rapidly developed, have an undoubted tendency to increase. It must also be remembered that there are new works of extreme importance urgently required in the interests of the people of Bengal for which, under the system we are now inaugurating, the Government of India will not make itself responsible. Whatever legislation may be necessary will take place, not in this Council, but in that of the Lieutenant-Governor, and it would be improper in me to refer in detail to the measures which His Honor may think

fit to initiate: any schemes for new taxation must of course first receive the sanction of the Supreme Government. It is hoped that the Government of Bengal will avail itself, as far as possible, of existing modes of raising revenue, and endeavour to extend and expand them rather than have recourse to new and unfamiliar systems of taxation, and that it will be able to carry out all necessary measures through its present establishments: even if it were possible to devise new forms of taxation theoretically better than the forms which already exist, it would still be wiser to adhere to systems understood by the people, rather than adopt innovations which might cause dissatisfaction and apprehension, and which might lead to oppression through the creation of new collecting and assessing machinery. Although the amount to be raised is in itself considerable, the increase of taxation which it involves will really be very small, when distributed over an enormous population: I have no doubt that the Local Government will be able to adapt successfully its present system to meeting this increased demand: I am sure that it will be the universal feeling, not only of this Council, but of the public, that the initiation of the necessary measures could not be in better hands than in those of my honorable friend Mr. Eden; and in regard to this matter the views of the two Governments are completely in accord.

In regard to the Punjab, I can say nothing definite at present: it is thought desirable to wait until the Government arrives at Simla, when it will have the advantage of the presence and co-operation on the spot of the Governor and some of his most experienced officers: meanwhile, I have the satisfaction of knowing that my honorable friend and present colleague, Mr. Egerton, who will, before long, assume charge of the office of Lieutenant-Governor, will give his cordial support to the principles which have been laid down, and that he anticipates no serious difficulty in their application to the Punjab.

The total amount of the contributions thus made to the Imperial Treasury for Bengal and the North-Western Provinces is estimated to be, in 1877-78, £375,000.

The combined result of the arrangements made with the Local Governments in regard to both Ordinary and Extraordinary income and expenditure is that the estimates of the coming year have been improved to the extent of £520,000: it will be understood, from what I have already said, that it is not now possible to state exactly what portion of this amount will be provided by new taxation; but it will not exceed £325,000, and will probably be less.

No. 5.]

*Legislative Council, 21st March 1877.*

N.-W. P. LOCAL RATES ACT, 1871, AMENDMENT BILL AND  
LICENSE BILL.

The Hon'ble Mr. COLVIN moved that the Bill to amend the law relating to assignments from the General Provincial Fund, established under the North-Western Provinces Local Rates Act, 1871, be referred to a Select Committee.

He said that, although the question thus brought before the Council related to only one of the two Bills which had been introduced by his Hon'ble friend, the Member in charge of the Financial Department, on Thursday last, it would perhaps be more convenient, and would also save the time of the Council, if he dealt with them both together in the remarks he was about to make. The two measures which had been thus proposed were both in furtherance of the scheme for throwing on the Local Governments the responsibility of undertaking their own local works,—and for that purpose only. He should not have thought it necessary to say this, but that from certain comments which he had seen and heard, he was under the impression that some people imagined that these Bills were in some way connected with other schemes, such as alterations of the customs tariff, and with the further financial changes which had been mentioned by his Hon'ble friend on that occasion, and not solely with a view to the extension of provincial responsibility for public works. He wished to remove this misapprehension as far as he could. These Bills, with which he had been connected from the commencement, related solely and entirely to the extension of the provincial system to the management of public works. The first of the two measures introduced for this object was one which would enable the Lieutenant-Governor of the North-Western Provinces to appropriate

Leg. Coun.  
21st March 1877.  
Mr. Colvin.

Leg Coun.,  
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a certain portion of the funds under the Local Rates Act towards works of general provincial utility. The principle of applying these funds in such a way was already recognised in the Act, as any part of the assignment made to these districts, which might remain unexpended, might be appropriated to the benefit of the North-Western Provinces generally. The proceeds of all rates levied under it were also thrown into a general provincial fund. Besides this, the Lieutenant-Governor had power, under a certain section of the Act, to apportion the cost of any work which might benefit one or more districts among the districts which were thus benefitted. All that the Bill now before the Council proposed to do was to extend these powers expressly to the case of such canals and railways as had been declared, with the sanction of His Excellency in Council, to be works of general provincial utility—that was to say, works which came within the spirit and intention, if not within the actual letter, of the existing law. The powers conferred by the Bill would be purely optional. It was hoped by the enhancement of the profits from those works which were re-productive, by further taxation (to which he would allude presently), and by other modes of improving its income which were open to it, that the Local Government would perhaps be able to undertake the charges which had been laid upon it, without having recourse to this measure at all. In any case, and supposing that the Local Government required this assistance, the amount which it was empowered to take was limited to ten per cent. upon the total sum levied. The remaining ninety per cent would leave an ample margin to meet all charges on account of the grants which had at present to be made by the Local Government. The changes made by this Bill were so trifling that they did not appear to him to require any further remark.

He would proceed now to the License tax, which it was in contemplation to impose in the North-Western Provinces. When first the scheme for placing local works under the control of the Local Government was suggested, and it became evident that further funds would be necessary, a number of the most experienced officers in the North-Western Provinces had been consulted as to the best way of raising that money. There was a general unanimity in the opinions given by all the officers who were consulted. In the first place there was a strong and general disinclination to add any thing to the burdens already borne by the agricultural classes. There was also a universal conviction that it was both just and expedient to tax the non-agricultural community. As was well known, that community contributed at present remarkably little to the public revenue, except in such towns as paid an octroi duty. At the same time the non-agricultural classes were amongst those who benefited, especially from the class of works which it was now proposed to transfer to the Local Government. In the case of any famine or scarcity, the first and greatest pressure of the calamity almost always fell on the poorer classes living in towns. It seemed only reasonable then that, when canals and railways were provided, which by ensuring the supply of food, and providing the means of transport for it, and thereby greatly diminishing, if not wholly averting, the danger of famine, those particular classes that most especially benefited from these works should at least contribute something towards their cost. As to the mode of levying contributions from them there was a general consensus of opinion that the best form would be that of a License tax. It was accordingly in this shape that it was now proposed to levy the tax. The Bill now before the Council borrowed all its principal features from one which had formerly been introduced by Mr. Inglis. That Bill, though it had passed through Committee, never took the shape of law, solely for this reason that the Local Government of that time discovered that it would be able to meet its financial requirements without having recourse to extra taxation. The present Bill also bore a strong resemblance to one which had been introduced so far back as 1862, when Mr. Laing was in charge of the Financial Department. That Bill, like Mr. Inglis's, was intended to impose a low and fixed rate of fees upon all traders. These two Bills however, namely, the one introduced by Mr. Inglis and that introduced by Mr. Laing, were supplementary to an Income Tax, that is, they were both intended to be in operation simultaneously with an Income Tax. The present Bill differed from them in this respect, that it was the only tax which was to be imposed at present. It resembled them however in the essential point that the necessary addition to the revenue was to be levied by a scale of fixed fees, which it



was hoped would do away with the necessity for any minute inquisition into incomes, against which very strong objections had been felt and expressed.

For the purpose of determining the rates of which the fees were to be charged, the whole body of traders had been divided into three broad classes. In this respect the measure followed Mr. Inglis's Bill, as it did also in the grouping of trades under the respective classes. Great pains were said to have been taken at the time to make this classification as complete as it could be, and it seemed the safest course to adopt it as it stood. It was possible of course that in Committee some amendments and improvements might be suggested, but generally the Bill followed the classification of Mr. Inglis's Bill. In one point, however, it had been determined in some degree to alter the arrangement of classes which was then made. It had been thought desirable to introduce grades, and to make the scale of fees range over a wider extent than that of the former Bill. The reasons for doing this were, in the first place, that it was necessary to improve the receipts. It was thought that the amount which could be levied by a uniform scale of fees so low as they were originally pitched would be quite insufficient to meet the requirements of the Government, for it was admitted on all hands now that the estimate then made of the probable yield of that tax was greatly overrated. A further reason for introducing grades was this, that with fixed rates of fees each class must be so determined that it should not bear hardly upon the poorest men who came within it. A necessary consequence of this was that the richer men who came within any class would not pay their due proportionate amount unless more than three classes were introduced and grades recognised, which corresponded in some measure with the variations which actually existed in the amount of business and prosperity of different traders. This had accordingly been done, and it was hoped that it would have the effect of making the tax both more equitable and also of producing a larger revenue.

In order to prevent the tax from pressing unduly on any individual, a limit of two per cent. on the net annual earnings had been fixed. But it must be understood distinctly that the limit so fixed was a maximum rate, beyond which the incidence of the tax was not to go. It was not to be a standard for determining the rate at which each person was to be charged. In the case of wealthy traders, it certainly would not be an excessive rate, and he for one would be very glad to see a fee imposed upon them which, so far as the law permitted, reached the full maximum of two per cent. But it was beyond dispute that an uniform percentage fell heaviest upon people with low means; that it was easier for a wealthy man to pay two per cent. upon his earnings than it was for a man whose income did not exceed Rs. 200 or Rs. 300; and he had reason to believe that, as a matter of fact, the Local Government had no intention of allowing these fees to reach so high a rate as two per cent. on the poorer classes of traders.

A minor change which had been introduced in the present Bill was that an appeal was allowed to the Commissioner. In Mr. Inglis's Bill no appeal had been allowed. But it had been thought desirable, as the amount with which any man could be charged was considerably higher than it was then proposed, to allow of one appeal in case of any person being dissatisfied, so that a petitioner might carry his objections before two separate officers.

Sections 17 and 18 of the Bill had been adopted as they stood from Mr. Inglis's Bill. They were inserted there with the intention of utilising Municipalities in the collection of taxes, and it had been thought that they might be found useful for this purpose now. They had accordingly been retained, and it would be a matter for the discretion of the Local Government to avail itself of them, or not, as might be found convenient.

He had now noticed the only points in the two Bills which were introduced on Thursday last that seemed to him to require any comment at present. He had only this much further to add, that all that had been done in connection with them had been carried out in communication with the Government of the North-Western Provinces, and that the Lieutenant-Governor had expressed his entire concurrence in the measures they were intended to further, and his cordial approval of the principles contained in the Bills.

The Hon'ble Sir John Strachey said:—"My Lord, but for one reason I should have reserved for the close of this debate any observations which it

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seemed necessary for me to make; but some remarks have fallen from my hon'ble friend, Mr Colvin, which remind me that it is desirable that I should say a few words to the Council before the debate proceeds. My hon'ble friend appeared to think that there may have been some misunderstanding in regard to the objects with which these Bills have been introduced, and that there has been a feeling in some people's mind that these Bills are connected with measures affecting the customs tariff, which I said the other day that I hoped might be carried out hereafter. I had myself become aware that such an opinion had been expressed, and I wish to take the earliest opportunity which offers itself for removing any misunderstanding which may have arisen. I must say, in the first place, that when I spoke about the possible future abolition of all customs duties in India, I perhaps did not state in a sufficiently unmistakable way that I was giving my own personal opinion only. When I dipped into the future and saw the untaxed wares of the world pouring into the free ports of India, I was indulging in the pleasures of my own imagination, and by no means proclaiming the intention of the Government to adopt hereafter the policy which I foreshadowed. The truth is that the subject has never been considered by the Government at all, nor has it been officially before the Government, so far as I know, in any shape whatever.

"I hope that no one will fancy that it has ever entered into my head that all customs duties can be got rid of within any specific time, or, indeed, within any time to which I can practically look forward, or that the Government is in any way committed to anything by the aspirations which I have expressed. The customs duties yield about  $2\frac{1}{2}$  millions a year, and it is clear that under present circumstances we could not abolish them without imposing heavy fresh taxation in their place, a course which would be, in my opinion, totally unjustifiable, and indeed preposterous. Even for the much smaller object of abolishing the cotton duties, there has never been any idea of imposing fresh taxation. The Secretary of State, in the last orders which he gave on the subject, distinctly said that, highly as he estimated the importance of removing these duties, he quite agreed with the Government of India in the opinion that it would be inexpedient to impose any new tax for such a purpose. Your Excellency, almost immediately after your arrival in India, spoke in public to the same effect

"There is only one rule in regard to such matters as this, which, consistently with prudence and good financial administration, can be followed, and I hope that the Government will be guided by it in future. This rule was laid down by the Secretary of State in the despatch to which I have just referred in a passage which I will read to the Council. 'All important remissions of taxation,' he wrote, 'especially in India, in which country the revenue is liable to sudden fluctuations and the margin between revenue and expenditure is usually small, should proceed upon the most careful estimates, and be undertaken with caution and deliberation, but for this very reason it appears to me that where the revenue is so considerable as in the present case, gradual reduction, which can in a serious and unforeseen emergency be suspended, is a safer and more prudent policy than total and final remission'

"The policy thus laid down by Her Majesty's Government is the policy which I hope to see carried out

"I said the other day that, in this matter of the cotton duties, I believed the interests of England and India to be identical, and I am confident that if we act cautiously and gradually in the manner which the Secretary of State desired, no Indian interest can possibly be injured, but on the other hand that Indian interests must be greatly benefited. But I certainly could not say this, if the abolition of these duties involved the imposition of fresh and unwelcome taxation. The Government would, in my opinion, obviously neglect the paramount duty which, as their natural guardian, it owes to the people of India, if it consented to any such transaction.

"I endeavoured in my Financial Statement to show that, while the total expenditure of the Empire showed no tendency to increase, every great source of income had been steadily advancing; that the total nett revenue in 1875-76, the last year for which we have complete accounts was more than two millions sterling in excess of what it had been seven years before, and that it had increased at an average rate of about £300,000 a year. Considering that the

total amount of the cotton duties is only £850,000, and that only gradual remission is aimed at, there is nothing sanguine in the anticipation that we shall soon be able to take a first step in dealing with them.

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"The object with which the Bills now before the Council have been introduced is that, and that only, which has been stated by my hon'ble friend, Mr. Colvin: we require these measures to enable us to carry out in the North-Western Provinces a great financial reform,—that of enforcing local and provincial responsibility for meeting the cost of works undertaken for the benefit of local and provincial interests: this is the practical question now before the Council.

"I wish now, my Lord, to take this opportunity of making a little personal confession. I am afraid that I am one of those people who are inclined to express their opinions in somewhat strong and plain language, and who do not always show sufficient consideration for the opinions of others. When I read over in cold blood the remarks which I made the other day about the cotton-duties, I found in them an illustration of what I have now said. Considering that only a year ago Lord Northbrook, for whom, both on personal and public grounds, I have the highest regard and respect, and many of the Members of this Council towards whom I hold the same feelings, stated on behalf of the Government of India opinions on this subject very different from my own, it would have been wiser and in better taste if my remarks had been couched in less aggressive language. I hope that if any member of the Council has felt this too, he will accept my present confession and apology."

The Hon'ble Maharaja Jotindra Mohan Tagore said that he did not wish to enter into the details, nor to discuss the various principles raised in the Budget Statement; but he would beg leave simply to invite attention to one or two points connected with the decentralisation scheme, which he thought formed one of the main features of the Financial Statement. The theory of decentralisation was certainly sound in principle; but the present scheme, in his humble judgment, did not go sufficiently far. While certain sources of revenue were made over to the Local Government, certain liabilities were thrown upon them, which would necessitate the imposition of fresh local taxation. Now taxes, whether called local or imperial, as the hon'ble member in charge of the Finances had himself admitted, would press upon the people all the same. If he might be so permitted, he would remark that the proposed system of Local Finance was like the *Thakadari* system known in Bengal zamindaris, only the arrangement seemed to be based upon less favourable terms; for the *Thakadar* generally paid to the Zamindar less than the gross assets he derived from the land, and was allowed to enjoy all prospective profits during his incumbency, whereas the Local Government, under the decentralisation scheme, was required not only to make good to the Imperial Government the full amount of the receipts from the different sources of revenue assigned, but also to make over a moiety of the increase during the period of the contract. If justice was to be done to the Local Governments under the decentralisation scheme, he thought the only way to do it would be to adopt the course indicated by Lord Canning in his Resolution of the 11th November 1861. Speaking of Bengal, in which he naturally felt the greatest interest, he begged to observe that it yielded the largest amount of revenue, while its provincial expenditure came up to about one-third of the gross income. Making proportionate deductions from certain revenues, such as opium and customs, to which other provinces had a legitimate claim, there was still left a large surplus, which went to make up for the deficiencies of the less-paying provinces; and yet it was proposed to levy fresh taxes. This, he submitted, was not fair or just to Bengal. It had often been urged that, as Bengal was blessed with a Permanent Settlement, and as her land-revenue could not be increased, it ought to be made to pay in other ways. Those who averred this forgot that in no other part of India was indirect taxation more productive than in Bengal, and that, to use the words of His Grace the Duke of Argyll, Her Majesty's Secretary of State in 1870, "in the greater fruitfulness of indirect taxation and some direct taxes in Bengal, as compared with other provinces, the Government recovers some portion of the revenue which it has sacrificed in the form of land-assessment." And this was exactly the result which was expected by that far-seeing statesman who

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introduced the Permanent Settlement. He wished to add one word with regard to compulsory rates for irrigation. No doubt the principle was sound, that those who benefited by the work ought to pay for it; but it so happened that in Bengal the canals did not supply the water when it was most needed, for the rivers being dry during a season of drought, the canals which were fed by the rivers became necessarily dry also, and during the rains, when the canals were full, there was rarely any necessity of supply from them for irrigation. It would be very hard to impose a permanent tax on the people for works of which the benefit was so very uncertain. He believed it was for this, among other reasons, that the Secretary of State once disallowed a law imposing a tax of this nature; and if the Government should revert to the same policy within so short a time, he respectfully submitted that the effect upon the people would be anything but assuring.

Mr. Bullen-Smith. The Hon'ble Mr. Bullen-Smith said that, in supporting the Bills just laid before the Council by the hon'ble member on his right, it would be readily supposed that, from his constant residence in Lower Bengal, he could not bring any special information to their consideration; and he might well give a silent vote in their favour, but for two reasons: 1st, having had the honour of a seat in this Council when the decentralisation scheme had first been launched under the presidency of His Excellency's lamented predecessor, Lord Mayo, and having given his cordial adherence to that measure as one which, in his judgment, formed a turning point in modern finance, he was the more pleased to give his support to a Bill which, like the first of the two introduced, was in further development of that system; and he was also glad of the opportunity to express the pleasure with which he had heard the hon'ble gentleman, now at the head of the Financial Department, who had himself so largely shared in the initiation of the policy of decentralisation, declare that, after a thorough examination of the working of that measure during the seven years in which it had been in operation, he was able to announce to the Council and to the public that its results were entirely satisfactory. His second reason for abstaining from a mere silent vote on the present occasion was that he desired to avail himself of the opportunity, which he understood it to be His Excellency's wish this day's discussion should afford, of making a few comments on the Financial Statement that had been delivered before this Council on Thursday last.

He had listened to this statement with the utmost pleasure, satisfaction and interest, more so, he thought he might safely say, than to any previous Financial Statement which he had heard delivered in this place. He thanked the hon'ble gentleman for his frankness; he admired the statement for its boldness, and he particularly rejoiced to find in it, not mere clerky manipulation of figures, but a strong and well-defined grasp of what he considered sound financial principles, which he could not doubt would ultimately secure to His Excellency's financial policy that success which it deserved. The field over which the Statement travelled was large and varied; but he did not purpose troubling the Council with any lengthy remarks, but merely noticing a few of the points which were of most interest to those who, like himself, were engaged in mercantile pursuits, and whom he might perhaps in some degree be held to represent in this Council. Regarding opium, he accepted with thankfulness the hon'ble member's declaration that he would, on the earliest possible day after the termination of certain enquiries now going on, announce the exact quantity which would be offered next year; and he believed that in so doing he would at once serve the interests of the trade and of the Government. For some years past it had been the custom to give such information to a certain extent, although not for such a forward period as was now pointed at, and, he believed, with the happiest results. If, during these years, the fluctuations in the price of opium had been less frequent and severe than formerly, he considered it to be very much owing to the knowledge possessed of the quantity to be brought forward. So long as Bengal opium was the subject of occasional heavy gambling operations, which were generally initiated from the Bombay side, considerable fluctuations in price must be expected; but, apart from such interruptions, the information promised should have a very steadying effect on the market. He wished much that the hon'ble member could have been more reassuring on ways and means. He not only concurred with him in thinking

it unsatisfactory, but he considered it also most unfortunate and injurious, that Government had not been able to give more definite information regarding its loans and bill-operations for the coming year. True the present views and estimates of these are mentioned in the Financial Statement, but the note attached, and to which the hon'ble member had most properly drawn prominent attention, took away any value from this declaration, and left all in doubt and uncertainty—conditions which always pressed hardly on business. The limited extent of the markets of India for Government securities, and the fact that there existed here, unlike the great financial centres of Europe, almost no other forms of investment in which bankers and merchants could place their reserves and floating funds, were two circumstances which tended greatly to aggravate the evil of uncertainty in such matters. It was obvious that in view of the announcement made in this Statement, operations in Government securities must for the present be somewhat of a leap in the dark, while the uncertainty about the issue of the Council Bills must tend still more to perplex all concerned as to the future course of exchange, and reduce this all-important class of business to something not unlike gambling. In making these observations, he did not forget that the exchange difficulties last year had pressed very hardly upon the Government of India in common with other people; and he was also free to admit that undue panic had something to do with the excessive decline which had taken place in the value of the rupee. Nor was he disposed to insist much upon that wisdom which is wise after the event, but he thought it was now generally admitted—and here he desired to speak with all moderation and respect—that a firmer and more consistent handling of the Council Bills last year would have greatly checked and mitigated the evil which the course adopted tended rather to intensify. This being so, he thought he was not asking too much when he expressed the earnest hope that, as Parliament was now in session, the Secretary of State might be at once moved to obtain the statutory borrowing powers, which he required with the least possible delay, and forthwith put the Indian Government in a position to give, as regards the loans and Council Bills for the coming financial year, that definite information which circumstances demanded, and which he believed there was no desire on the part of Government to withhold.

The Financial Statement delivered to the Council last Thursday closed with some interesting remarks on certain fiscal matters, and a vehement denunciation of the existing cotton-duties. He was no lover of trumpets which gave an uncertain sound, and even if he had any such predilection, he knew that he must look elsewhere than to the Hon'ble the Financial Member for such an instrument; but believing that in his remarks on the cotton duties the hon'ble gentleman had not spoken in his individual capacity, he confessed that he had heard them with surprise and regret, and would have desired more measured utterances. The remarks as made seemed likely to kindle hopes which had no early prospect of accomplishment, and further appeared to indicate that the Government of India was prepared to go to extremes in carrying out the instructions of the Secretary of State on this subject. From what had fallen from the hon'ble member this morning, he was glad to infer that his fears had been groundless, and that on the previous occasion he had been giving utterance rather to the intensity of his own convictions than speaking in that other and wider sense to which he had alluded. As these cotton duties were not to-day before the Council in any practical shape, it was not his intention to enter upon the subject in detail, or to trouble the Council with the reasons which had led him and many others altogether to dissent from the opinion that these duties had a priority of claim over any other form of fiscal relief. He would rather express the hope that, in carrying out the instructions of the Secretary of State, the Government of India would avail itself of the large discretion which these instructions seemed to leave in its hands, and would not, when the opportunity came for making some move towards the removal of these cotton duties, lose sight of other matters, which, although not so much heard of, had even stronger claims to relief. He need not assure the hon'ble member that he would welcome as gladly as himself the free ports to which he looked forward; that he was no lover of these cotton duties *per se*; he would even go further, and admit for the sake of argument that they were

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blots on the Indian fiscal system. But they all knew that there were blots and blots some so large as to deface and disfigure the parchment; others so small as to be scarcely discernible. It was a question of degree; and so also with these fiscal items. What he asked was, that each should be considered on its merits; and in the meantime he might express his own strong opinion that some of the other items to which he had alluded not only offended more against the theory of fiscal economy than did these cotton duties, but were also productive of much more evil and mischief in their practical working. As to the proper mode of dealing with this subject, he was not ashamed to say that, both as a member of this Council and as a member of the Tariff Committee, his endeavour had been to look at it mainly from an Indian point of view; and for this reason among others, that he had always felt sure that the English side of the question would be fully put forward by others, and would meet with every consideration from the controlling authority at home before any decision was come to. In saying this, he hoped he need not assure the hon'ble member that he was not one of the foolish people who sneer at Manchester, and he agreed with him that the man was foolish indeed who would attempt to sneer at that great centre of England's manufacturing industry. But human nature was, he took it, much the same in Lancashire as elsewhere; and it was only natural that the men of Manchester had looked, did look, and would continue to look, at these cotton duties from their own point of view and in the light of their own interests. He did not blame them for so doing, but he could not admit that their interests and those of India were altogether so identical as his hon'ble friend seemed to consider them. Identical they were of course in so far as the interests of England were closely bound up in those of her greatest dependency; identical they were in that the interests of two countries carrying on such a trade as that existing between England and India could not but be closely connected; identical they were, no doubt, in a sort of general way; but it was an identity which, although accepted when stated in the abstract, became more difficult to receive when one entered on details. He would give an instance, taken from the Statement before the Council, where the interests of which he had been speaking were not identical. The hon'ble member in his Statement had given a graphic sketch of the customs hedge which ran across a great tract of Northern India, and had unsparingly pointed out its many evils. If that hedge were abolished tomorrow, no man in England would find himself happier or better off in any respect, while in India from the very day of its abolition, harassment, extortion and petty tyranny would be saved to many. Then again, Lancashire needed no help from here to fight her cause. The men of Manchester were strong and wealthy and united; they wielded a powerful political influence, and probably inspired more than any other body, that pressing terror without the salutary influence of which, the Secretary said a few weeks ago, when speaking to the Associated Chambers of Commerce, he did not know what would become of the reform of Indian finance. He had therefore, as he had said before, always felt quite sure that the Manchester view of these cotton duties would be well pressed, and had deemed it the more incumbent upon himself to view them from the Indian standpoint, to ascertain what was likely to be most equitable and beneficial to the people and trade of this country, and to decide accordingly. With these remarks he begged to tender his support to the two Bills before the Council.

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The Hon'ble MAHARAJÁ NARENDRA KRISHNA said that they had heard the able and lucid Financial Statement read at the last meeting of this honourable Council. It would be impracticable to dwell at length on the various items contained in it, and he would therefore confine his remarks to certain very important points. The Government of India wished to raise the amount of six and a half millions by loans, to be contracted here or in England, or partly in both countries. Such a large amount would not have been required if the Finances had not been affected by the terrible famines raging in the Presidencies of Bombay and Madras, and by the charges required for extraordinary Public Works. This was certainly a matter of regret; but over the former cause there would be no human control, and as regarded the latter an economical management was promised. The people of India were very much indebted to His Excellency for not recommending the imposition of the obnoxious Income-tax to meet the deficiency. It was stated that certain existing taxes

would have been touched, but had not been interfered with on account of the famines. It was contemplated to equalise and reduce the salt-duties, to abolish the inland customs-lines and the sugar-duties, and the import-duties on cotton goods. In the absence of any data of the amount of the proposed reduction of salt-duties, if they took the amount of revenue derived from the other two sources to be about a million, they would have to lose an income far above one million, to recoup which it was feared some new form of taxation would hereafter be imposed upon the people. It would however be premature to dwell on such subjects, which were not now taken in hand; but he would only point out that, although nothing could be said as to the abolition of all protective duties as a general principle, he might observe that all principles should not necessarily be acted upon simply because they were good and sound, without a due regard to their adaptability to the times and the circumstances of the people. The cotton-industries, through the aid of steam-machineries just born in the different parts of India, required the fostering care of the British Government for their development, and it was on that account a matter of serious consideration whether the abolition of these duties would not stifle them at their birth, not to mention that it was still a doubtful question whether the particular customs duty was of a protective character. It was declared that an extension of the existing form of provincial taxation was to be made for carrying out local improvements. The people however believed that their able and wise Lieutenant-Governor could devise means to raise the twenty-seven and a half lakhs of rupees required for the carrying out of the proposed improvements, more by the curtailment of expenditure and the development of the productive resources of the country, than by the extension of the existing taxes.

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The Hon'ble Mr. Cowie said:—"My Lord, as I have no special exceptions to take to the Financial Statement before us, my observations upon it will be very brief, and perhaps therefore more the acceptable. Mr Cowie

"I congratulate the Hon'ble Member that he has happily managed to steer clear of the imposition of an Income tax, in which I think he is the more to be praised, inasmuch as he does not disguise his admiration of that mode of raising Indian revenue.

"If one could eliminate from that statement the cost of that terrible famine, I feel bound to admit that the year's estimate of income and expenditure would have been both satisfactory and encouraging.

"That cost, we are told, is to be met by loans, to be raised partly in India and partly in England. When money here is worth 10 per cent. and at home 2½ per cent., there should, *prima facie*, be no doubt as to which is the better country where to borrow; but then comes in that very difficult problem, called the silver question, which casts grave doubts upon the expediency of India borrowing English gold, when she can pay the interest of it only in a very depreciated silver currency.

"It is possible that the suggestion of borrowing in each country arises in the desire, if I may use the expression, to hedge this very grave difficulty.

"In the case of borrowing in England there is this singular anomaly. It is matter of notoriety that the most impecunious Government in the world may go into the London money-market and borrow to the extent of the credulity of lenders, but the Empire of India cannot do so without a special Act of Parliament, and from what fell from the Hon'ble Member last week, it would seem that even that concession cannot with certainty be calculated upon.

"In connexion with the proposed loans, I think bankers and merchants have cause to complain of the very remarkable vagueness as to time, place, and circumstance which accompanied the statement of the Finance Minister, that 3½ millions would probably be raised at home and 2½ millions in this country. In point of fact it came to this, that notwithstanding those figures were named, the Government of India will borrow when and where they please.

"I congratulate the Hon'ble Member on his broad and liberal utterances in regard to the salt tax, the Inland Customs duties and the Import duties on cotton manufactures. On this last-named item I will say nothing, as my esteemed friend, the Hon'ble Mr. Bullen-Smith, has just now so ably handled the subject. When hearing the Hon'ble Sir John Strachey last week draw a picture—to which distance lent enchantment—of the day when the ports

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of this vast Empire should be free to the commerce of the world, I thought it was somewhat Utopian, but imagined he was only setting up a high standard of excellence, of which, if not the whole, a part might some day be realised; but in his explanation of to-day, he has removed all the varnish from that picture by stating that he was merely revelling in imagination. At my time of life I cannot hope to see that consummation, but I very cordially trust the Hon'ble Member may."

Mr Hope

The Hon'ble Mr. Hope said that, before noticing the two Bills which were now under the consideration of the Council, he proposed to offer a few remarks on the Budget Statement which had been presented on the last occasion when the Council met, although he was well aware that, but for His Excellency the President's indulgence, he should be out of order in doing so. He would in the first place express the great relief and satisfaction which he felt, and which he believed was shared by all who gave any attention to such matters, at learning from his friend, the Hon'ble Sir J. Strachey, that in respect of Public Works Extraordinary, the cloud which they had seen lowering in the horizon at the time of Sir William Muir's Financial Statement last year, and which had darkened over their heads with momentary threats of bursting in August last, had to all appearance passed away, and that these works were not to be further checked or indefinitely postponed. The importance of these Extraordinary Works, whether railways or canals, or others of a special nature, had not been, Mr Hope was quite certain, one whit overrated by the Hon'ble Member; and he was sure that Sir John Strachey must share with him, though he might not feel at liberty to express it, the disappointment he experienced on learning that the condition of the finances did not allow of the assignment of a larger sum than two millions and a half towards these objects. In connection with this subject, he would invite attention to the opposite side of the shield to that which the hon'ble member had presented to them. The hon'ble member had given a very graphic sketch of the enormous increase of wealth and prosperity, and the other incalculable benefits, which canals and railway had conferred upon the country. He would invite them to remember the loss, past and still continuing, to trade, and the more confined increment in the national wealth, which resulted from delay in the prosecution of these undertakings on a larger scale than hitherto. The hon'ble member had also pointed out that, but for railroads, the people now suffering from famine in the Madras and Bombay Presidencies would be dying of starvation by hundreds of thousands. He would recall to their minds the painful memory of the hundreds of thousands who did die in Rájputána in 1869, for want of the railway through that province, the construction of which had been so long vainly urged. On the whole, he was inclined to think that, considering the importance of these works and the vast interests involved, it would be justifiable in any case in which the fact that a work would pay was undoubted to push it on even at a greater rate than financial prudence, according to their present principles, would permit. He was not at all sure that it would not be right to construct such a work with the utmost rapidity, debiting to capital if need be the interest during construction, and even for two or three years later, in full confidence that the earlier use would in a variety of ways, indirect and direct, square the account, rather than to spread its execution over a series of years, to postpone it indefinitely because there was no surplus income, or to relegate it to forecasts which, as the hon'ble member had shown, were constantly liable to be falsified by new circumstances, and which only seemed to be brought forward to cause disappointment and tantalisation. In connection with this, and with both the doubts which were entertained as to the possibility of raising sufficient capital in India, and the importance, on which the hon'ble member had just dwelt, of raising as much of it as possible in India instead of in England, he would venture to throw out the suggestion whether raising money in India would not sometimes be facilitated if loans were to be recognised as being intended for particular works. As a case in point, he would take this very Rajputana Railway. He thought it highly probable that, if, for the construction of this railway, there were a separate loan, many merchants in Bombay who had one reason or another for being interested in the line, and expected their trade to benefit by it, would be ready to subscribe with the view of getting it constructed, although they would otherwise never have thought of investing their



money in Government paper. The princes, again, through whose territories the railways would pass, might with propriety be invited, and would no doubt accept the invitation, to place at the disposal of Government, for investment in it, a considerable portion of their balances, instead of leaving them to remain unused by lakhs and lakhs in their several treasuries as at present. He would now pass on to the subject of exchange and the so-called depreciation of silver. He observed that the hon'ble member had stated that their loss by exchange was "one element which may be said to be practically altogether beyond our control." In another place he had said that "we cannot with any confidence expect to avoid serious loss hereafter from disturbances in the relative values of the precious metals." No doubt a question of this magnitude had most fully engaged the minds of the hon'ble gentlemen, and Mr. Hope did not question that, in speaking as he had done, the Hon'ble member had only exercised the caution which was due and necessary for one in his position, and felt sure that at the proper time the decision of the Government would be formally announced, together with the reasons for it. Mr. Hope had not the slightest desire to precipitate that decision, or to complain of the non-announcement of it on the present occasion, still less was it his object to attempt to extract any declaration on the subject. But he would say that, although there were occasions when the strength of a Government might be to sit still, he did not think that this was one of them. The British Empire was interested in the silver question as much as any nation in the world—in fact more so, in consideration of the special double life which it possessed, a life both European and Indian. The English nation had in England an enormous debt, contracted and payable in gold. It had likewise there a vast manufacturing industry for export, which depended in a great measure on the ability of the silver-using nations with which it dealt to pay for its products. Here in India, on the other hand, it had a heavy debt to defray in gold, while all its assets were raised in silver. Thus if there were any serious rise in the value of gold, such as he for one believed had taken place, rather than a fall in the value of silver, England must suffer both at home in her debt-obligations and her current commerce, and in India by the depreciation of the national—he meant in the sense of Indian national-capital, which was almost entirely in silver, by the increased weight of the obligations which she had to meet in gold, and by the decrease in the value of her means of meeting them. He believed it therefore to be entirely the interest of England, whether in England or in India, to have as large a circulating medium as possible, and one which should embrace both gold and silver as a full legal tender. It would be gathered from what he had said that he was one of that minority—and he must admit with regret that they were at present a rather small minority—who were in favour of bi-metallism. So long ago as August last, after studying everything on the subject which was within his reach, he had written privately to his friend, Mr. Chapman, the Financial Secretary, that he could come to no other conclusion than that that system was the right one. He believed it was quite possible for Government to fix a ratio between gold and silver after due enquiry, and that it was just as much the duty of Government to do so as to take any other measures for the protection of the community. No doubt such a step could not be taken without an understanding with other nations. But if they were to wait till all nations agreed on the subject, or till they could get together a sort of universal conference, they might have to wait for ever.

England however had no need to stand by in the hope that other nations would come forward and pull her chestnuts out of the fire, and it was undignified for her to do so. It seemed to him that to come to an understanding with the Latin union—that was to say, principally with France—was all that was required, and that we might then safely leave the rest of the nations to follow—or rather the course of events would oblige them to follow—in the line which we ourselves had adopted. He was very well aware that the subject of which he was treating was an exceedingly difficult one, and there might be a certain savouring of presumption in his speaking on it. This was not the time to argue out the whole matter, and he merely made these remarks in order to give utterance to the anxiety which both he and others felt that the Government should take up the subject, and at the same time to express their confi-

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dence that no one could be more competent to do so than the hon'ble member in charge of the finances. It might be that if his own disposition had been more angelic, he might have feared to tread these mazes, but being what he was, he could only say—*Liberavi animam meam.*

He now passed on to another subject—to the decision to treat as ordinary expenditure the cost of both famines and unproductive public works. The reasons for this course had been so clearly and forcibly stated by the Hon'ble member, that the only wonder seemed to be that these items had ever been treated in any other manner. It might perhaps be necessary in some cases to borrow money for items which would thus be classed as ordinary; but he presumed that any money borrowed under such circumstances would be all brought directly into the ordinary charges of the year, and accepted if necessary as *bond fide* deficit. He had only one other remark to make in connection with this subject. The Hon'ble Member had said that "if a work has been classed as extraordinary, and it be ascertained subsequently that the estimates of profit were fallacious, any further expenditure upon it shall not be treated as extraordinary, but entered among the ordinary charges." His Hon'ble friend had not however said what he would do in the converse case which would arise if a work like the Northern Panjab Railway, which was commenced for military purposes and classed as ordinary, after a time paid its expenses. He presumed that in such a case the course which would be followed would be, not to carry the receipts to the ordinary current revenue of the year, but that they would be treated as an addition to the annual amount which it was thought desirable and safe to set aside as interest on loans for reproductive enterprises. At the same time it was not quite clear as to what were the Hon'ble Member's intentions in such a case.

The Hon'ble Member had, Mr. Hope went on to say, made several remarks and announcements in his Financial Statement with reference to salt, sugar and customs. It was not clear at the time, nor was it perfectly clear now, although the Hon'ble Member had endeavoured to make it so, which of these were his own opinions, and which carried with them the weight of the Government of India. In some of those remarks Mr. Hope most heartily concurred; but with regard to others he could not go further than to admit that, when the orders of Her Majesty's Government had been definitely and clearly given, they were bound to afford to them a loyal and unhesitating obedience. With respect to all those remarks and announcements, both those in which he concurred and those from which he was disposed to differ, he did not feel bound to make any detailed statements or criticisms, because there was no specific measure regarding them before the Council at the present time.

He now came to the very important question of decentralization; and here he would express his unfeigned satisfaction that it had been decided to crown the work which had been commenced during the Viceroyalty of the late Lord Mayo, and that the intention to do so had been set forth in terms which were sufficient to carry conviction to every reasonable mind. The measures which came under this head were, as he understood, three in number. The first consisted in transferring certain heads of revenue to the Local Governments, and increasing the number of heads of expenditure which were under their control. There could be no doubt that the want of revenue out of which to meet the growing necessities of the country in all departments had been most seriously felt by the Local Governments during the period for which the decentralization-system, so far as it had hitherto gone, had been tried; and as one who had been long ago a district officer, Mr. Hope could testify that this was a difficulty which had met him at almost every turn. The difficulty would to a great extent be removed by the present arrangement, under which a portion of the increased revenue was to be retained by the Local Governments, and the question of the proportion of the division of profits had been rightly kept open and made subject to revision at short periods. On this head he had nothing further to say than to express his own private opinion—of course he had no authority to express any on behalf of the Government of Bombay—that arrangements similar to those which were about to be carried out in the North-Western Provinces could be elaborated without any difficulty whatever for the Presidency of Bombay.

With regard to the second head—that was, the transfer to Local Governments of the responsibility for Extraordinary Public Works which were pri-

marily of local and provincial utility—he thought there could be no doubt of the correctness of the principle that they should be so transferred. At the same time he anticipated considerable difficulty in its application, especially in the case of new works in future. They all knew that the distinctions which existed between provincial and local charges were purely artificial. The main idea he presumed was, that all the members of a community should pay alike for the measures which affected their security, and for the development of their common interests; but that special needs and special luxuries which were found to exist, or to be necessary, in any part of a country should be paid for by the persons whom they most concerned. For instance, here in Calcutta—more strictly speaking he should perhaps say at Simla—the Imperial Government found the police for the protection of the station; but if a man wanted a special policeman to watch his house, he would be called upon to pay for it himself. That idea had already been largely applied in the case of municipalities and local funds throughout India with the most satisfactory results. They found these bodies already everywhere providing for peculiar local wants, and also ready to pay for local luxuries, which the State at large was neither bound to furnish nor able to afford. The difficulty however which would arise in the practical application of this principle, in the cases now contemplated, was that there were many measures of which it was extremely doubtful whether they could be said to be primarily of local or provincial utility. Taking for instance, as an illustration, some of the canals which had been mentioned the other day, it might be argued, and probably with truth as regards a certain amount of the charge, that their cost was fairly debitable to the Imperial Government, which derived a large revenue from the land, and that the canal was constructed just as much for the security of that revenue as for the human purpose of preserving the people from famine. Again, there were many more projects of which the benefit was extremely doubtful. There were numerous projects all over India cut and dried in the possession of their worthy friends of the Public Works Department, and there was always considerable pressure to carry forward such schemes. He did not say that they were not carefully matured, and that in the honest opinion of their promoters they had not advantages which they would consider of sufficient importance to warrant their being carried out; but he doubted whether many of them would be held by the people at large to be of any benefit at all. He had in his mind at the present moment one scheme which had been on the tapis for some fifteen years. It was an irrigation-canal, which was to cost half a million of money, and to go through a country which was already almost a garden in agriculture; and the sole end to be attained was that a large proportion of the land which was now paying a very heavy land revenue might hereafter pay three or four rupees an acre more. He did not think that such a scheme would be approved of by the people or that the cost of it should be put upon them.

As regards how far the Local Governments were to be trusted in these matters, the argument cut both ways. Although it was true that, if they had to find the money, they might be more careful how they spent it, on the other hand it was also true that the facility of starting great projects almost at pleasure might make them forgetful of the serious difficulty of providing funds for them, which would usually have to be borne by their successors in office. The sum and substance of all he had said was this, that although the principle appeared a thoroughly sound and proper one, and one which he hoped would be carried out within all safe limits, it seemed to be one over the practical application of which the Government of India would have to exercise a severe and constant check.

As regarded the imposition of famine-charges on the provinces afflicted with famine, he thought the hon'ble member had wisely deferred announcing any decision on the present occasion. As they had now in the first place a very heavy famine going on in two provinces, and were not in a position to know what the views of the Local Governments were on the subject, any decision would now perhaps have been premature; and there were moreover a number of considerations affecting the famine in those particular provinces which might not apply to future famines.

He would now pass on to notice the two Bills which had been brought forward, and he was afraid that the Council would be apt to consider that his

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remarks on them bore the same proportion to the rest of his speech which the bread bore to the sack on a certain well-known convivial occasion. It appeared to him that the License Bill would fill in the North-Western Provinces a blank which existed more or less all over India as regards the taxation of the non-agricultural classes.

As to the structure of the Bill, he was glad to see that it was framed on the principle of large and well-defined jumps in the rates which were to be imposed. It was extremely difficult—in fact next to impossible—to judge whether a man's income was £70 or £75; but it was comparatively easy to say whether he should pay a certain sum or twice as much. He had no doubt that the gradation of rates which had been adopted in the Bill would very materially facilitate the just application of the tax, and would aid in commending it to the favourable reception of the community.

As regarded the other Bill, it was, so far as he understood, a transfer of a part of an existing burden from one hand to another; and if the Government of the North-Western Provinces considered it a proper transfer—of which MR. HOPE held them to be the best judges—there need be no further objection in this Council to their views being carried out.

To these remarks he would only add, in conclusion, his hope that both these Bills would be approved by the Council, and passed at an early date.

Sir Andrew  
Clarke

Colonel the Hon'ble Sir ANDREW CLARKE said. "My Lord,—The Budget of last year with a written statement reviewing it, prepared by the Member of Council in charge of the Finances of India, was followed by the publication of a detailed departmental review of the estimates for Public Works for the same period.

"This year your Lordship has decided to have the announcement of the Budget for the coming year reviewed orally in open Council, and with your Excellency's assent, I will follow the precedent afforded by former proceedings in this Chamber, and will offer some explanations as to the present phase, the progress and the prospects, of the great interest and resources with which I am personally charged.

Sir Ashley Eden.

HIS HONOUR THE LIEUTENANT-GOVERNOR OF BENGAL said, that the hon'ble member who had preceded him had remarked that any discussion on the general policy of the Financial Statement would be out of order, and that it was not permissible to discuss anything but the Bills before the Council without the consent of the President. This in his opinion was a misapprehension, for the Bills were the outcome of the Financial Statement, and therefore it was quite open to discuss the measures set forth without enquiring into the details of the Bills.

He had no remarks to make about the Bills in their present state, but he did wish to say that he had, in common with those who had preceded him, listened to the statement with great interest, and he desired to join with them in congratulating the hon'ble gentleman in charge of the Financial Department on the frankness and clearness with which he had explained the position of Government. On the whole, the financial position of the country, though at first sight it might seem gloomy and discouraging, was not, he thought, altogether unsatisfactory. It seemed to be the case that, if India could only be secured against a recurrence of the calamities by which she was now so frequently visited, her ordinary revenue would amply meet her expenditure. But these visitations had now become so chronic, that it was absolutely necessary to take the probability of their recurrence into consideration in making a forecast of the finance of coming years; and he thought, therefore, that the Government of India had followed the only course open to it in determining to permanently increase its revenue to the extent necessary to meet these extraordinary calls without periodically upsetting the whole of the financial arrangements of the country. Nothing was so bad for the country as the doubt and uncertainty arising from a state of things under which works sanctioned, and actually in course of construction, were suddenly stopped in the middle of the year, and the whole machinery of administration thrown out of gear by the necessity for retrenchment, in consequence of some unforeseen call upon Government.

## NORTH WESTERN PROVINCES LICENSE BILL.

The Hon'ble MR. COLVIN also moved that the Bill for the licensing of certain trades and dealings in the North-Western Provinces be referred to a Select Committee.

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The Motion was put and agreed to.

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## NORTH-WESTERN PROVINCES LICENSING BILL.

The Hon'ble MR. COLVIN also presented the Report of the Select Committee on the Bill for the licensing of certain trades and dealings in the North-Western Provinces.

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The Hon'ble MR. COLVIN having applied to the President to suspend the Rules for the conduct of business,

The President declared the Rules suspended.

The Hon'ble MR. COLVIN then moved that the Report be taken into consideration. He said that before formally making the motion which stood in his name in the notice paper, it was perhaps right that he should state the reasons for certain changes which had been made in the present Bill by the Select Committee.

The Bill as now presented differed a good deal from the one which was originally presented to the Council. The first and most important change was that the grades of taxation had been abolished. In the Bill as introduced there were ten of these grades, ranging from Rs 64 to Rs. 2. As it now stood there were only three rates of taxation upon each class, Rs. 16, Rs. 8, and Rs. 2. This change had been made in accordance with the wishes of the Government of the North-Western Provinces, which found, after calculating the charges it had to meet, and reconsidering the funds at its disposal, that the taxes, if imposed at the lower rates, would yield sufficient for its requirements. The Bill had been altered accordingly. There were no doubt some theoretical advantages about the former scheme, because, besides yielding larger profits, it would have made the incidence of the tax somewhat less unequal. In the face however of the opinion of the Local Government that the Bill in its present shape would yield sufficient money, the Committee were not prepared to carry taxation any further. In its new shape the Bill did not differ in any material respects from the one which was introduced and abandoned in 1871. The only material difference was that the rates of duty leviable on the first and second classes of traders were somewhat higher than they then were. The next change introduced in Committee was that special notices which had to be given to each person who was liable to the tax had been dispensed with. Now that the Bill grouped all trades under three classes, and assigned a fixed rate of duty for each class, the Committee thought that every person liable to the tax would have ample opportunity of informing himself of the amount due from him. They thought also that the service of special notice on each person might possibly lead to petty exactions. Power however had been reserved to the Local Government to prescribe notices in any particular case or class of cases in which it might think them necessary.

The third change was that a maximum of two per cent. upon incomes, which was adopted to guard against over-taxation, had been abandoned. With the very low rates of duty now proposed, this seemed to be an unnecessary precaution. A further change was that the power of appeal had been taken away. In the Bill as introduced any person who had been assessed and was dissatisfied with the amount with which he was charged had the power within fifteen days of appealing to the Commissioner. But the present Bill left so little discretion to the Collector that the right of appeal seemed scarcely necessary. The only point which the Collector actually had to decide was whether a man exercised a trade or profession or not, and secondly, whether his income was over Rs. 200. The first was a very simple matter of fact, and the second was a point upon which precise proof was very rarely procurable. And in view of this, and the fact of there being no likelihood of the Act being worked harshly towards the lower classes of traders, it was thought better to withdraw the right of appeal.

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Lastly, a few minor changes had been made in the Schedule of Trades. A few had been added to the first, and a few to the second class, and one or two had been taken away. But whatever had been done had been done under the recommendation of the Local Government. The Select Committee did not think it safe to act on their own knowledge, and allowed themselves to be guided entirely by the recommendations they had received. In conclusion, he might say that he had received a telegram from the Lieutenant-Governor of the North-Western Provinces, expressing his concurrence in, and approval of, all the amendments which the Bill had undergone in Committee.

The Motion was put and agreed to.

The Hon'ble MR. COLVIN then moved that the Bill as amended be passed.

Lord Lytton.

His Excellency THE PRESIDENT said:—"My hon'ble friend Sir John Strachey began his singularly able Financial Statement by observing that it is the first Financial Statement made before the public in this Council since the year 1872. I am glad that in the first year of my administration the Government of India has had the opportunity of submitting its whole financial policy to the discussion of this Council. Whatever may be thought of the manner in which we have availed ourselves of this opportunity, no one I think can justly say that it has been half-hearted, reserved, evasive or ambiguous. Rarely has any Government been able to take the public into a confidence so complete as that which on the present occasion it has at least been our honest endeavour to facilitate; not only about our acts, but even, I might almost say, our inmost thoughts, our anxieties and hopes, our regrets and aspirations. When this Government was deprived of the experienced aid of my friend Sir W. Muir, Sir John Strachey, at the request of the Secretary of State, under a high sense of personal obligation to public duty, consented to exchange a very comfortable and easy post for a very anxious and laborious one. But to the discharge of its difficult duties, during a difficult period, few men could have brought greater courage and capacity than those which received last week, from my hon'ble friend Mr. Bullen-Smith, such generous, though well deserved, recognition.

"There is one of the announcements made by my hon'ble colleague in his Financial Statement which no hon'ble member has yet noticed, but on which I congratulate myself, and on which I think the public may also be congratulated. I allude to the announcement that although indeed we cannot at present apply the new rule to existing works, yet the expenditure on all unremunerative public works which may hereafter be undertaken will be carefully excluded from Extraordinary Account. This is a change of policy decided on by the Secretary of State when Lord Northbrook was Viceroy; but it has never before been publicly announced as the rule we intend to follow. Now it may be said that this rule is a mere reform in book-keeping; in fact that it is a very small matter, I admit that it is a small matter if it goes no further; but it will certainly not be my fault, nor that of my hon'ble colleague, if it does not go a great deal farther; and if it only goes far enough, I maintain that it is a very great matter. So far as it does go, it is a step in the right direction, for I share the doubt expressed by Sir John Strachey whether our Extraordinary Budgets have not been altogether a mistake. In the course of an official life which at least began early, it has frequently been my hard lot to grope my way with the greatest difficulty through the financial accounts of Continental Governments, in order to place before my own Government an accurate estimate of their financial situation. And a system which I have more than once officially described as vicious and misleading—a system which has, I confess, sorely tried my temper when adopted by other Governments—is certainly not one which I can regard without reluctance as the system to be permanently pursued by the Government of India. The French Government, to its credit, has already abandoned that system. I have heard it said that our own system is exempt from the objections which apply to the Extraordinary Budgets of Continental States, since we do not put into our Extraordinary Budget any expenditure which ought properly to be carried to Ordinary Account. But I do not think we are entitled to lay that flattering unction to our souls. As a matter of fact, we have put into our Extraordinary Account many charges which ought to have

been carried to Ordinary Account. However Spartan may be our financial virtue, still we are but human; and in my opinion, the whole system of Extraordinary Account is a perilous temptation to human weakness. A great English thinker, Mr. Burke, in his character of George Grenville, has held up to contempt those persons who mistake regulations for Commerce and figures for Finance; and certainly I do not pretend to say that good book-keeping is in itself tantamount to good finance. But I do say that it goes a long way towards good finance, and that it is the primary condition of a sound financial situation. I think that our book-keeping has hitherto not been so good as it might be; and I say this with some confidence, although I say it in the presence of a gentleman whom I believe to be one of the ablest and the most conscientious Financial Secretaries which this or any other Government has ever had the good fortune to possess. It is quite impossible for me to express in terms too strong the acknowledgments which, on my own behalf, I desire to add to those of Sir John Strachey, of the valuable services which this Government has received, and is receiving, from Mr. Chapman. But I am certain that Mr. Chapman himself feels as strongly as any man that our system of account-keeping, which he himself has so greatly improved, is not yet as simple as might be. Indeed I may say that I have always found in him one of the strongest advocates for its reform. I am sure that he feels what I feel myself, that no man who has studied as intelligently as he has studied the past history of Indian finance will regard as unfounded the fears expressed by my hon'ble colleague, that the system hitherto followed, of jumbling-up together remunerative and unremunerative public works in an account, to which the term 'extraordinary' is extremely applicable, has tended to make us less chary than we should otherwise have been in spending money upon them. For my own part I am not at all afraid of the deficits which we might have to show by a change of system. What I do regard with fear and distrust is everything which may tend to conceal those deficits unduly from our own eyes or from those of the public. The first step towards getting rid of deficit is to look it frankly in the face. Nature abhors a vacuum; and the recognition of a financial vacuum is so revolting to ordinary human nature, that our best chance of filling it up consists in never losing sight of it. My hon'ble colleague has shown that, during the last seven years, while our expenditure has remained stationary, our income has steadily increased; and I am convinced that our financial character has everything to gain, and nothing to fear, from public criticism, if only public criticism be furnished with accurate data for the guidance of impartial judgments.

"There is another subject by no means unimportant, although the Government is not in a position to afford Hon'ble Members an opportunity of practically expressing their opinions by recording their votes upon it. It was for that reason no doubt that my hon'ble friend reserved it for the close of his financial statement; but in the arrangement of my own remarks upon that statement it will, I think, be convenient that I should say at once what little I have to say about it. I refer to the present position of this Government in reference to the Cotton-duties. Now I am not going to tax the patience of the Council with a long disquisition on those duties. I shall abstain from doing so for three very sufficient reasons. In the first place, there is now under discussion no measure which is even remotely connected with the Cotton-duties. In the second place, I have the misfortune to differ on this subject from the opinions entertained about it by many able and hon'ble gentlemen who have given to the consideration of it prolonged attention. Some of them are men of great eminence. Several of them are possessed of wide experience and high authority on fiscal and commercial questions, and not a few of them are my esteemed personal friends. Consistently therefore with the sincere respect I entertain for those who advocate the indefinite maintenance of the present import-duties on Cotton-goods, I could not adequately justify my dissent from their convictions without entering into a somewhat lengthened and detail examination of the points on which we differ. But to do this when there is no measure before us either to defend or oppose would, in my opinion, be an inexcusable waste of the valuable time of this Council. There is only one view of the question to which I feel obliged to demur. It is that which assumes that, on the one hand, those

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statesmen who have advocated the permanent maintenance of our present Cotton-duties have done so regardless of the debt which, as English statesmen, they owe to English interests; or that, on the other hand, those who, like myself, earnestly desire the removal of these duties from our customs-tariff, are recklessly indifferent to the duty which, as Indian Legislators, we owe to Indian interests. On this point I cannot too cordially re-echo the language held by my hon'ble friend Mr. Bullen-Smith. My pride and confidence in the character of my countrymen are far too great to admit within the scope of my liveliest imaginative efforts such a notion as that the maintenance of the cotton-duties have ever been advocated by English statesmen without reference to English interests. But I must also add that I am not prepared to concede to the advocates of these duties a monopoly of disinterested devotion to the interests of India. To say the truth, I am all the less disposed to do so for this reason: with those from whom I reluctantly differ on the question of the cotton-duties, I cannot, and do not, presume to claim equality in tested ability, or recognized authority: but I do claim equality with all of them in the conscientious desire to deal justly and truly by the interests of this empire. Therefore I will not yield to any man an inch of foothold on that one and only ground within whose special limits every honest man is entitled to consider himself the equal of its most illustrious occupant. Nor indeed am I able to recognise much reality in the ingenious distinction which has been suggested between the interests of Manchester and the interests of England. The so-called interests of Manchester are a great vital organic part of the whole English body-politic; and though it may be convenient to do so in theory, it appears to me quite impossible in fact, or in act, to separate the part from the whole. If a man stabs me in the hand or the foot, I am not comforted by his assurance that he recognises a distinction between my limbs and myself; that he has only been attacking my foot, or my hand; and that he had no intention of inflicting any personal injury on me. He *does* inflict a personal injury upon me; and the pain and hurt of that injury I feel, not only in the spot where I am wounded, but in every part of my body. But I do not think this question is primarily or exclusively a Manchester question. Political Economy is either a science or it is not. If it is a science, the laws of it are not affected by locality or climate. They will assert themselves as inexorably in one part of the world as in another, whether they are followed or disregarded. No one I presume will assert that a financial principle, if sound at all, is not equally sound in every case to which it is applicable. In the present stage of economic science, few men venture to advocate openly protective duties, on the ground that they are protective. The advocates of such duties generally try to persuade themselves and their opponents that the duties which practically protect a young manufacture are not maintained for the purpose of protecting it. Now I am not so pedantic a political economist as to deny, or even to doubt, that in many quite conceivable circumstances, *bonâ fide* protective duties may be proper duties. But I like to call a spade a spade. And I congratulate my hon'ble friend Mahârájâ Narendra Krishna upon having the courage of his opinions. I have no doubt that my hon'ble friend, the Mahârájâ, unconsciously uttered the secret sentiment of many hearts besides his own, when he frankly told us that he hoped our present cotton-duty would be maintained, because he believed it to be necessary for the protection of our cotton-manufactures. My experienced predecessor, however, in a statement of great ability, which he made two years ago on this subject, observed that 'Indian statesmen have all acknowledged the principles of recent English financial legislation to be sound, although, owing to the differences between the two countries, it has been impossible to carry them out as completely in India as in England. Indian statesmen,' he said, 'have never regarded customs-duties as desirable for the purpose of protecting the products or manufactures of India. In India, equally as in England, protection has been regarded as an exploded doctrine, contrary to the general interests of the country which imposes protective duties.' I accept and endorse this statement, and if I object to the present cotton-duties, it is because they appear to me inconsistent with sound financial principles, and as such, injurious to the interests of India. Now this opinion may be right or wrong. Like all human opinions, it is open to discussion; but as my hon'ble friend Sir John



Strachey has appealed to my opinion, I feel it due to him, due to myself, and due to the public, that I should assure this Council that my hon'ble friend has not mis-interpreted or mis-stated my opinion. In saying that the Secretary of State has left to the Government of India a large discretion on this subject, my hon'ble friend Mr Bullen-Smith did no more than justice to the common sense of my noble friend the Secretary of State. Yes, the Secretary of State has left to us a large discretion, but he has not left to us an unlimited discretion. The Secretary of State has distinctly affirmed and established the principle by which he intends our action to be guided; and the discretion he has left to us extends only to the time and mode which we may deem most suitable and most efficacious for carrying that principle into practical effect. In the exercise of that discretion, we have reluctantly recognized, but frankly acknowledged, the practical impossibility of any present reduction of the import-duty on cotton-goods. No one, so far as I am aware, no one in England or in India, has ever advocated, or even suggested, the reduction of this duty at the cost of fresh taxation for the purpose; and most certainly no such course is, or has ever been, contemplated by myself.

"I am sorry to say that I cannot dispute the opinion expressed by my hon'ble friend Mr. Bullen-Smith, that our financial system is not yet free from other features quite as vicious, if not, indeed, more vicious, than these cotton-duties, from a purely fiscal point of view. But I doubt if they are equally objectionable from a social, and political point of view. Be that as it may, however, my hon'ble friend cannot desire more ardently than I do myself to see our fiscal policy purged of their presence. They all stand upon our condemned list; and I hope it may be in our power, as it will certainly be within our aim, to deal simultaneously with at least the worst of them. But I dare not indulge in vaticination. The awful warning contained in the homily addressed last Wednesday by my hon'ble friend the Lieutenant-Governor to my hon'ble colleague Sir John Strachey is still ringing in my intimidated ear. Mrs. Malaprop long ago averred that we should not anticipate misfortunes till they are past, and certainly that is a policy which appears to have greatly commended itself of late years to English statesmanship. But my hon'ble friend the Lieutenant-Governor goes further than Mrs. Malaprop, and forbids us even to anticipate good fortune. Therefore, as I am sitting just now within close reach of his ferule, I will endeavour not to anticipate anything at all. Perhaps however I may be permitted to mention one fact which, I hope, will satisfy Hon'ble Members that we have not been regardless of salt or sugar in our efforts at fiscal reform. No man can be more impatient than I am myself to see removed, as soon as possible, from the records of Anglo-Indian history such a scandal as our present Inland-Customs-frontier. Previous to the present appointment so ably held by my hon'ble friend Sir John Strachey,—indeed some months before his return to India, and before either of us could have anticipated that we should be sitting to-day at the same Council Board,—I had entered into personal negotiations with the Rulers of those Native States whose co-operation is an unavoidable condition to any practical measures for the removal of this commercial 'Abomination of desolation standing where it ought not.' These negotiations are now so far and so satisfactorily advanced as to justify, I think, some confidence in the anticipation that ere long we shall be able to effect an early breach in what my hon'ble friend has not unfairly, I think, described as our commercial wall of China. But more than this I dare not say at the present moment, for fear of incurring renewed rebuke from my hon'ble friend, and close neighbour, the Lieutenant-Governor; and therefore without pausing to put even a pinch of salt on the visionary tail of this bird in the bush, I will ask permission to say a few words on behalf of the two little birds I now hold in my hand.

"One of the most pressing and important questions I had to consider on behalf of this Government, when I assumed charge of it, was—Whether we can afford to go on borrowing, as heretofore, something like four million sterling annually for the prosecution of Extraordinary Public Works. I came to the conclusion that we cannot afford it. Then I had to consider whether we can afford to do without such works, or to prosecute them on a greatly reduced scale. I am satisfied that this is equally impossible. These works are our only safeguard against famine; and their vigorous prosecution is in my opinion

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essential to the prosperity of the Empire. What should we do then? From the dilemma in which we are thus placed, reflection has convinced me that there is only one practical issue. It is, however, an issue which I believe to be not only practical, but highly advantageous; and I find it in the prompt adoption and steady development of financial decentralization accompanied by localised administrative responsibility. Of this principle, it is the privilege of my hon'ble colleague, Sir John Strachey, to be one of the official parents. But I think I may honestly say, on my own behalf, that it is not as a convert I am prepared to maintain it: at least my conversion to it dates far back in the course of my official life. It is not only in India that the conflicting principles of centralization and decentralization have been debated, or considered, in reference to financial and administrative policy. I have watched in other countries the conflict of those principles, and witnessed the issue of it. Observing that even in Spain, which should more properly perhaps be called 'the Spains,' it has been found impossible, up to the present moment, to codify the laws which govern the most essential relations, and determine the most fundamental interests, of society, observing too, that over a geographical area comparatively so restricted as that of the Austrian Empire, it has been found, after repeated effort, equally impossible to apply one centralized homogeneous system of taxation to all the Imperial provinces, it certainly does seem to me surprising that English statesmanship, generally so free from the Continental passion for legislative symmetry, should have persisted in attempting to apply to every part of an empire vast, various, and composite as this of India, the same form and mode of taxation. Doubtless there is one conspicuous and most satisfactory exception to this otherwise general rule of our past financial policy. But it is an exception which tells most strongly in favour of the principle we are now endeavouring to introduce. The Government of India has never applied the contrary principle to its administration of the Land-revenue: and I think I may safely say that, on the whole, no branch of the public service has been so wisely, or so well administered as the Land-revenue.

"I listened with the attention which his clear and practical utterances always command from me, to the few observations made last Wednesday by my hon'ble friend Maharájâ Jotindra Mohan Tagore upon the policy which has led us to introduce these Bills; and to which they will give effect, partial as yet no doubt, but salutary I hope so far as it can now be extended. I did not gather from what he then said that he had any cause to complain of the application to Bengal of the principle of localised financial responsibility: and indeed I think it can hardly be doubted that, if there be one province in India to which, more than any other, this principle may be justly and equitably applied, it is the wealthy and privileged province of Bengal. I trust then that the measures we hope to pass into law this morning will be prolific of beneficial results which may hereafter be more widely extended. This will not be through any merits of their own, for in themselves they are somewhat insignificant little measures, but because of the principles they recognize, and which they will help us to carry out.

"Before I assumed the anxious charge of this administration, it was said to me by experienced friends,—and said with a prophetic truth which has been prematurely verified by my personal experience,—that the one thing which of all others it behoves every Governor General of India to be constantly foreseeing is the unforeseen.

"Scarcely had I reached Calcutta ere the rosy financial horizon, which might otherwise have been opened to the admiring gaze of a pleased and hopeful public, had been unexpectedly darkened by the appearance of a little cloud, with a depreciated silver lining to it, that was by no means reassuring. That cloud grew and greatened till it hung over our heads like a portent of doom, and so grievously did its growth oppress the minds of men, that really I think I may say without much exaggeration, that not even the siege of Jerusalem itself was more prolific in warnings, wailings, predictions of disaster, and desperate proposals for reckless remedies, than the financial period covered by the first six months of my administration. And then, just when our financial prospects appeared to promise better things—just when the cloud was clearing away from the horizon, when our patience seemed about to be rewarded, and our confidence revived, a wholly unforeseen calamity occurred; and a great

part of the southern region of this Empire was suddenly smitten with wide-spread famine. Nor is this all. Misfortunes never come single; nor anxieties either; and these things happened during a season of extreme political tension, when no night passed on which we could say with certainty that we should not receive on the morrow some telegram from London or Constantinople of a character very unfavourable to the tranquil prosecution and improvement of our domestic affairs.

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"From that source of anxiety we have, I am thankful to say, been entirely relieved by the patriotic exertions of my noble friend the present Secretary of State for India. But I am not at all surprised that Hon'ble Members should have alluded in anxious tones to the fallen value of silver measured in gold; for I fear that we cannot reasonably anticipate any immediate release from the disturbance occasioned by this phenomenon in our exchanges with Great Britain and other countries which have a gold standard of value. I fully recognise the magnitude of the inconvenience thereby occasioned to trade; and I deeply deplore the loss inflicted on many public officers and others who can ill afford it. But I certainly do think that experience has fully justified the resolution to which we came last September, not to tamper prematurely with our standard of value. This question is not, in our opinion, a question that simply affects foreign exchanges. A country's standard unit of value cannot be either enhanced or reduced without injury to many important interests; and India is certainly no exception to the rest of the world. I do not disguise from myself that we may have to face a long period of anxiety and difficulty, during which the various interests, already affected by the depreciation in the value of silver measured in gold, will be slowly and painfully re-adjusting themselves to the altered relations between the precious metals; and I can assure my hon'ble friend Mr. Hope, that we are by no means indifferent to the importance of the questions in dispute between the monometallists and the bimetallicists, or to any of the various modes of utilising the two precious metals with a fixed intervaluation for the establishment of a double or compensatory standard. Indeed, the stoppage of the great compensation-valve, formerly opened in France to the world at large, renders all such questions of special interest to this country. And although it is undoubtedly not in our power to announce any immediate or isolated action in regard to it, still we are fully alive to the importance of this subject. I have but very few words to say upon our other great source of financial anxiety.

"Now I think it cannot be doubted that the present famine is one of the most serious and wide-spread scarcities with which India has yet been afflicted. In extent and intensity it greatly exceeds the last famine in Bengal and Bihár; and should there be a failure in the rainfall due next month, I fear that the scarcity in Madras may assume still more serious dimensions. Yet, although the management of the last famine cost six and three quarter millions, we are able to estimate the nett cost of the much larger famine with which we are now dealing at no more than five and a quarter millions; and we feel confident that, should we hereafter have to deal with a famine as serious as this, the cost of it will be very much smaller still.

"Now I cannot but think that this is an encouraging fact. It is partly due to the previous completion of adequate railway-communications, partly also to the application of principles which experience has proved to be sound, and to the energy and discretion with which those principles have been carried out in many of the famine-districts. They were spontaneously resorted to by the Government of Bombay; and now that they have been loyally adopted by the Government of Madras, I feel no doubt that they will be no less efficiently and scrupulously acted on in that important Presidency. I cannot mention this subject without expressing the sincere gratitude of the Government of India for the eminent services rendered to it and to the whole empire, by the indefatigable and most successful labours of Sir Richard Temple. But the person to whom we are, in my opinion, primarily indebted for our present comparatively moderate estimate of famine-expenditure, and for our hopes of still more moderate famine estimates in the future, is my immediate predecessor, Lord Northbrook. It must not be forgotten, and it ought I think to be thankfully acknowledged, that although the famine with which we are

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dealing is much larger, and more serious, than the famine dealt with by Lord Northbrook, the conditions under which we are dealing with it are much more favourable.

"In his management of the famine in Bengal and Bihar, Lord Northbrook found himself placed under a tremendous pressure of public opinion in favour of reckless expenditure, but he did not shrink from the no less tremendous responsibility of withstanding it. No public man can ever be entirely independent of public opinion; and had Lord Northbrook's hands been wholly free, I have no doubt that he would have greatly diminished the cost of the late famine, without in any wise increasing the loss of human life. But in the teeth of all antagonisms, he prevented famine-expenditure from reaching far more extravagant dimensions. And by resisting public opinion, he educated it. What is the result? The Government of India, relieved from all undue pressure, is now in a position to carry out calmly, and develop more fully, the principles bequeathed by him for our guidance.

"One of these enjoins upon us the importance of providing for famine-expenditure out of income, and charging it to Ordinary Account. This principle has been re-affirmed by my hon'ble colleague, Sir John Strachey. It may be said, however, that though he has re-affirmed it, he is not acting on it, since he finds himself still obliged to borrow on account of famine-expenditure. It may be said that it is easier to lay down principles than to carry them out, and that our present action is a proof of this. It may be said that principles thus publicly proclaimed are too often like triumphal arches, which make a very handsome effect, and look very fine, but which practically lead to nothing. It may be said that, once erected into doctrine, there they remain,—lofty and monumental, with plenty of empty space all round to show them off; but that practical life, going about its business as before, takes care to pass on each side of them, and whilst admiring them, rarely makes use of them.

"Well, I must admit that our present position is exposed to criticism of that sort. The fact is, however, that Lord Northbrook left India before it was practically in his power, or in the power of any man, to make sufficient provision for enabling his successors to carry out, at the shortest possible notice, the principle he had laid down; and this recurrent calamity has smitten us suddenly, before it was in our own power to provide for it in conformity with that principle. But all we ask is fair time and fair play for the future. The salutary principle we hope to affirm to-day—that principle which hands over to Local Governments the responsible management of local works, coupled with financial responsibility for the result of their management of them,—will, I believe, go far towards facilitating the fulfilment of the principle laid down by Lord Northbrook, and unreservedly adopted by ourselves, as the guide of our future conduct in regard to famine-expenditure. For if such expenditure is to be provided for out of ordinary resources, it is quite clear to me that the Governments of the famine-stricken Provinces must, to some extent at least, be held henceforth responsible for the financial results of their famine-management.

"My hon'ble colleague wisely and properly refrained from prematurely indicating the steps we may hereafter be prepared to take to enable the Government of India to carry out the principle laid down by Lord Northbrook on this subject, but I can assure the Council that we are not regardless of our duty with reference to them.

"There is only one other subject on which I need any longer detain the attention of the Council. Sir John Strachey has rightly drawn attention to the ominous circumstance of our increasing military expenditure; and I shall not attempt to deny that this circumstance is one which I regard with profound concern. An examination however of the figures given by my hon'ble colleague, in the Minute he has laid before the Council, will show that the nett increase in our Military Budget is mainly due to charges not under the control of the Government of India. In regard to those branches of our military expenditure which are under the control of this Government, I am bound to acknowledge our great obligation to the colleague of whose services we have recently been deprived, for the unceasing vigilance with which he, and the responsible officers acting under him, have successfully restrained the growth of them.

"Those who witnessed the representative military force assembled at Delhi last January cannot have failed to admire the discipline, intelligence, and equipment of the Army of India; but to discipline, to intelligence, and to equipment must be added some power of rapid mobilization, in case of any sudden emergency, before the practical efficiency of an army can be regarded as altogether complete.

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"Now, some measures taken by us, in consultation with the Commander-in-Chief and our other military authorities, to remedy certain undeniable deficiencies in the mobility of our defensive force, have been misrepresented and magnified by uninstructed rumour into preparations for a great campaign against our neighbours. I beg to assure this Council that nothing could possibly be further from our minds than the intention thus imputed to us. It is obvious that, if we harboured any such design as this, the estimates laid before the Council would be very different from what they are. And to rush into purposeless border-warfare, or wantonly to provoke hostilities with any of our immediate neighbours, would be an act of insanity doubly inexcusable on the part of a Government for which I am prepared to claim the merit of having secured within the last few months the most beneficent results from the patient pursuance of precisely the opposite policy. Two years ago our relations with the neighbouring Khanate of Khelat were so extremely unsatisfactory that military operations against that country were commended to our immediate adoption by some of our most experienced frontier-authorities. But before having recourse to any act of aggression upon a weak and neighbouring State, the Government of India wisely resolved to make further pacific efforts for the restoration of order around our western frontier. Those efforts, commenced by Lord Northbrook, it has been my privilege to conduct to a successful issue; and the result of it is, that without having fired a single shot, or shed a single drop of blood, our present relations with Khelat are more satisfactory, more fraught with promise for the future and security for the present, than they have been for a long series of years. Not only is British influence now predominant throughout that country; not only is this influence cordially welcomed and appreciated by all its inhabitants, from the highest to the lowest, but the beneficently practical results of the influence thus established are already apparent in the restored freedom and security of peaceful commerce, in the rebuilding of villages destroyed by civil war, in the revival and extension of agriculture, and in the general contentment and confidence of the population and its lawful Ruler.

"I may be asked, however, what are the means upon which this Government relies for the maintenance of British influence; and why we desire to extend and confirm British influence beyond our own immediate territory?

"To the first question I reply, that the means on which we reckon for the maintenance of British influence are loyal and disinterested advice, supported, if needs be, by timely and sufficient assistance for the promotion or confirmation of good government and social order, in contiguous territories less civilized than our own. To the second question I reply, that we desire the promotion of this salutary British influence beyond our border, because we do not desire the hostile movement of British armies beyond our border. The connection existing between the tribes and populations inside and outside the frontier which it is our duty to guard, is so close and so far-reaching, that any disturbance of the latter vibrates instantaneously along the whole extent of contiguous British territory.

"Unrestrained barbarism immediately beyond our frontier means constant insecurity immediately within our frontier. Civil war on the part of neighbouring Asiatic populations, or even a passive, but pronounced hostility towards the British Government, involves the closing of our trade-routes, the maltreatment of our merchants, the spoliation of their property, and the chronic disquietude of our subjects. Therefore it is that the one only thing which at one time past or present this Government has ever been able to do, however greatly it might desire to do it, is to remain a passive and inert spectator of what passes immediately beyond our border.

"Now I consider that the safest and strongest frontier India can possibly possess would be a belt of independent frontier-States, throughout which the British name is honored and trusted; within which British subjects

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are welcomed and respected, because they are subjects of a Government known to be unselfish as it is powerful, and resolute as it is humane; by which our advice is followed without suspicion, and our word relied on without misgiving, because the first has been justified by good results, and the second never quibbled away by timorous sub-intents or tricky saving-clauses,—a belt of States in short, whose chiefs and populations should have every interest, and every desire, to co-operate with our own officers in preserving the peace of the frontier, developing the resources of their own territories, augmenting the wealth of their own treasuries, and vindicating in the eyes of the eastern and western world their title to an independence of which we are ourselves the chief well-wishers and supporters.

“Looking to the history of recent events along our Lower Panjáb and Sindh frontiers, I cannot think that this aim is unattainable, or that the desire of attaining it is inconsistent with common sense. But although I believe that the influence I desire to exert and extend is perfectly attainable, I do not believe that it is attainable by means of military expeditions; or indeed by anything except constant friendly contact with our less civilized neighbours, and the presence and every-day acts in their midst of earnest upright English gentlemen.

“Now during the last six months we have passed through a time when the Powers of Europe, armed as they still are to the teeth, seemed drifting into a war of which the eddies could not fail to reach and trouble the minds of our Asiatic neighbours, whilst at the same time our frontier seemed threatened with a succession of local outrages and disturbances greatly in excess of any by which it has been afflicted for many years past. At that time it was in my opinion the duty of this Government to place itself in a position of preparedness to defend the interests committed to its charge by military action, should military action at any moment be necessary, instead of waiting unprepared till the opportunity of effective military action had passed away.

“I am not ashamed to say that we did not shrink from the recognition of this duty. Had the Pass Afridis continued recalcitrant; had the recent inroads on British territory been renewed; had the late disturbances on our frontier assumed, as at one time they seemed likely to assume, a more systematic character, then we might have found ourselves at any moment under an imperative obligation to resort to military operations, in order to punish the murder, or preserve the lives and properties, of our own subjects, or restore and secure the peace of our frontier. This, however, I can truly say, no one would have recognised more reluctantly, or more deeply regretted the necessity of recourse to such measures, than myself. The British Government repudiates all views of conquest or territorial extension. Our territories are already vast enough to occupy all our attention and satisfy all our ambition.

“Our paramount position on this Continent is so indisputable that it is rarely indeed we need ever have recourse to arms for the protection of those who trust us, or the punishment of those who deceive us. There is not an independent Native State which is not strengthened by the bestowal, or weakened by the withdrawal, of our friendship. It has been my object, ever since I assumed charge of affairs in this country, to draw closer by every legitimate means in my power the bonds of friendly relation between ourselves and our neighbours. I think there are few persons who will maintain that our present relations with the tribes and peoples immediately upon our north-western border are altogether satisfactory, whether we regard them from a political, or from a philanthropical, point of view. Those neighbouring regions have, after 25 years of the closest geographical contact between us and them, remained almost the only ones in the whole world which are forbidden grounds to British footsteps, except on some mission of vengeance, and for the purpose of burning the homes, or destroying the property, of our neighbours, in retaliation for outrages committed by them upon our own territory. Surely this is not a state of things which any Englishman can contemplate with unmitigated satisfaction, or which any English statesman should wish to perpetuate. I am thankful to say that these retaliatory raids have been somewhat less frequent of late years; still already twice within my own short tenure of office, I have been called upon to consider the necessity of recourse to them.

"Now no one can realize more deeply, or acknowledge more unreservedly, than I do myself, the practical difficulties of dealing with such wild social material as that which fringes the greater part of our Indian frontier. If I am inclined to trust more to negotiation and friendly intercourse, and less to a policy of alternate vengeance and inaction, than some of my predecessors in the government of this country, it is certainly not from any assumption of superior wisdom or humanity on my part. I am well aware that these military expeditions have been considered the only means of bringing our influence to bear efficiently upon turbulent neighbours, by men whose names are no less celebrated for their Christian humanity than for their knowledge of the tribes to whom that system has been applied. Therefore, if with their example and opinion before me, I still prefer to make attempts in the direction of a more patiently-pacific, but less impassive, policy, it is not because I undervalue their judgment or overrate my own, but because the object I have in view appears to me so supremely important, and so generally beneficial to all concerned, as to justify a more systematic prosecution of it than has yet been attempted. If I fail in my own efforts to attain it, I shall not be ashamed, for I had rather be able to say that I have tried and failed in such a cause than be obliged to own that I had never tried at all.

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"I do not think that, consistently with its high duties to God and man, as the greatest civilizing Power in Asia, this Government can watch coldly and immovably its closest neighbours floundering in anarchy and bloodshed on its immediate border, without extending to them in their hour of need a kindly and a helpful hand, if they seek its assistance and invoke its guidance. Such a policy would be in my opinion an atheistic and inhuman one. But whilst humanity condemns a stolid indifference to the interests of our neighbours, prudence equally forbids undeserved and unrequited favours to those who make no effort to reciprocate our confidence and justify our protection.

"If I do not rely upon military expeditions for the reasonable extension or maintenance of British influence around our frontier, neither do I rely upon spasmodic gifts and aimless expenditure of money, or a profitless assumption of embarrassing obligations.

"These, then, are the feelings which induced me to invite a friendly interchange of views between ourselves and our near neighbour, the Amir of Cabul, on matters of common interest, and for the improvement of our mutual relations; as also to comply with the suggestion made to us by His Highness, that Envoys on the part of the two Governments should meet at Peshawar for this purpose. These also are the principles which determined the instructions given to Sir Lewis Pelly. The personal and official intercourse between the two Envoys has been friendly. But I regret to say it has been prematurely terminated by a sad event. The Cabul Envoy, who was in seriously ill-health when he arrived on British territory, died at Peshawar last Saturday of a malady from which he had long been suffering.

"What might otherwise have been the practical results of his conferences with Sir Lewis Pelly, I am no more able to say than any other Member of this Council. But I can positively state to the Council what will *not* be the practical result of these, or any other conceivable negotiations with the Amir of Cabul.

"On the one hand, they will assuredly not result in any unprovoked aggression by us upon the independence or territories of His Highness, nor in any uninvited intervention in Afghanistan. On the other hand, they will no less assuredly not result in any unreciprocated concessions or uncalled for obligations on our part.

"That His Highness has lost in the late Envoy a wise and honest and an experienced councillor is a fact which I certainly regret all the more because it cannot be denied that the mind of the Amir has been deeply stirred by recent events at Constantinople, which, inflaming the sentiment of religious fanaticism at Cabul, have somewhat disturbed his usually clear judgment and good sense.

"The position, however, of this Government in the matter is a very simple and intelligible one. We think that between closely neighbouring States, having in common certain interests, to which neither of them can afford to

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be wholly indifferent, the best security against mutual misunderstanding and mistrust is to be found in adequate means of free, frank, and frequent intercourse.

"We think that in some representations recently made to us by the Amir, with reference to episodes in our relations with His Highness during the last few years, there is confirmation of this impression; and we believe that the peculiar and exceptional isolation in which His Highness has been induced to seek a source of strength is more likely to prove a source of weakness to his rule, by acting prejudicially on the internal peace and progress of his dominions. We have therefore assured him that if he really desires to strengthen the bonds of his relations with us we shall at all times be ready to reciprocate that desire, and to assist him in promoting the attainment of its object; but that if he has no such desire, we cannot act on the assumption of a sentiment the evidence of which is not before us; that the matter is one which concerns His Highness rather than ourselves, and that we cannot accept, or acknowledge, unreciprocated liabilities.

"I feel that I owe some apology to the Council for having intruded upon it this explanation of the real facts and plain principles of our frontier policy, although indeed my explanation has reference to a subject closely and most practically connected with the Financial Statement of my hon'ble colleague. For it is obvious that on the character of such facts and principles must at all times depend the military expenditure which it is his duty to provide for and my duty to justify. But my excuse is this: the Viceroy of India has very few opportunities of telling the public the truth about the facts and principles of his policy on important questions in which the public is legitimately interested. In countries governed by representative institutions it is the easy function of a free Press to criticise the action of a free Government of whose action all the facts and principles are not only well known, but elaborately explained to the community at large. In India, however, the position of the Press is a peculiarly difficult and embarrassing one, for it is expected to criticise daily the policy and action of a Government, whose policy and action are in nine instances out of ten wholly unknown to it. And thus, even with the best intention, its judgment is exceptionally liable to error. The members of such a Government as ours cannot sit in the gate like the law-givers of old; they cannot be continually crying out to the public, 'Pray good people allow us to prove to you that we are neither fools nor knaves, only hear us for our cause, and be silent that you may hear.' But there is at least one thing which can be done by the head of this Government to mitigate the mutual disadvantages of an anomalous position. He can, even at the risk of sometimes disregarding official etiquette, seize every opportunity which comes within his reach to win confidence by showing confidence, and to dispel fictions by stating facts. Such an opportunity has been offered me to-day, and I have embraced it eagerly, perhaps even recklessly, because I think that every member of the non-official community ought to feel interested (and I am glad to believe that every member of it does feel interested) in all questions that concern the public welfare. For the management of such questions this Government must no doubt, in the first instance, be generously trusted by the public, whose interests it is here to protect or improve. But sooner or later the Government must satisfy the public that it has not been regardless of the responsibilities involved in so great a trust, and the sooner it can do this the better it will be for all concerned. Since I came to India the magnitude of these responsibilities has been daily, hourly, I may say unceasingly, present to my mind; and if I err in my own judgment as to the course we ought to follow in the discharge of them, I am fortunately surrounded by able and experienced Councillors who are ever ready to correct me. Believing as I do that at all times the purity of our purpose, and the character of our policy, will bear the light, I hope that I shall ever be ready to court, and never disposed to shirk, the daylight of public opinion.

"The Latin proverb avers that all is magnified by the unknown. My own experience assures me that all is distorted by the half-known, and it is not the daylight, but the twilight, that I shun.

"With these explanations and apologies, I have now to put the motion I hold in my hand."

The Motion was put and agreed to.



## LICENSE TAX, 1878-79.

No. 246A., dated 16th August, 1877.

No. 7 ]

*From—The Government of India,  
To—The Secretary of State for India.*

In the Resolution No. 2666, dated 23rd April 1874, with which the Financial Statement for 1874-75 was published, the Government of Lord Northbrook said :—

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“The large amount of the estimated expenditure on account of the famine, and the principles which have guided the Government of India in dealing with the calamity, make it necessary to examine whether, although, upon the present occasion, the charge can legitimately be met without fresh taxation, it will be safe to rely upon the present resources of India for the purpose of meeting future demands of the same kind.

“If the occurrence of serious deficiencies in the food-supplies of the people in parts of British India depended upon causes as rare as the potato disease which produced the Irish Famine of 1846-47, it would be sufficient to say that the expense of meeting such visitations should not be borne by one generation, but that, in accordance with the course adopted by the Imperial Government in dealing with the Irish Famine, the necessary funds might legitimately be raised by loan if the ordinary resources of the State should prove insufficient.

“Unfortunately, however, drought, which is the cause of all serious and extensive famines in India, cannot be regarded as an extraordinary visitation. Within the last ten years, there have occurred, in the year 1866, a drought very similar to that of last year, which occasioned what is termed the Orissa Famine; in the years 1868 and 1869, a failure of rain in the North-Western Provinces and Rajpootana, which occasioned great distress over a considerable tract of country, and severe famine in Ajmere and Marwar; and, lastly, in the year 1873, a failure of the autumn rains in Behar and parts of Bengal, which has produced the present famine.

“Such being the facts with which the Government of India have to deal, it would not be safe to depend upon loans for the purpose of meeting future charges on account of famines. Although means have been taken, and will be taken, to obviate or mitigate those calamities, some such charges must, for a time at least, be looked upon as contingencies to be expected to recur with more or less regularity.

“It is necessary, therefore, that, besides a fair surplus of income over ordinary expenditure, such a margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines. If the surplus be employed in the reduction of debt, in the construction of reproductive public works, or remain in the cash balances, the expense caused by future droughts may fairly be met by appropriations from the Cash balances, or by loan, to the full extent of the accumulations of surplus.

“This condition of things has existed in India during the last four years; and the Government of India are resolved to use their best endeavours to maintain, for the future, a considerable surplus of income over ordinary expenditure, and thus to make provision, beforehand, for any calls which are likely to arise on account of famines.”

2. In your despatch No. 387, dated 23rd July 1874, Your Lordship commented upon this Resolution as follows :—

“46. I quite agree with you that the periodical occurrence of famine should enter into your calculations when making provision for the wants of each successive financial year. This consideration may properly act as a motive for inducing you to provide such a surplus in each year as will make a sensible impression on the debt that has been incurred in a year of famine. But, upon this subject, before you make any definitive arrangements, I should be glad to receive a more detailed statement of Your Excellency's opinion.”

3. In his Financial Statement for the current year, our Honourable Colleague Sir John Strachey said :—

“It cannot be too distinctly stated that charges for the relief of famine must be looked upon as ordinary charges; they are so shown in the Accounts of the present year, and in the Estimates now before the Council; and they were shown in the same way for the Bengal Famine by the Government of Lord Northbrook. In the Financial Statement for 1874-75, Lord Northbrook showed very clearly that, whatever means we may take to obviate or mitigate these calamities, Famines cannot, under present circumstances, be looked upon as occurrences of an extraordinary character; he said that, in the ten years which had elapsed before 1874, there had been three serious famines in India—the Orissa Famine in 1866, the Famine in Northern India in 1869, and the Famine in Behar in 1874. We have now, unhappily, to add a fourth to the list; that from which a vast tract of country is now suffering, and which

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will, I fear, prove a not less serious calamity than those which preceded it. Such being the facts with which we have to deal, we cannot, as Lord Northbrook stated, safely depend upon loans for meeting the charges on account of famine. 'It is necessary,' he said, 'that besides a fair surplus of income over ordinary expenditure, such a margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines;' if this condition, he said, were fulfilled, and a sufficient surplus secured in years of prosperity, deficit might be endured with less objection in occasional years of adversity. The Government of India, it was stated, had therefore resolved to use its best endeavours to maintain, for the future, a considerable surplus of income over ordinary expenditure, and thus to make provision beforehand for any calls which were likely to arise on account of famines. This resolution on the part of the Government was, undoubtedly, wise, but, since the charges for unremunerative public works cannot, rightly, be excluded, the conditions laid down in 1874 have not, in my judgment, been fulfilled. and, considering that we have lost the Income Tax, it is impossible to anticipate that they will be fulfilled in future, unless we take some further steps for ensuring a larger surplus of income over ordinary expenditure."

4. In reviewing the financial administration of the seven years ending on the 31st March 1876, Sir John Strachey showed that after meeting all charges for unremunerative public works, we should just have managed to bring our expenditure within our income if there had been no income tax and no famine. The gross revenues of these seven years aggregated £357,573,000, and the total expenditure £370,555,000: thus the expenditure exceeded the revenue by about 13 millions sterling: the sum of 15 millions sterling was, however, spent on *bond fide* reproductive works, and 6½ millions sterling on the Bengal Famine; so that, excluding famine and *bond fide* reproductive works, there was an apparent surplus of 8½ millions sterling; of this, however, 3½ millions must be ascribed to nominal entries in the Accounts, and 4½ millions to the expired income tax: so that, without the income tax, the finances of the seven years would have been in bare equilibrium only, no part of the cost of the famine or of the reproductive public works being defrayed from current resources.

"But," Sir John Strachey added, "we cannot omit famine from our calculations; and we have now no income tax. it therefore follows, judging by the experience of these seven years, that our ordinary revenues are just sufficient to meet all ordinary charges excepting those for the relief of famine, for which we may consider that no provision is now made; I think that the estimates of the current and coming years tend to confirm this general conclusion.

"What, therefore, we now have to do, is to establish a sufficient margin of annual income over ordinary expenditure, to enable us to meet, with certainty, not only the charges for famine relief, according to the principle laid down by Lord Northbrook, and charges for unremunerative public works, but for other demands, which cannot be foreseen, but which will, inevitably, occur: this is the more important, because, in India, we have, under present circumstances, almost no means, such as those which can always be applied in England, for temporarily increasing the public income to meet a temporary necessity.

"Our financial position also requires improvement to enable us to carry out measures necessary for the regular progress and better administration of the country. There are administrative improvements which are very necessary, and, above all, there are urgent fiscal reforms, closely affecting the economical and commercial interests of India, which, for want of means, have hitherto been hardly touched. It is easy to give illustrations of my meaning. there are the duties on cotton goods, of which I shall have to speak again, and, independently of them, I do not think that any one will maintain that our Customs Tariff is in a satisfactory condition. Then, there are the Inland Sugar duties, to which, also, I shall refer again presently: six years ago I heard them called, in this Council, the most discreditable relic of the dark ages of taxation that exists in India. Every one agrees in this judgment, but the Sugar Duties still exist. Take, again, the system under which we levy our Salt Revenue in Northern India. no one denies that it is a positive disgrace to a civilised Government; but it remains unaltered. The time is perhaps hardly come for talking of the repayment of debt as a practical object to be aimed at, or for hoping that we may be able to dispense with borrowing even for reproductive public works; for works which are not reproductive, we ought not, except under the pressure of extreme necessity, to borrow a sixpence. The increase of debt is so serious an evil, that we must strive to reduce our borrowing to a minimum, even for remunerative works, and provide as much money as possible for them from ordinary revenues; so, always, that we do not allow this determination to check the progress of necessary great works of public improvement, or to interfere with the execution of great fiscal reforms such as those which I have mentioned.

"There is another matter which, obviously, has a most important bearing on this subject—the question of the future value of silver. I am afraid that we cannot, with any confidence, expect to avoid serious loss, hereafter, from disturbances in the relative values of the precious metals; and no one can now measure the future deranging effect upon our finances of these disturbances.

"In asserting that our financial position must be improved, I, by no means, desire to see the improvement pushed to an extreme. I wish for no such surplus of income over expenditure as would involve the necessity of imposing heavy burdens on the country, or might tempt the Government to launch out into extravagancies. I ask, only, for such a reasonable margin

on the right side of the account, as will enable us to pay our way honestly, to avoid increasing the burden of debt, and to carry out, at a reasonable and moderate rate, necessary measures of administrative and economical progress." Accts Pro, April 1878, No 22a

5. The definite recognition of the necessity of treating expenditure for the relief of famine, as an ordinary obligation of our Government, compels us to seek for some permanent addition to our resources.

6. It is impossible to provide the requisite surplus income by the reduction of expenditure. Economy has, already, been in many departments exhausted. There are, no doubt, others in which some saving may still be anticipated; we entertain, for example, earnest hopes that it may be found possible to diminish the cost of the Army in England, the recent formidable increase of which is engaging our serious attention. But it would be idle to expect that any economy which it may be in our power to effect, can enable us to meet the demands which will be entailed upon us by our new obligations in regard to the relief of famine.

7. We cannot yet estimate with accuracy the cost of these obligations. It is scarcely ten years since the duties of the State in times of scarcity have been adequately recognised; and it is only within a shorter period than this, that accounts have been kept which exhibit separately the expenditure and loss of revenue forced upon the Government by these calamities.

8. It would not be easy to compute the cost even of the Famine of 1866 in Orissa. The accounts of the loss of revenue and expenditure then incurred are incomplete; and the measures of relief fell so far short of what would now be deemed necessary, that we could not base upon them any calculations. We know, however, that the Bengal Famine of 1874 cost a net sum of 6½ millions; and the loss of revenue and expenditure in consequence of the existing famine in the Bombay and Madras Presidencies were estimated, five months ago, at 5½ millions. It is impossible, as yet, to predict how much this estimate may be raised by the general deficiency of the present monsoon rains; but there is every reason to believe that, during the five years from 1873-74 to 1877-78, famines will have cost, in loss of revenue and actual expenditure together, at least 13 millions sterling. We fear that the actual cost may prove much greater. The serious character of such facts can hardly be overstated, and their gravity becomes still more apparent when we remember that, in consequence of these famines, our debt is now larger by these 13 millions, and our yearly payments of interest more by upwards of half-a-million, than they would otherwise have been.

9. Happily, there are grounds for believing that this has been a period of exceptional disaster. Famines are, indeed, so far from being uncommon occurrences in India, that scarcely a year passes without distress shewing itself in some part of the country; but their frequency, severity, and extent during the last few years have been in excess of what past history would have led us to expect. Moreover, we trust that we are constantly gaining experience as to the best and most economical way of dealing with famines, and we may hope that the cost of famine relief will be less in the future than it has been in the past.

10. Whatever estimate we now make must be an arbitrary one; but we think that we cannot now prudently assume that the average annual cost of famines in loss of revenue and actual expenditure will be less than a million to a million-and-a-half sterling. We shall assume, for the present, that it will suffice if one million is added to our imperial resources. We do not anticipate that this sum will be sufficient to cover all charges for famine relief, but for the remainder we propose to trust to local contributions from the provinces in which famine may be actually relieved. To these contributions we shall refer again.

11. Subject to this proviso, the addition of one million sterling to our resources would, we hope, place our finances in substantial equilibrium; but we should still have done nothing towards providing the surplus of a million sterling which successive Secretaries of State have considered necessary to make our financial condition satisfactory, or to provide for the urgent administrative and fiscal reforms of which Sir John Strachey spoke.

12. It appears to us, therefore, to be absolutely necessary to increase our annual resources, altogether, by at least a million-and-a-half sterling.

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13. In considering the best mode of making so large an addition to the public revenues, we have turned our attention, in the first place, to Indirect Taxation. But we find ourselves unable to hold out hopes of any material augmentation of this class of Revenue. The existing sources yield, already, as much as they are likely to produce for some time to come.

The Customs Duties, both inland and on sea-borne goods, so far from increasing, must, rather, be expected to diminish.

The produce of the Salt Tax may be raised temporarily by the measures for its equalization and better collection, regarding which we are addressing Your Lordship separately; but no permanent increase should be looked for from these changes: indeed, their eventual object is the general reduction and not the enhancement of the duty on salt, and to enable the people generally to procure a full supply of salt at the cheapest rate consistent with our financial necessities.

14. We have stipulated for the greater part of the increase which is to be anticipated during the next few years from the normal growth of the revenues under the heads of Excise and Stamps, in the arrangements for the administration by the Provincial Governments of these branches of the revenue; and, though it is possible that some further improvement in the revenue from Stamps may, hereafter, result from the contemplated changes in the Stamp law, the amount is uncertain and unimportant.

15. The existing indirect taxes, therefore, offer no prospect of furnishing any appreciable part of the additional funds which are needed.

16. The enhanced income and reduced expenditure which are confidently expected to follow the recent extension of the measures for making financial success a matter of provincial interest and responsibility, will give us considerable relief. The precise results of this great administrative reform cannot yet be stated; but it may be expected to add not less than £700,000 to the Imperial resources, and less than half of this sum will be derived from fresh taxation. We trust that Your Lordship will agree with us in thinking it highly satisfactory that so important a financial result should have been produced by measures from which we anticipate a great increase of administrative efficiency.

17. Deducting this sum of £700,000 from the  $1\frac{1}{2}$  million which is required in order to place our finances on a sound basis, we have still to provide £800,000.

18. Among the methods suggested for obtaining a portion of this sum is a duty upon tobacco. Such a tax has been, more than once, considered by preceding Administrations; and, shortly after the Mutiny of 1857, a measure for licensing the trade in tobacco was brought before the Legislative Council of the Governor General, though it never actually became law. The possibility of reverting to the proposal then abandoned is now receiving our best attention: but our knowledge of the details of the trade and cultivation of tobacco is, still, far from complete. Whatever our ultimate success may be, it is certain that a new tax of this sort must be introduced with caution, especially as difficulties will probably be found to exist in levying it, except by duties which will fall, in the first instance, upon the cultivator. Under any circumstances, it must be long before any considerable revenue could be derived from tobacco, and for our immediate object we are compelled to reject the expedient of a tobacco-tax as of no avail.

19. Another course which we might adopt, is to resort again to an Income Tax. Much more than the £800,000 now required has already been raised by this method, and there can be no question that  $1\frac{1}{2}$  million a year could easily be obtained again. We believe, however, that Your Lordship will concur with us in deeming that it would not be expedient for us to propose the re-imposition of direct taxation in this particular shape at present.

20. But there is another form of direct taxation to which no such objections can be urged as those which apply to an Income Tax: we refer to a License Tax upon Trades and Dealings, and other non-agricultural, occupations. Of the two great classes into which the population is divided,—the agricultural and the non-agricultural—it is notorious that the latter do not sustain their fair share of the burden of the cost of the administration and defence of the country. Nothing would be more just than that the tradesmen and artisans, who benefit so largely by our rule, should pay more than they have hitherto

done towards the expenses of its maintenance. These classes pay municipal taxes; but, at present, they contribute little or nothing to the imperial treasury, except their share of the customs duties and salt tax. There is especial justice in calling upon them to pay a tax, the object of which is to protect the community against famine, for in times of scarcity they are amongst the first to require aid.

21. The particular form in which we desire to impose this taxation is one with which the people are familiar. In various shapes, and under different names, a tax upon trades has been levied by almost all Hindu and Muhammadan Governments, and such duties are still levied in most Native States. In the early days of our own rule, they were, in most provinces, remitted; but, in the financial difficulties which followed the Mutiny of 1857, a License Tax was among the first fiscal resources which suggested themselves to the Government. The principle of this measure has been acquiesced in by successive financiers whose views upon other matters have differed widely, and it was only abandoned because the Government found itself in a position to dispense with the money which it would have produced. Now that financial necessity has again arisen, it seems to us that there is no mode of taxation which, in the first instance, is preferable to this; and we believe that this opinion is shared by nearly all whose judgment carries the most weight, and that it will be generally concurred in by the Local Governments.

22 We think that the form in which such a tax should be applied is an assessment classified according to the nature of the tax-payer's occupation. This is the plan of the License Tax now in operation in the North-Western Provinces; and that which was followed in the Bill introduced by the Honourable Mr. Wilson in 1860. Such an assessment leaves little or no room for uncertainty as to the amount which is due from each person; for a man's occupation, which, in India, scarcely varies from year to year, can be always readily ascertained. It is important to avoid, as far as possible, any uncertainty of assessment.

23. An assessment made upon a few broad classes has this further recommendation that it does not require the vexatious and futile endeavours to gauge the exact amount of every tax-payer's means which caused such difficulty in working the Income Tax, and went so far to create the objections urged against it. We are aware that such a tax as we propose must be levied upon each class at minimum rates, and that the higher incomes cannot, by this method, be adequately reached: but we consider this a less evil than the uncertainty which must accompany any attempt to graduate the amount of the tax to the means of the tax-payer.

24. As a model of the measure which we contemplate, we refer Your Lordship to "The North-West Provinces License Act, 1877." We propose to introduce into the Legislative Council of the Governor General, as soon as possible after it re-assembles in Calcutta, a Bill resembling that Act, but applicable to all those Provinces which have no independent Legislatures: draft of this measure will shortly be forwarded for Your Lordship's approval. It will, probably, be better, for many reasons, that the necessary corresponding Acts applicable to the Presidencies of Madras and Bombay and the Lower Provinces of Bengal be passed by the Local Legislatures. The introduction of such local measures would be beneficial in helping to connect the tax in the minds of the people more directly with the "undoubted responsibility which rests upon them to provide for their own support and well-being," and to disabuse their minds of the prevalent impression that local wants are always to be supplied at the expense of the general revenues.

In any case, we shall arrange for the direct appropriation of the proceeds of all the new taxes proposed in this despatch as provincial revenues, arranging for equivalent consolidated contributions by the Local Governments to the Imperial Treasury.

25. The probable yield of a License Tax cannot be estimated until the details of its provisions are settled: some data, however, for an approximate calculation are available. The Right Honourable Mr. Laing estimated confidently that the Bill for a similar impost which he introduced in 1861 would produce from £500,000 to £600,000. The measure which we now propose will not affect a good many of the poorer traders and artisans who would have been assessed if Mr. Laing's Bill had become law. Against this, however, have to be

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set the higher payments from the superior classes; for these, which, under Mr. Lang's Bill, would have been Rs. 2 and Rs. 3, will now be Rs. 8 and Rs. 16. Balancing the loss against the gain, we think it probable that the yield of duties such as we contemplate will not fall much short of the sum that was estimated in 1861, and that we may hope for an approximate revenue of between £400,000 and £500,000.

26. Before closing our remarks upon this part of the subject, we wish to add that we are strongly of opinion that a License Tax should be, henceforth, a permanent part of our financial system. It is intended to supply a permanent need: it will fall upon a class which, although especially bound to contribute to the general treasury, has, hitherto, escaped its fair share of the common burden; and, unless it be permanently imposed, its administration cannot be made satisfactory. In view of the object for which it is now proposed to levy this General License Tax, it will probably be necessary for the Government of the North-Western Provinces to appropriate the proceeds of its Local License Tax, which was imposed for other purposes, in order to supply its quota of Famine Taxation.

27. Assuming, then, that, at least £400,000 out of the £800,000 referred to in paragraph 17 can be obtained from duties upon trades, there still remains £400,000 to complete the full  $1\frac{1}{2}$  million sterling which we need.

28. Without an Income Tax, it would be hardly possible to levy this further sum from the commercial and non-agricultural classes. But, apart from this fact, there are considerations which, in our judgment, render it expedient and just that the agricultural community should not be exempted from furnishing its quota of funds which are required for the purpose of guaranteeing the safety and support of all classes. It is true that the land already yields two-fifths of our entire revenues; but it must be remembered that, in India, the State receives as revenue a great part of what is elsewhere absorbed as rent, and that two-fifths of the total public expenditure is not, under such circumstances, an undue proportion for the land to contribute. Moreover, the land revenue, large as it is, does not, as a rule, bear heavily upon the people, and its pressure has been much lightened during the period of our own rule. Those who pay the land revenue have not only benefited by the moderation and long continuance of our assessments, and the consequent creation of rights in the land or enhancement of their value; but they have reaped scarcely less valuable indirect advantages from the good order and improved administration which we have everywhere introduced. Roads, railways, canals and communications of all kinds have been multiplied: markets have been created, enlarged, and rendered permanent: irrigation has ensured the produce of wide tracts, which, in old times, were periodically desolated by drought: prices, at the same time, have been continually rising, and, under our permanent or long settlements, the greater portion of the enhanced value of agricultural produce accrues to those who have an interest in the soil. There is certainly no reason, in the condition of the agricultural classes, why they should not bear their share of any necessary fresh taxation.

29. A strong argument will be found also in the numbers of these classes for not exempting them from the present extension of taxation. They constitute by far the largest portion of the population; and, when famine occurs, form the great majority of those who need relief. It would not be just that they should contribute no aid towards their own support at such times, and their exemption would be opposed to the policy affirmed by Her Majesty's Government, that "where rates are levied at all, they ought, as far as may be possible, to be levied equally, without distinction and without exemption, upon all the holders of property accessible to the rate." Every consideration which makes it just to tax the agricultural classes at all, appears to us to apply to taxing them for their protection from famine, and to apply in all cases. "The levying of such rates," as is said in the despatch from which we have already quoted, "upon the holders of land, irrespective of the amount of their land assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or of temporary tenures," and we can see no ground for making any exception in their favour. They can have no stronger claim to exemption now than they had when it was decided, with obvious propriety, that they were liable to the Income Tax.

30. Upon these grounds we propose to raise the remaining £400,000 by imposts upon those interested in the land. For the present, however, we do not contemplate extending this taxation beyond the limits of the Bengal Presidency. There are, indeed, no reasons of principle why the Madras and Bombay Presidencies should not pay similar imposts; but it is just now proposed to levy considerable additional taxation in these Presidencies under the measures for equalising the salt duties which are described in our separate despatch. The greater part of this additional taxation will be paid by the agricultural classes; and, for this reason, we do not consider it advisable for the present to add otherwise to their burdens. We think, also, that it would be undesirable, if we can avoid it, to impose fresh direct taxation upon those who pay the land revenue in the Bombay Presidency, in some parts of which the incidence is already high.

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31. The measure to be applied to those intersted in the permanently-settled lands of Bengal and the North-Western Provinces may differ in details from what may be found suitable in the temporarily-settled districts of the Upper Provinces; but the general plan will be that of an addition to the local rates already levied. It seems unnecessary to advert to former discussions regarding the right of the State to impose rates upon the land, as taxation separate and distinct from the ordinary land revenue, in order to meet the natural growth of local or other requirements. These discussions, in regard both to the permanently-settled districts of Bengal and Benares, and to the temporarily-settled districts of Northern India, have been finally closed by distinct and positive decisions of Her Majesty's Government; and we are only concerned, here, to remark that, in the special case with which we are now dealing, the chief conditions which have been laid down regarding the occasions on which such cesses may rightly be levied, are satisfactorily fulfilled. It would be difficult to suggest any purpose for which cesses could be demanded with more absolute justice.

32. We propose therefore to levy, in addition to present local rates, a Special Cess to assist us in bearing the cost of Famines, which shall not exceed two per cent. upon the gross rental. It will not, we believe, be necessary everywhere to press the amount of this extra cess up to the maximum, moderate as this will be: but we think it better to fix the Cess at once at a rate which will certainly yield as much as we are likely to need, rather than to run any risk of having to enhance it hereafter in consequence of under-calculation. If, as we anticipate, the whole amount be not actually required, relief can be afforded either by a general reduction of the rate, or by the complete exemption of those who pay less than a certain rent. The details of the measure will be settled in consultation with the local Governments, and a Bill, providing, as its main feature, for the addition of a Cess upon those interested in land not exceeding two per cent. of the gross rental, for the specific purpose of providing the Government with the means of meeting expenditure and loss of revenue resulting from famine, will shortly be submitted to Your Lordship in view to the necessary legislation being undertaken as soon as possible after the Legislative Council assembles in Calcutta.

33. By the several measures which we have now described, *viz.*, by the extension of the Provincial system, by a tax upon non-agricultural occupations, and by a Famine Cess to be levied from agriculturists, we are confident that the entire sum of 1½ million which is required yearly will be obtained without serious inconvenience or hardship to the people.

34. Of the 1½ million so raised, half-a-million, as already said, will, we hope, be available for carrying on administrative and fiscal reforms. The remaining million will supply the principal additional means which we require to bear the expenditure and loss of revenue entailed by famine. In years when there may be no such demand upon the public Treasury, this million will, like ordinary surplus revenue, be either employed in the reduction of debt, or invested in reproductive public works. Then, when famine occurs, we shall be able, without any permanent addition to our debt, to meet the necessary expenditure and loss of revenue, to the extent to which surplus has been thus applied and interest saved.

35. The subject which we have been discussing is closely connected with important questions which have lately been under the consideration of Her

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Majesty's Government and of the Government of India. In your despatch No. 59, dated 25th November 1875, Your Lordship wrote:—

"There is a further point \* \* \* which should, in my opinion, be carefully considered by Your Excellency's Government before the questions that arise in connection with the occurrences of 1873-74 can be regarded as fairly met. I refer to the proper incidence of the charges that are necessarily incurred in providing for the requirements of the population of a district in a period of drought. However plain may be the primary obligation on the State to do all that is requisite and possible towards preserving the lives of the people under such circumstances, it would be most unwise to overlook the great danger of tacitly accepting, if not the doctrine, at least the practice, of making the general revenues bear the whole burden of meeting all local difficulties or of relieving all local distress, and of supplying the needful funds by borrowing in a shape that establishes a permanent charge on the general revenues for all future time. In Bengal, where (as the Lieutenant-Governor observes in reference to the obligations of the Government in relation to emigration) the beneficial interest of the Government in the land is limited by the permanent settlement, these considerations are of special and more pressing application.

"The question which is thus raised, of how to make local resources aid in meeting local wants, is, no doubt, one of great difficulty and complexity, particularly in a country like India. But the difficulty of providing any satisfactory solution of it should not be allowed to obscure the perception of its vital importance to the future well-being of the country, as well as of the troubles to the Government and the demoralisation of the people which must necessarily result from postponing too long the introduction of some system under which shall be suitably recognised the undoubted responsibility which rests on the people themselves to provide for their own support and well-being. The duty of the State does not extend further than to see that the needful means are supplied for giving effect to this principle, and for distributing the local burdens arising from its practical application in the manner which shall be most equitable and least onerous to those who have to bear them.

"I commend these grave questions to the careful consideration of Your Excellency's Government, and I shall hope to receive in due course an expression of your opinion as to the most suitable means of introducing, by degrees and with caution, measures which shall have for their result the attainment of the important objects to which I have referred."

In our instructions to the Honourable Sir Richard Temple, No. 45, dated 16th January 1877, regarding the scarcity in Madras and Bombay, we strongly insisted on the necessity of carrying out the principles thus laid down by Your Lordship; and in your despatch No. 24, dated 15th March 1877, you again assured us that, in applying those principles, we might count on your cordial support

36. By the plans which we have proposed, and by those to which we shall presently allude, we believe that we shall carry out in the most convenient manner that is practicable, the policy which Your Lordship has enjoined upon us, and which has our complete concurrence.

A rule that every Province shall meet hereafter, from its own separate resources, the whole cost of each particular famine by which it may be attacked, could not be enforced. Under the scheme which we desire to adopt, every part of the country will, through the License Tax and the Special Famine Cess levied upon it, contribute towards a sort of Mutual Assurance Fund, which will be available, when necessary, for the benefit of the people on whom the calamity of famine may actually fall. While, however, we believe that these are the means by which the greater part of the cost of famine should be met, we feel that it is a matter of urgent necessity to give to the local Governments and local officers, with whom must always rest the main responsibility for the actual measures of relief, real and practical incentives to wise and economical management.

These incentives would be lost if we were to throw upon a General Assurance Fund, such as that of which we have spoken, the whole cost of Famines. "When," as we wrote in our instructions of 16th January just referred to, "local Governments and local officers understand that the inevitable consequence of unnecessary expenditure will be the imposition of heavy burdens upon their own people, and not upon those of other provinces, a powerful and most useful check upon extravagance will have been established."

37. We have, for these reasons, not proposed to raise, by general taxation, a sum sufficient to cover the whole of the charges, for which, according to our estimate, provision must be made, and we think it necessary to impose upon each Province a liability to separate and additional burdens, the amount of which shall be regulated, as closely as possible, by the actual expenditure when famine occurs.



The provision of one million a year 'which we have proposed falls considerably short of the total sum which, we anticipate, may be actually required.

Accts Pro, April  
1878, No 22A.

We reserve, however, for future separate consideration the question how these special local contributions shall be regulated in Provinces where famine actually takes place.

It is probable that the most convenient means of obtaining the necessary addition to the Provincial Revenue will ordinarily be found by making some increase to the license duties, and to the general famine cess on the land.

38. It must not be overlooked that an indirect check of no small importance will be bequeathed to the local Government by every famine which is managed prudently, upon the principles which experience has now proved to be sound. One result of such a famine ought to be this, that valuable additions will be made to the remunerative public works in the Province where it occurs. Under existing arrangements, the cost of completing, maintaining, and repairing such works falls upon provincial resources: and, as works of this kind often yield no adequate return for some time after their completion, local Governments will have a direct inducement to carefulness in the choice of the works to be undertaken and to economy in the expenditure upon them. On the other hand, it is satisfactory to know that every famine, wisely administered, will leave behind it works which will tend to make similar future calamities less serious and less costly.

39. We have, in this despatch, more particularly referred to those funds which must be supplied through the Imperial Treasury. But we think it necessary to make it emphatically clear that it is no part of our policy to relieve local or Provincial Funds from any of the burden which, in times of famine, they now bear. As regards these funds, we do not propose to depart, in any way, from the established principle that distress should first be met from local resources so far as is possible; that district resources should only be responsible when local resources fail, provincial resources when district resources fail; and imperial resources last of all.

40. We have now laid before Your Lordship our plans for placing the finances of British India upon a sounder footing. It is, of course, clear that, in a year like this, when the general and alarming failure of the monsoon rain threatens to produce a calamity, the magnitude of which cannot yet be foreseen, difficulties may arise which may render new taxation impossible. In such a case, the complete or even partial execution of the measures which we have described may be rendered impracticable during the present year; and it may be necessary to await a return of prosperity before they can be put into force. But, if there should be no impediment of this nature to their early enactment, we deem it to be of great importance that the Bills which we propose to introduce should be submitted for the consideration of the Legislative Council as early as possible after the return of the Government to Calcutta.

No. 14, dated 27th September, 1877.

No. 8.]

*From—The Government of India,  
To—The Secretary of State for India.*

In continuation of our Despatch No. 246A., dated 16th August 1877, we have the honour to forward herewith two Draft Bills\* providing for the levy of a License Tax upon Trades and Dealings, and of a Famine Cess upon land not exceeding 2 per cent. of its annual value.

Accts Pro, April  
1878, No. 111.

\* Deposited.

2. In paragraph 24 of our former Despatch, we gave our reasons for preferring that the License Tax should be, as far as possible, imposed by Local Legislation. Accordingly, the Draft License Tax Bill applies only to those Provinces which have no independent Legislatures. In preparing this measure, we have adhered to our intention of following the model of the North-West Provinces License Act, 1877. This Act is understood to be working with fair efficiency, and it is believed that its provisions will be found generally suitable, provided that separate Schedules are attached adapted to local peculiarities.

Accts Pro, April  
1878, No. 111.

3. The details of these Schedules will be settled in consultation with the Local Governments, upon the understanding that the fees shall nowhere, on the whole, be more burdensome than those shown in the Schedule already attached to the Bill herewith forwarded.

4. The other Draft Bill for imposing an additional Famine Cess upon the land applies only to the North-Western Provinces. Similar measures in extension of the Local Rates Acts applicable to Oudh and the Punjab will be necessary; but as they will resemble the North-Western Provinces Bill in all essential particulars, we apprehend that it is not necessary to forward them, at this stage, for Your Lordship's assent.

5. For the same reason, we do not trouble Your Lordship with drafts of the measures which must be passed for Assam, the Central Provinces, Ajmir and Mairwhara and British Burmah, should we eventually decide to extend famine taxation to all these Provinces. If Your Lordship does not disapprove the measure drafted for the North-Western Provinces, we shall assume that you will consent to such needful legislation for other Provinces as we may eventually resolve to promote.

6. We may possibly find it convenient to take the opportunity of consolidating, in one measure with the proposed law, the several existing laws under which Local Rates are already levied; but this is a question of procedure and policy, which Your Lordship will doubtless be willing to leave to our discretion, upon the understanding that whatever new legislation takes place shall not, substantially, differ from the provisions of the Bill for the North-Western Provinces, which accompanies this despatch.

7. We have already explained that we desire to lose no time in introducing these Bills into the Legislative Council as soon as it meets in Calcutta.

8. The existing cesses upon the various interests in land in the Lower Provinces of Bengal are levied under Local Acts. We have reserved for discussion with the Honourable the Lieutenant-Governor the question whether the Famine Cess shall be imposed upon these Provinces by Imperial or Local Legislation. In any case, the Cess will not exceed in amount that which is designed for the North-Western Provinces by the Bill herewith forwarded.

No. 117A, dated 12th January, 1878.

No 9 ] *From*—C ROBERTSON, Esq., *Secy to Govt, North-Western Provinces and Oudh,*  
*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT*

Sep Rev Pro, April  
1878, No 117.

I am directed to acknowledge the receipt of your letter No. 21, dated 2nd instant, on the subject of the Bills for the amendment of Acts XVII and XVIII of 1871 (the Local Rates Acts for Oudh and North-Western Provinces), and to communicate the following remarks.

2. The Lieutenant-Governor, much as he regrets the imposition of additional burdens on the land, is compelled to admit that the proposed increase of the local rates is imperatively called for to meet the heavy expenditure that has been and may be incurred for the preservation of life threatened by periodically recurring famines; that the fairness of taking a contribution to meet these requirements from the agricultural community, which is the first to suffer in times of famine, is unquestionable; and that he is aware of no other form of taxation which he can suggest as a substitute. I am, therefore, to communicate His Honour's approval of the Bills in so far as they make provision for an increase to the rates, and the mode of disposing of the receipts.

3. His Honour also approves of the verbal amendments made by the Bills in the Acts of 1871.

4. There are, however, I am to add, other changes which the experience gained in the last six years of the working of the Acts has shown to be requisite if their object is to be satisfactorily accomplished, and His Honour would strongly recommend that the opportunity now offered when the Acts are under revision be taken to introduce the following amendments.—

5. The first amendment proposed is in section 11 of Act XVIII of 1871. One of the principal objects for which Acts XVII and XVIII were framed was declared in the Statement of Objects and Reasons to be to supplement the reduced grants made from imperial revenues for services transferred in 1870

under the decentralisation scheme to the control of the local Government. The Acts, therefore, provided that the rates should be expended for such objects as lunatic asylums, inspection of education, establishments for maintenance of roads, &c., which formerly were paid for from imperial revenues. It is manifest that in the case of institutions or establishments organised not for each district separately but for a division or the provinces generally, such as lunatic asylums, inspectors of schools, &c., the charge for maintaining them cannot properly be left to be provided for by each district committee separately. Such charges have been met in the North-Western Provinces by the exercise of the power conferred on the local Government by section 11 of Act XVIII of 1871. The expression "work" in that section has been understood (and His Honour believes rightly) to include any object or operation within the scope of section 10, but to remove all doubt, and to show that it is not used in the limited sense sometimes attached to it in official correspondence, His Honour would recommend that the section be amended so as to run as follows:—

"In the case of works, institutions and establishments of the kinds contemplated in section 10 which benefit more districts than one, the local Government may determine what proportion of the expense incurred thereon shall be borne, &c."

6. There has been less necessity for the exercise in Oudh of such a power as is conferred by this section on the Government of the North-Western Provinces; but cases have arisen there, and will arise again, in which it is desirable that the local Government should possess the power described in the section, and the Lieutenant-Governor would, therefore, add to the Oudh Act XVII of 1871 a section identical with section 11 as amended for the North-Western Provinces.

7. Sir George Couper is further of opinion that it is desirable that the power given for the North-Western Provinces by Act VII of 1877, and section 10 (b) of the new Bill (which supersedes that Act), *viz.*, to appropriate one-tenth of the rates for charges incurred in connection with canals and railways, should be given by the Bill amending Act XVII of 1871 in regard to local rates assessed in Oudh. His Honour has under consideration a scheme for making light railways in Oudh, which, if carried out, would confer substantial benefit on the province, and though it is not probable that for some time the power will be exercised of appropriating part of the local rates fund for such a purpose, it is advisable that it should exist and be recognised. Its exercise would, of course, require the sanction of the Governor General in Council.

8. Lastly, I am to observe that considerable difficulty has been experienced in carrying out the provision of section 12 of Act XVII (section 13 of Act XVIII), which directs that accounts shall be kept annually "*in each district.*" In lieu of this direction, I am to recommend that the section should run thus:—

"Accounts, &c., shall be kept annually for each district in such manner as the local Government may direct."

*Such accounts shall be sent to each local committee hereinafter mentioned for inspection and review.*

"An abstract," &c., as in the present Acts.

It is probable that His Honour the Lieutenant-Governor would direct the account to be prepared by the Accountant General, but this detail he would leave for future consideration and decision after consultation with that officer.

No. 119A., dated 12th January, 1878.

No. 10 ] From—C. ROBERTSON, Esq., *Secy. to the Govt. of the N.-W. Provinces and Oudh,*  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

With reference to your letter No. 2944, dated 31st December 1877, and No. 21, dated 2nd January 1878, on the subject of the Bill for the licensing of trades and dealings, I am directed to forward a copy of a letter from the Secretary to the Board of Revenue, North-Western Provinces, No. 22-VI-20, dated 10th instant, with enclosure, and to communicate the following remarks.

2. It will be convenient first to deal with the suggestions made by the Junior Member of the Board, and then to set forth the other amendments which the Lieutenant-Governor would recommend for the consideration of the Government of India.

Sep Rev Pro, April  
1878, No 118

3 *Section 4.*—Mr. Ricketts recommends a verbal amendment which, in His Honour's opinion, should be made.

4. *Section 5.*—His Honour concurs with the Junior Member in thinking that firms carrying on their business in different districts should be required to take out a license in each district in which a branch is located. If the Act were an Income Tax Act, this course would be open to objection; but being what it is, and as branch establishments occupy a place which, in their absence, would be filled by a licensable trader, it is fair to require a separate license to be taken out for each district. The fee for a branch might, as suggested by Mr. Ricketts, be half the rate fixed for the trade or dealing.

5. *Section 14.*—Under Act VIII of 1877, no appeal was allowed from the order of a Collector, and as His Honour has every reason to believe that the Collector's power was exercised judiciously, he would omit the section (14) which allows an appeal to the Commissioner, and make the Collector's order final. The system of appeals has hitherto been carried to too great an extent, and has occasionally interfered with efficiency of administration. To allow an appeal in regard to the Collector's assessment of the license tax would be a retrograde step, the necessity for which is not apparent. If the Collector can be trusted with the important functions he exercises in the administration of the land revenue, he may be relied on to give due weight to all the considerations that ought to be taken into account in determining the grade of a licensee. If the suggestion to omit section 14 is not adopted, it is recommended that the personal appearance of the objector before the Commissioner be made an indispensable condition of the hearing of the appeal.

6 *Section 16.*—Sir George Couper is unable to approve of the amendment in this section proposed by Mr. Ricketts, and would retain it as it stands in the Bill.

7. *Section 17.*—The provisions of this section meet with his Honour's approval.

8. *Section 18.*—His Honour thinks it desirable that it should be specified, as was done in Act VIII of 1877, what penalty may be imposed for non-production of a license, and by whom?

9. *Schedule, Class I.*—His Honour concurs in both the suggestions made by Mr. Ricketts and would enter in Class I—

Sugar manufacturers.

Tea-planters, who are manufacturers of tea.

10. The foregoing are the points noticed in the minute of the Junior Member; I am now to invite attention to the other amendments which His Honour would recommend.

11. *Section 1 and preamble.*—It is desirable to treat the provinces of Oudh and North-Western Provinces as an amalgamated province, and it is therefore recommended that section 1 be worded as follows:—

“Of the Lieutenant-Governor of the Punjab and the Lieutenant-Governor of the North-Western Provinces and Chief Commissioner of Oudh,” and that the preamble be expressed in the same way.

12 *Schedule, Class I.*—It appears to His Honour that the gap between the second and third grades in class I is too great. A fee of Rs 100 could be exacted only if a trader's earnings amounted to Rs. 5,000, and if they were less, he would have to pay only Rs 15; while if his trade fell in Class II, he might have to pay Rs. 75, Rs 50, or Rs. 25. Multiplication of grades is undesirable, but His Honour would decidedly recommend that there be an intermediate grade, with a fee of Rs 50 between those on Rs. 100 and Rs. 50.

13. *Schedule, Class II.*—His Honour would also recommend the specification of the following trades in Class II.—

Lenders of grain to agriculturists.

Auctioneers.

Coach-builders.

Tobacco-sellers.

Grain-sellers

Professional horse and cattle-dealers

One large section of the wealthy class of lenders escapes, because of the use of the word *money-lender*, viz., the class which makes loans in grain at exorbitant

rates of interest for seed, or the support of agriculturists and their families. Again, as the Bill stands, no dealer in grain, the most thriving class, could be taxed more than Rs. 5 unless he were a wholesale dealer. Sep. Rev. Pro., April  
1878, No. 118.

14. *Class III in Schedule.*—To the description of Class III, His Honour would add the following “and persons following trades or dealings entered in Classes I and II whose earnings do not amount to Rs. 750 in the case of the former, or Rs. 500 in that of the latter.” It may be intended by sections 12 and 13 that the Collector should have the power to assess in the third class, persons whose trades fall in Classes I and II, but whose earnings are less than would warrant the exaction of the minimum fee fixed for the class. It is absolutely necessary that this should be done (and it can be in the way suggested above), otherwise the men whose earnings are on a smaller scale than what is taken into account in fixing the class generally escape altogether, although they may be better off than the majority of those in Class III.

No. 22VI.-20, dated 10th January, 1878.

No 11.] *From*—G. Burr, Esq., *Offg. Secretary to the Board of Revenue, N.-W. Provinces,*  
*To*—The Secretary to the Government of the N.-W. Provinces and Oudh.

In reply to your letter No. 1A., dated 4th January 1878, Separate Revenue Department, and subsequent reminder, dated 7th idem, I am directed to submit copy of a Minute recorded by the Junior Member on the Bill for the licensing of trades and dealings in the North-Western Provinces and Oudh. Sep. Rev. Pro., April  
1878, No. 118

No. 12.] *Minute by the Junior Member of the Board of Revenue, North-Western Provinces*

NORTHERN INDIA LICENSE ACT, 1878.

*Section 4.*—Instead of “falls in any of the said territories” say “in any of the said territories falls.” In the draft “falls” is in the wrong place, away from its context.

*Section 5.*—Instead of taxing trades in that district only, where his principal place of business is, I would tax each branch, but at half rates, because it may be assumed that each branch is really a separate business, or it would not be in existence.

*Section 14.*—These taxes are best imposed by those who have local knowledge, and I would, on no account, permit an appeal. Some Commissioners will never be satisfied, unless they re-open every case, and criticise every order, and in fact dispose the whole tax themselves, to the great worry of the district staff, and increase of their work. I am sure this is not what is required, but I am certain it will happen if appeal is permitted. Act VIII worked well without this appeal.

*Section 15.*—Why give the Collector this power if you do not permit him to decide finally who is to be taxed? He should either have full power to tax or remit, or not have it in either case. If he is fit for the exercise of one power, he is equally so for the other.

*Section 16.*—If a trader carried on more than one distinct business, as many of them do, some as many as three or four businesses, I will tax him double, but not more.

*Section 17.*—The old Act VIII exacted a fine of double. I think three times is better.

*Section 18.*—There is no penalty for non-production of license, but there should be a penalty as in Section 15, Act VIII.

*Schedule, Class I.*—I would put “sugar manufacturers” as well as sugar refiners into Class I, the manufacturers are the richer of the two, and the two businesses are separate. If the same person carries on both, I would only tax him for one.

I would put tea-planters, who are tea manufacturers, into Class I; they can afford it better than the indigo-planters.

With these remarks I would accept the Act as it stands.

No. 371, dated 17th January, 1878.

No. 13.]

*Endorsed by the FINANCIAL DEPARTMENT*

Sep Rev. Pro., April  
1878, No. 120

Forwarded in original to the Legislative Department.

No. 128A., dated 15th January, 1878.

No. 14.] *From—C. ROBERTSON, Esq., Secretary to the Government, N.-W. Provinces and Oudh,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep Rev. Pro., April  
1878, No. 121

Unless the financial requirements of the Government of India be such as to render it impossible, the Lieutenant-Governor and Chief Commissioner would venture to suggest that the new famine cess on the land in the North-Western Provinces and Oudh be not imposed until the next agricultural year—that is, that it be not imposed on the approaching rabi harvest.

2 It is hardly too much to say that the last kharif harvest was a total failure; but, nevertheless, the people have been called on to pay the kharif instalments, and to do thus they have had no other resource than the money-lender.

3. It is to the rabi alone that they can look to recoup themselves, and, under the circumstances, the immediate imposition of the new tax will press on them very severely, for when we have collected all we can, there will still remain about two-fifths of the kharif balances to be made good from the rabi, and between four and five lakhs which we have advanced for the construction of wells and the purchase of seed will also have to be recovered out of the same crop. Moreover, although His Honour is not making capital out of it, but quietly meeting it from his own resources, there is in reality very sharp and increasing distress in the provinces generally. It may be noted besides that in point of fact it will be imposing the cess with retrospective effect, for all the arrangements between landlord and tenant with regard to the approaching harvest will have been previously made

4. For all these reasons, His Honour would submit that it would be both equitable and politic to postpone the imposition of the new cess until the commencement of the ensuing agricultural year, if the Government of India can by any means do without the money.

No. 372, dated 17th January, 1878.

No. 15.] *From—C. BERNARD, Esq., Addl. Secy to the Govt of India, FINANCIAL DEPARTMENT,  
To—The Secretary to the Government of the North-Western Provinces.*

Sep Rev Pro., April  
1878, No. 122

I am desired to invite your attention to the enclosed report\* of the  
\* N.B.—A newspaper report is sent, the official Proceedings of the Council of the Governor General for making Laws and Regulations at its meeting on the 16th instant. It will be observed that a question has been raised regarding the propriety or otherwise of proceeding without avoidable delay with the Bills now before the Council for imposing new taxation on the agricultural and commercial classes, and His Excellency the Governor General in Council will be glad to receive an expression of the opinion of the Lieutenant-Governor on the subject.

No. 19A., dated 19th January, 1878.

No. 16.] *From—C. ROBERTSON, Esq., Secretary to the Government, N.-W. Provinces and Oudh,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep Rev Pro., April  
1878, No. 123.

In reply to your letter No. 372, dated 17th instant, I am desired by His Honour the Lieutenant-Governor to submit the following observations

2. His Honour perceives from the report to which his attention has been called, that at a late meeting of the Legislative Council in Calcutta, the Lieutenant-Governor of Bengal expressed a hope that no unnecessary delay would occur in passing into law the Bills introduced for the purpose of imposing fresh taxation. Although this view appears to have been generally accepted in regard to the License Bill, doubts were expressed at the Council whether any similar necessity for avoiding delay existed in regard to the Bill imposing

additional rates in the North-Western Provinces. While Sir George Couper entirely concurs in the reasons which have been given for passing the License Bill with as little delay as practicable, he thinks that in these provinces the necessity for avoiding delay is, if possible, even greater in the case of the Bill imposing additional rates upon the land. The license tax is here no novelty, and the Bill now before the Council is merely an extension of the existing law contained in Act VIII, 1877. The public, therefore, takes comparatively little interest in the Bill. If, however, the Bill imposing additional rates on the land should be postponed, the commercial as well as the agricultural community will be thrown into doubt and uncertainty regarding the measures which the Government intends to adopt. It has been announced, as an essential principle of the new scheme of taxation, that the burden of providing against famine must be borne, so far as may be, equally by the commercial and agricultural classes. If the commercial classes now begin to think that the agricultural classes may possibly be exempted from further taxation, they will at the same time begin to suspect that there is an intention of placing additional burden upon them alone, and the Lieutenant-Governor would much regret to see anything done which might possibly lead to such a result. The effect of delay would, in His Honour's opinion, be still more mischievous in regard to the agricultural classes. They now know exactly what is proposed, and the burden placed upon them by the Bill before the Council is so small that it cannot lead to any serious dissatisfaction. The case may be very different if cause is given for the suspicion that no final conclusion has been formed in regard to the amount of new taxation to be imposed. And I am to point out that it must in no way be assumed that such suspicions will take the form, in the minds of the agricultural classes, of hopes that they may escape further taxation. It is perhaps more likely that they may suppose that the burdens to be imposed upon them will be increased.

3. Further, the amendments which have been suggested by this Government in Acts XVII and XVIII of 1871 are urgently required to put the expenditure of local rates upon a proper and legal footing; and for this, if for no other reason, the Lieutenant-Governor would deprecate any delay in carrying the proposed measures into effect.

4. It is obvious to remark that if in any province or district the Government of India, for any special reason, see fit temporarily to postpone taking action on the proposed Bill when passed it can do so. What His Honour contends for, is the principle that the non-agricultural and the agricultural classes shall, with the view of meeting exigencies caused by famine, be treated alike and called upon to contribute equally to the public necessity. It is, moreover, of the highest importance that both classes should know exactly how the Government proposes to deal with them, and these objects can only be attained by passing both Bills together and without delay.

5. The foregoing conclusions apply, for the most part, as much to Oudh as to the North-Western Provinces.

No. 707, dated 2nd February, 1878.

No. 17.]

Telegram from—SIR JOHN STRACHEY,

To—The Lieutenant-Governor, North-Western Provinces.

Do you still propose that no person whose annual earnings are less than two hundred rupees shall be liable to License Tax?

Sep Rev Pro., April  
1878, No. 125

No. 959, dated 14th February, 1878.

No. 18.]

From—C. BERNARD, Esq., *Additional Secy. to the Govt of India*, FINANCIAL DEPT.,  
To—The Secretary to the Government of the North-Western Provinces and Oudh.

The Honourable the Lieutenant-Governor will have observed that the North-Western Provinces and the Oudh Local Rates Acts\* were passed on the 9th

\* Acts III and IV of 1878.

Sep Rev Pro., April  
1878, No. 126.

January. I am now directed to explain the reasons why the Legislature was not moved to meet the wishes of the local Government in regard to the amendment of the law under which the existing local rates are levied.

Sep Rev. Pro., April  
1878, No. 126

2 Your letter No. 117A., dated 12th January, suggested—

- (a) That Section 11 of Act XVIII of 1871 should be amended so as to permit the expenditure of the local rates of a district on works, institutions and establishments which benefit more districts than one;
- (b) that similar power should be taken in regard to the Oudh local rates established by Act XVII of 1871;
- (c) that the clauses of Acts XVII and XVIII of 1871, which require that accounts of the local rates be kept *in each district*, should be modified;
- (d) that the new Oudh Local Rates Act should contain a provision similar to that in Act VII of 1877, permitting the local Government to appropriate one-tenth of the local rates for charges connected with provincial canals and railways.

3. His Excellency the Governor General in Council gave full consideration to the wishes of the local Government for the amendment of the law in these respects. But it was found that no proposal for such amendments was contained in the Bills, which had been submitted to, and approved by, Her Majesty's Secretary of State. No material alteration of the kind proposed could have been made without previous reference Home. The need for the early passing of the Taxation Bills was, as represented in your letter No. 19A., dated 19th January, considerable. Accordingly, it was decided to ask the Legislature merely to re-enact the old substantive law, and to impose the new famine insurance rate.

4. The only exception to this course was in the case of the suggestion (abstracted as (d) in the second paragraph of this letter) for permitting the appropriation of ten per cent. of the Oudh local rates to local railways and canals. Such appropriation had already been sanctioned for the North-Western Provinces. The circumstances and requirements of Oudh are similar to those of the North-Western Provinces; and accordingly, as explained in Sir John Strachey's third speech at the meeting of Council on the 9th February, it was considered possible and expedient to act at once on the Honourable the Lieutenant-Governor's recommendation for permitting the appropriation of ten per cent. of the Oudh local rates to the objects described above. And the necessary provision was made in Section II of Act IV of 1878.

No. 7, dated 4th January, 1878.

No. 19.]

From—The Government of India,  
To—The Secretary of State for India.

Acts Pro., April  
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We now have to report, for the information of Her Majesty's Government, the steps we have taken consequent on the receipt of the telegram of the 23rd October last, conveying to us the conclusions Your Lordship in Council had adopted with reference to our Financial despatches, No. 246A. of 1877, and No. 12 (Salt) of 1877, dated the 16th August last. Copies of the proceedings in the Legislative Council of the Governor General on the 27th December last,

\* Deposited

and of the Taxation Bills\* then introduced, are appended; among these papers will be found reports of the speeches of His Excellency the Viceroy, Sir John Strachey and the Lieutenant-Governor of Bengal, regarding the measures by which the Government of India proposes to provide the additional resources required to enable it to meet expenditure for the relief and prevention of famine. Those speeches have given a full statement of the nature of these measures, but there are some points on which we desire to offer to Your Lordship further explanations.

2. During the period that has elapsed since the despatches of August last were written, we have carefully reconsidered the whole of the proposals they contained, more particularly with reference to the fear expressed in Your Lordship's telegram, that the imposition of disproportionate burdens upon the agricultural class might create groundless doubts as to the security of the settlements of the land revenue. This reconsideration has led us to introduce several important modifications into our proposed plan of operation, which we confidently anticipate will be found to have rendered our measures more acceptable



to the local Governments, on whose hearty co-operation their success necessarily depended, as well as to the public; and at the same time to have removed from them all appearance of disregard to the obligations imposed upon the Government by the settlements of the land revenue.

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3. As Your Lordship will be aware, under the arrangements made at the commencement of the present financial year, to the main principles of which we were glad to receive the cordial sanction of Her Majesty's Government in your Financial despatch No. 323 of the 12th October last, the Lieutenant-Governor of Bengal introduced into his Council a measure for raising an additional cess upon the land in Bengal, to provide funds by aid of which he should be enabled to accept the responsibility of meeting the charges that had been placed on the Imperial Revenues by reason of the great Irrigation Works undertaken in this Province during the last ten or twelve years, as well as those that might arise in the future from similar works, or from the construction of the minor lines of Railway of provincial interest which had already been begun, and the necessity for the extension of which became daily more obvious.

4. A somewhat similar arrangement was at the same time made with the Government of the North-Western Provinces; but in this case the necessary additional means were supplied to the local Government by the imposition of a light Trade or License Tax, and by authorising the application to works of Irrigation and Railways, which would be of permanent utility to the province as a whole, a portion of the then existing local rates on land, which, under the Law as it before stood, could only be appropriated within the districts in which they were raised.

5. The principal objects which we sought to secure by the proposals made in our two despatches of the 16th August, already alluded to, were to complete the Financial measures required for extending the arrangements already concluded with Bengal and the North-Western Provinces, to all the other Provincial Governments; while such an addition should be made to our general resources as would supply the means of meeting the heavy liabilities thrown on the Revenues by the recurrence of famine, and provide a sufficient surplus, to cover the unexpected demands that so frequently arise in excess of the estimated annual charges.

6. We also desired to carry out, in combination with these measures, certain modifications of the Salt duties which should lead up to the eventual equalisation of these duties in all parts of India, and the abolition of the Inland Customs Line, the urgent obligation to effect which great reform has been so long recognised, and so often postponed.

7. Those proposals having been generally accepted by Your Lordship in Council, subject to the caution to which allusion has been already made, we have now taken the first steps for carrying them into effect, after introducing the modifications to which we have referred, and which we shall now more particularly explain.

8. A reference to the first of our despatches, No. 246A. of the 16th August, before noticed, will show that our original proposal contemplated the provision of a total sum of  $1\frac{1}{2}$  millions, in addition to the existing revenues; of which one million was said to be required to supply, in part, the demands on account of famine expenditure, and half a million to provide a tangible surplus. The whole sum which we named as likely to be needed on account of famines was  $1\frac{1}{2}$  millions; but we then thought it might be better to be satisfied, for the present, with one million, and to rely for the remaining half-million on the enforcement of provincial liability, that is, on provincial taxation, when famine actually occurred.

9. We further pointed out that the arrangements, begun in March last, for the extension of provincial financial responsibility, which have subsequently been carried further, would improve our position without additional taxation to the extent of £400,000; while new taxes, imposed in consequence of these arrangements, gave an increase of income of £300,000, making together £700,000. This left £500,000 still to be provided to supply the whole sum of  $1\frac{1}{2}$  millions said to be needed.

Para. 10

Para. 11.

Para. 12.

Para 37

Para. 16.

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10. The first modification of our views had reference to the amount to be now raised to meet famine requirements. We have thought it right to make provision at once for the full amount of  $1\frac{1}{2}$  millions, instead of asking for one million only at present, and relying on future taxation to supply the residue. While we still feel that it is very necessary to give practical incentives to economical local management, we are of opinion that this must be sought otherwise than by special taxation at a time of famine. Such a time would not be one in which we could practically impose additional burdens, and it is during periods of comparative prosperity that we must obtain the means of discharging debt incurred in time of distress, and of providing funds for the prosecution of protective works. Moreover, it is apparent that measures of taxation having for their object the provision of resources to meet the expenditure incurred, or to be incurred, for the prevention or relief of famine, would be accepted much more readily at the present time, than if they were postponed till the remembrance of the late great calamity had passed away.

11. The sum which we consider necessary as an addition to the Revenues to furnish a sufficient surplus we continue to reckon at half a million.

12. Proceeding, as before, from the position that £700,000 has already been secured by the measures taken in the earlier part of the present financial year, we arrive at the conclusion that, to make up the famine requirements alone, a sum of £300,000 will be needed.

13. Our former proposals which contemplated raising  $1\frac{1}{2}$  millions for the combined requirements of famine wants and a sufficient surplus, also had in view the imposition of new taxes to the extent of £800,000, which were to have been distributed in equal proportions on the trading and agricultural classes.

14. On reconsideration we found that, by altering the form of the proposed License Tax, and adopting the system of graduated assessments in the manner suggested in Your Lordship's Legislative despatch No. 55, dated 25th October last, its productiveness could be much increased, while, at the same time, it would be rendered more equitable. We were also led to the conclusion that the proportion of the burden first proposed to be put on the land was unduly high, Bengal having already contributed its due share, through the additional taxation imposed in the present year. We have consequently thought that, in distributing the sum of £800,000, which, as already explained, we now consider necessary to meet the famine requirements, the land should not be required to supply more than £150,000, the residue, £650,000 being provided by the License Tax. Combining this new taxation with that previously imposed in the present financial year, the total burden placed on the land may be taken at £425,000, and that placed on traders at £675,000, or, in all £1,100,000. The remaining portion of the  $1\frac{1}{2}$  millions being provided, as before stated, by the provincial arrangements, without taxation.

15. In arriving at these results, we were chiefly influenced by the following considerations.

16. As stated at length by Sir John Strachey, it is mainly on the agricultural and trading classes that the dangers arising from famine press. These, too, are the classes which derive special advantage from the rise of prices that attends a time of scarcity, when the producing and trading community greatly benefit in the districts where the food-crops have not failed. The class with incomes that are fixed, is that which least calls for relief in time of famine, although it suffers severely from high prices, with almost no power of obtaining a set-off such as the producing and trading class can secure.

17. As regards the trading classes, we felt that it was notorious that they were the least heavily taxed portion of the population; while they derive special benefit from our improved administration, and from the public works provided at the cost of the country at large. We consequently have thought it only fair to apportion to them a somewhat larger share of the new taxation than that allotted to those interested in the land. The class with fixed incomes, consisting mainly of professional persons, will not come under the proposed License Tax.

18. We have given anxious attention to the obligation that was imposed upon us, to avoid carefully anything that might have the effect of unduly weighting the land; and the principles laid down by the Duke of Argyll on the subject of levying rates upon the land have been scrupulously guarded by us.

Sir John Strachey took particular care to show that this very important point had been attended to; and he explained how the course we have followed in this part of our measures was in exact conformity to the opinions that have been expressed by Sir William Muir, and that this affords a sufficient guarantee that the obligations involved by the settlements of the land revenue have not been overlooked or undervalued by us.

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19. The consequence of this reconsideration of our proposals has been, that we have not imposed any additional rates on the land in Bengal, its due proportion of the whole amount it is now necessary for us to obtain being contributed by the cess already imposed in consequence of the measures resolved upon in March last. The License Tax will place on the trading classes in this province an approximately equal burden. A copy of our letter to the Government of Bengal, authorising the Lieutenant-Governor to introduce into his Council a Bill for imposing a License Tax in Bengal, is appended to this despatch. The Lieutenant-Governor's speech in the proceedings of the Legislative Council on the 27th December contains a statement of the purport and objects of the Bengal Bill.

20. In the North-Western Provinces, the License Tax imposed in March will be extended so as to bring the richer classes more equitably under contribution, by graduated assessments, than was done by the more partial measure adopted in the spring. A fairly equivalent cess will be raised from the land. Here, also, the burden of the additional taxation will be as equally distributed as is practicable.

In the other provinces of Northern India, the Punjab, Oudh and the Central Provinces, in which no action has yet been taken, the simultaneous application of the additional Land Cess and License Tax will also effect an equitable distribution of the burdens on the agricultural and trading classes.

We are not in a position to say at present whether the additional taxation which is proposed for other provinces should be extended to British Burmah and Assam. On this subject it will be necessary for us to communicate further with the local Administrations.

21. This disposes of that part of our measures which have for their object the provision of the  $1\frac{1}{2}$  millions required to meet famine expenditure.

22. We now pass to our despatch No. 12 (Salt), of 1877, and shall proceed in like manner to explain the modifications that have been made in the proposals contained in it, the causes that led to them and their financial bearing.

23. The main scope of our first proposals was to make an increase to the Salt duties in Madras and Bombay, raising the present duties to two rupees eight annas per maund—estimated to give an addition to our revenue of £500,000—and to abandon the Inland Customs Line, and, with it, the Sugar duties, whereby we should sacrifice £165,000, leaving a net increase amounting to £335,000.

24. We explained that this proposal had no special relation to the provision of additional revenue, and that the increase of the Madras and Bombay duties, which had been for some time past resolved upon, was still to be regarded as the means of facilitating the equalisation of the Salt duties, which object it would have been impracticable to attain otherwise. At the same time we pointed out that, if this measure were carried out now, instead of being postponed for a limited period—one or other of these courses being inevitable—it would enable us to dispense with the present imposition of any additional rates on the land in these two provinces, a relief which justice to other parts of India at a time of placing additional burdens upon them could hardly have permitted us to grant otherwise.

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25. This conclusion still appearing to us to be sound, we saw no reason for departing from it. But the question still remained, to which allusion was made in our despatch already referred to, whether or not the districts of Madras had so far recovered from the effects of the late calamitous drought, as to remove objections that might on that ground have existed to the carrying out of the projected measures at the present time.

26. It was obviously impossible that any publicity should be given to our intentions with regard to these Salt duties until the moment for actual action had arrived. At the same time, it seemed to us of much importance that, if

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it could be so managed, our announcement of our Financial policy should be complete, and should leave nothing to create in the public mind anxiety as to the possibility of any further taxation or other measures, affecting commercial or other interests, being brought forward later in the year.

27. But while this was the case, we were bound, in justice to the Madras Government, not to ask it to come to a conclusion sooner than was really necessary. We consequently postponed enquiry as to this matter as long as was practicable; and we finally left it to that Government to decide whether or not there was any valid reason for delaying action for a few months, the general

policy being necessarily accepted. The decision\* of the Madras Government was that no such reasons existed, and the Bombay Government having concurred, the immediate raising of the duties in these provinces was resolved upon.

28. Under the circumstances we have explained, only a few days remained from the receipt of this decision of the Madras Government to the date which we had fixed for making known the rest of our policy as it affected the other parts of India. Hence an immediate resolution had to be taken, as to the manner in which this increase of the Salt duties in Southern India should be made to fit into our other arrangements.

29. Your Lordship will call to mind that, when our letter of the 16th August last was written, we contemplated the abolition of the Sugar duties simultaneously with the raising of the Madras and Bombay Salt duties. But the negotiations with the States of Rajputana are still in a position that renders it impossible to remove the Customs Line at present, and consequently the immediate removal of the Sugar duties is no longer obligatory.

30. A review of the position, therefore, showed us that three courses were open to us:—either to make the addition to the Salt duties in Southern India, with no sacrifice of other income; or to combine that addition with the removal of the Sugar duties as first proposed; or, instead of the Sugar duties, to remove a portion of the higher Salt duties in Northern India and Bengal. The course that we have actually adopted was the last of these, for reasons that we shall now explain.

31. If we had simply raised the duties in the South with no countervailing reduction elsewhere, the sincerity of our frequently alleged motives for dealing with the duties, and of our declarations that we were not influenced by a desire for increased revenue, would have been seriously discredited. The disregard of promises of equalization made for many years in succession, fulfilled, not by a reduction, but by an actual addition, must have been ill-received; and our position towards the Madras Government would have become one that we could not accept, after having distinctly informed that Government that our policy was not based on a desire to obtain increased revenue. Nor, indeed, would such a course have been in accordance with the spirit of the proposals approved by Your Lordship. Those proposals, we would repeat, were essentially framed so as to contain in them a decisive recognition of the great principle that our main object was not increase of revenue. To abandon the part of the plan that gave evidence of this recognition, would, in our estimation, have been to introduce a fundamental change, which we should not have felt it right to make without reference to Your Lordship, even if we had thought it to be desirable in itself.

32. Discarding this course, therefore, and bearing in mind that our original proposals to Her Majesty's Government had only contemplated a temporary additional income of £335,000, we next considered whether, under the altered conditions of the problem, it would be more politic to give proof of our real intentions by the sacrifice of Sugar duties, amounting to £165,000, or by an approximately equivalent reduction of the Salt duties in Bengal and Northern India.

33. On the one hand, the Sugar duties, though no doubt highly objectionable on all proper economical principles, and obstructive to the commerce and agriculture of the North-Western Provinces, yet are without doubt, to a great extent at least, borne by the people of Rajputana, who pay for the taxed sugar. On the other hand, the reduction of the Salt duties would give immediate relief to a tax on one of the chief necessities of life to the entire population of Northern India, from the Indus to the Bay of Bengal, amounting to

130 millions of our own subjects. But more important than this was the obvious considerations that the most certain proof of our real intention of reducing these duties was to make an actual reduction, and no longer merely to talk of it.

34. We therefore resolved to diminish the duties in the Upper Provinces by four annas a maund and in Bengal by two annas a maund, thereby giving up a sum of about £200,000, and reducing the net produce of the augmentation in Southern India to £300,000, instead of £335,000 as originally suggested.

35. It is not necessary for us to refer in detail to the reiterated injunctions, conveyed to us by Your Lordship and Your Lordship's predecessor, as to the great importance of giving effect to this reform—injunctions that have now extended over a long series of years, and we will only express our gratification that so important a step in carrying out this long-desired object has at length been taken.

36. The sum of £300,000 thus having been obtained out of £500,000 by which we hold that the revenues should be improved to secure a sufficient surplus after meeting the ordinary demands upon them, it would appear that there still remained an uncovered deficiency of £200,000. But we will remind Your Lordship that we are not now framing the budget estimate for the coming year, but only making provision for that permanent increase of resources which we consider to be unmistakeably necessary at the present time.

37. From what has gone before it will be apparent that the additional income we hope to secure from the Salt duties is in no sense a permanent addition, but is destined, at the earliest possible opportunity, to be given up, with a view to the complete equalization of these duties all over India. Nor should we have been justified, when proposing fresh taxation, to omit from our consideration what we believe to be thoroughly well-established, that we may confidently rely on a steady increase of the general revenues. We consequently accept, for the present, this normal growth of the income as a sufficient security for making good our desired surplus of £500,000. We trust, also, that we may thus find the means at no distant future of accomplishing the abolition of the North-West Sugar duties, the equalization of the Salt duties and other desirable fiscal reforms.

38. Having now explained the form which we design to give to the new taxation, it remains for us to indicate the manner in which we contemplate that the funds so created shall be applied, and the objects that we hope to secure by their application.

39. In the first place, however, we would observe that throughout our proceedings in connection with the recent famine, we have kept in mind the views expressed by Your Lordship, when writing of the Bengal famine, in your Revenue Despatch to our Government, No. 59, dated 25th November 1875, as to the obligations of the State in respect to the preservation of the lives of the people in time of famine, and the correlative responsibility that rests on the people themselves to provide for their own support and well-being. As Your Lordship then remarked—"The duty of the State does not extend further than to see that the needful means are supplied for giving effect to this principle, and for distributing the local burdens arising from its practical application in the manner which shall be most equitable and least onerous to those who have to bear them."

40. Acknowledging the obvious impossibility of at once creating a system that shall give full satisfaction to these demands, and feeling that this can only be accomplished in the light of prolonged experience, and possibly after more than one effort in a direction that may hereafter be found to have been erroneous, we have nevertheless not hesitated to take the steps which at the present time seem to us best suited to lead us to the end in view. We have therefore proposed to establish what we may term a system of mutual assurance, under which all parts of the country, while primarily responsible for supplying the wants which arise within their own area, shall contribute towards relief of other parts on which famine may actually fall. With this view the new taxes will be imposed provincially, and they will so far as possible be applied provincially to the object for which they are intended. How this may be attained without sacrificing the paramount interests of the general Government, which require that the special resources now created shall be at the complete command of

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the Government of India, to be applied in discharging obligations arising from the dead-weight of unfruitful famine expenditure, we shall next explain.

41. There is hardly any part of India of which it may not be said that at one time or other the wants of the people in time of famine either have led or may lead to large expenditure, the effects of which must weigh permanently on the finances of the empire. There rests therefore on all parts of the country an obligation to join in removing this weight, which, when it disappears, will leave the country with increasing means of obtaining further protection; then, too, the action of the State may, we hope, lose that fatal character of vacillation which it is impossible for us not to recognise in the history of this branch of Indian administration, and which was indeed inevitable so long as the financial basis for that action was insufficient.

42. We have, then, to apportion to the several provinces a share of the general burden due to famine requirements commensurate with their power of bearing such burden. Also, so far as possible, to connect their several contributions with any special charges that have arisen, or may arise, from expenditure on public works or for other purposes incurred for the relief or prevention of famine. This course we have already followed in extending the provincial financial system in Bengal and the North-Western Provinces. Should such a plan be anywhere found inapplicable, a direct contribution from the Provincial to the Imperial revenues will be required, and, by the combination of the two methods, relief to the revenues will be afforded to the full extent that is called for.

43. The sum thus to be provided being  $1\frac{1}{2}$  millions yearly, the general result will be that our estimates in future should provide for the application of this amount year by year, either to the direct extinction of debt, or to the prevention of the increase of debt to the same extent, so long as we continue to borrow money for the prosecution of productive works.

44. It will place this subject in a clearer light if we for the moment look to the financial results of our measures as a whole, without introducing the provincial idea at all.

45. If we apply  $1\frac{1}{2}$  millions yearly to the direct extinction of debt, we obtain relief to the extent of, say, £60,000 a year by the saving of the interest, and at the end of 10 years we should be in a better position to the extent of £600,000 a year. If the necessity for borrowing to meet famine charges then arose, we could again add to our debt to the extent of 15 millions, without bringing ourselves into a worse financial position than that from which we had started, and during the interval we should, besides, have been placed in possession, year by year, of a steadily increasing sum available for further discharge of debt, or for administrative, fiscal, or material improvements.

46. A practically identical result would follow from the other course alluded to. Experience, now sufficiently prolonged, has shown satisfactorily that the gradual growth of the income of the reproductive public works undertaken of late years has been sufficient to cover the interest charge that has simultaneously arisen on the sums borrowed to supply the capital required for the execution of these works, which has amounted on the average to between 3 and 4 millions yearly. The arrangements with the local Governments, made or to be made on the plan initiated in March last, will have the effect of protecting the Imperial Treasury from all future charges on account of interest on the capital invested in the various works already carried out for the purpose of giving increased facilities for transport or irrigation.

47. The extension of this system in the future, as we contemplate, will secure a similar result as regards future outlay on such works. In other words, the provincial revenues will have to supply a sum, equal to the interest on all fresh capital thus expended, which, if the works be judiciously designed, executed and managed, will be provided by the income they produce. The obligation thus imposed on the local Governments must, we think, have the effect of ensuring greater care in the selection of projects for execution, and greater care also in watching and developing the revenue to be obtained by the investments. So that we can see no reason for anticipating in the future any worse result than that which has followed our operations in the past, but rather, on the contrary, more favourable results may be expected. On the whole, not only should the necessary sum be provided without further taxation, but after

meeting all charges, a surplus of income should be forthcoming, which would add to the provincial resources.

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48. Consequently, we hold that, if without increasing the total sum which we have been in the habit of spending on reproductive works of late years, we supply, say,  $1\frac{1}{2}$  millions yearly from the new taxes, and reduce the sum to be borrowed year by year by an equal amount, we may reasonably expect that the provincial revenues, to which the growing income of the works will be constantly added, will be able to supply the whole sum required to pay interest at the normal rate, say, 4 per cent. on the whole of the capital investment, including both that obtained by borrowing and that taken from the new taxes. Thus, at the end of ten years, on such a hypothesis, suppose that 15 millions had been borrowed and 15 millions applied from the new taxes, or in all 30 millions, the income of the works would have increased by at least £1,200,000, a sum sufficient to cover the interest at 4 per cent. on the whole capital; and of this £600,000 being required to discharge the interest on the debt created, the remaining £600,000 would be at the disposal of the Government, giving an increase of resources identical with that obtained by the direct discharge of debt.

49. The soundness of this argument, of course, depends on the assumption that the local Governments will be able to meet the obligations that it is proposed to impose on them of making good to the Imperial Government year by year a *bonâ fide* increase of revenue, or reduction of charge, equal to the interest on the amount supplied to them for works of improvement from the new taxes. We see no reason to doubt the practicability of ensuring such a result, and it would, at all times, be in our power to refuse grants from the newly-created resources, if we were not satisfied that the necessary condition underlying such grants could be complied with.

50. To carry out in actual practice such a system as we have described, the procedure would be somewhat as follows. The Government of India might authorise the application of a suitable sum from the proceeds of the new taxes of any province to the construction of approved projects for protective works of irrigation or communication, and grant an additional sum to be obtained by borrowing, on the understanding that the provincial revenues made good to the Government of India the normal rate of interest on the whole of the capital thus invested, including both that borrowed and that contributed from taxation. In any case, of course, the actual allotments would be regulated by the actual requirements and capacities of the several provinces.

51. Thus the sums raised locally by the special taxes now imposed might be virtually laid out locally, without any sacrifice of the essential condition that such outlay either should directly serve to reduce the dead-weight on the revenues caused by past famines, or should afford the means of meeting similar future expenditure.

52. Nor would this be the only direction in which provincial interests would be advanced under such a system. For it would be our wish to make the arrangements with the provincial Governments so far favourable to them that, while they secured from the proceeds of the new taxes the relief we required, some margin might be allowed which would remain at the unfettered disposal of those Governments, for the special object in view. Our estimates of the proceeds of the new taxes are necessarily somewhat imperfect, and if such a result as that to which we have last referred could be gained without objectionable pressure, it could not fail to create a greater interest in the productiveness of the taxes, both on the part of the local Governments and the local communities. Moreover, the imposition of the new taxes locally will bring home the sense of the local obligation more fully than would have been the case if the taxes had been treated as imperial, and the propriety of leaving them under provincial management—a matter of considerable administrative importance—will be more readily acknowledged.

53. We also see promise of further relief to the Central Government in respect to the debt to be hereafter incurred for prosecuting works of local utility. Steps which have been attended with marked success have already been taken, both in Bengal and the North-Western Provinces, for obtaining subscriptions in the localities interested in projected works of this class. We are considering how best to develop and systematize such a means of pro-

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viding the capital that may properly be borrowed for works of improvement, and whether local contributions may not be successfully sought under conditions which should interest the classes more directly benefited by such works, not only in the provision of the funds required for their prosecution, but in their proper management when completed, and the development of the revenue they produce.

54 To these observations we desire to add that, while we regard the prosecution of the railways and works of irrigation as affording the best material aids with which to combat the effects of extreme drought, we have not lost sight of the obligations that rest upon us to maintain in all their strictness the salutary rules that have been laid down by Her Majesty's Government for the regulation of the outlay of borrowed funds on such objects. We are no less strongly impressed than Your Lordship that no really useful result can be looked for from undertaking works of questionable financial value, and we see with equal clearness the danger of attempting to force the provision of capital for these purposes in a shape that shall add to the obligations of India payable in England. Her Majesty's Government may therefore confidently rely upon our adhering to the sound principles that have been accepted in relation to this important subject, and may be assured that, great as our anxiety is to do all in our power to secure to this great country comparative immunity from the terrible effects of extreme and widely extended drought, the past year of suffering has only served to impress upon us more strongly than ever that, for the attainment of what we desire, a thoroughly sound financial system is an essential preliminary, against any departure from which we must most carefully guard.

55. In conclusion, we desire to draw Your Lordship's particular attention to the following remarks in Sir John Strachey's speech, which express the views of our Government on a very important aspect of the subjects treated in this despatch: "It is the firm intention of the present Government," he said, "to apply the funds now to be provided for this special purpose strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might of course happen which would render it impracticable even for us, who have designed these measures, to maintain our present resolutions.

"So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against Famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust."

No 8, dated 4th January, 1878.

No. 20.]

From—The Government of India,  
To—The Secretary of State for India

Accts Pro., April  
1878, No. 263A

In continuation of our despatch No. 7 of 1878, of this day's date, we have the honour to forward for Your Lordship's information, a copy of the Bill\* for imposing a license tax in Bengal, the introduction of which into the Legislative Council of the Lieutenant-Governor has been authorised by us. A reference to this subject will be found in paragraph 19 of the despatch above referred to.

\* Deposited

Dated 10th January, 1878.

No. 21.]

Telegram from—The Government of India,  
To—The Secretary of State for India.

Accts Pro., Apr  
1878, No. 263B.

At meeting of Legislative Council yesterday, Lieutenant-Governor strongly



urged early passing new taxation Bills now before our Council. Local legislation, he said, depended much on final shape of our measures, which had been well received and necessity for which had been legally recognised, thus justifying their being passed speedily. Delay caused, mischievous doubts in public mind, and might prevent work of assessment being conducted under European officers in remainder of cold weather. This last consideration has been pressed by all the Governments in Bengal Presidency to which alone our Bills refer. Temper of public mind at present is so entirely favourable that we confidently rely on unanimous approval both in Council and outside, which also makes delay undesirable. We shall now let the Bill go forward in regular course.

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No. 22.]

No. 78, dated 15th February, 1878.

*From—The Government of India,*

*To—The Secretary of State for India*

We have now the honour to submit copies of the Acts\* passed by, together with the Proceedings of, the Legislative Council on the 9th current, for giving effect to our policy of applying every year the sum of 1½ millions sterling as an insurance against Famine. In our despatch No. 7, dated the 4th January, we explained in detail the methods by which the money was to be raised.

\* Deposited.

Acts Pro., April  
1878, No 380

2. The changes made in the Taxation Bills, since they were forwarded to Your Lordship in the beginning of January, have been comparatively unimportant. The general scope of the License Tax Bill is unaltered; but the maximum fee has been raised from Rs. 200 to Rs. 500. In accordance with the intention always held by us, no person is to pay a license fee whose yearly income is estimated at less than Rs. 100. It has, however, for the reasons explained by Sir John Strachey in his speech, not been thought desirable to prescribe formally in the Act any minimum of this kind. It may seem inconsistent to prescribe 2 per cent. on annual earnings as the limit of taxation under section 12, to have Rs. 100 as the taxable minimum under section 26, and then to provide a one-rupee grade of tax in the schedule. As Sir John Strachey has shown, the object of this provision is to give relief to the poorer classes of persons liable to the tax. Practically, persons whose earnings are about Rs. 100 to Rs. 150 will be called upon to pay the lowest grade of fee (one rupee) only; and detailed enquiries into incomes will never be made unless an appellant specially courts such enquiry under section 13 of the Act.

3. The Acts for imposing rates on the land in the North-Western Provinces, the Punjab, and Oudh, merely provide for levying the additional one per cent. on the annual value of the land, which we originally proposed to take for the purposes of our Famine Insurance Fund. But in each case it has, on the recommendation of the local authorities, been found inconvenient to repeal previous rating Acts, and to enact the old and new rates in one and the same Act. In our despatch No. 14, dated 27th September 1877, we stated to Your Lordship that consolidation of this kind might probably be found convenient. The substantive law in regard to the old rates remains precisely as before. It was the wish of the Government of the North-Western Provinces and Oudh to take this opportunity of amending the existing law, but, after full consideration, we deemed it right to leave the substantive law as to the old rates unaltered, and to confine our present legislation strictly to the purpose for which it was avowedly undertaken. The only exception to this decision was in the case of the province of Oudh. The Local Government recommended, and we have approved, the extension to Oudh of that part of the North-Western Provinces Law which permits the Local Government to appropriate a sum, not exceeding one-tenth of the old local rates, for the purpose of meeting charges on account of railways and canals of general provincial utility. This provision, as embodied in Act VII of 1877, has already been approved by Your Lordship so far as the North-Western Provinces are concerned. As the circumstances of Oudh are similar to those of the neighbouring provinces, there seemed no objection to applying the same principle to both cases.

4. In Sir John Strachey's first speech will be found a statement of the way in which we propose to apply the proceeds of the taxation now imposed for the purposes of the Famine Insurance Fund. That statement, which expresses the

Accts Pro, April  
1878, No 330

views of our Government on the subject, and to which we beg to ask Your Lordship's attention, is merely an amplification of the policy laid before Your Lordship in the concluding paragraphs of our despatch of the 4th January.

5. The best estimates which we can up to the present time form of the yield of the new taxes imposed for famine purposes, and of the arrangements previously reported to Your Lordship, are as follows:—

*License Tax, Imperial share—*

	Lakhs	Lakhs.
Bengal	30	
North-Western Provinces and Oudh	8½	α Besides 5 lakhs levied
Punjab	7½	under Act VIII of 1877
Bombay	16	
Madras	12	
Central Provinces (Share of Pandhari tax)	1½	

TOTAL . . . 75½

*Rates on land—*

North-Western Provinces and Oudh	11½	
Punjab	4½	
Central Provinces	1½	

TOTAL . . . 16½

*Relief to Imperial Revenue by extension of the localisation of the finances—*

Gained by arrangements which involved no additional taxation	70	
Gained in consequence of measures taken in March 1877 for localising the finances of certain canals and local railways in Bengal and the North-Western Provinces involving additional taxation of about 33 lakhs	33	

TOTAL . . . 70

GRAND TOTAL . . . 162½

This total exceeds by 12½ lakhs the 1½ millions of which we held ourselves bound to provide on account of insurance against Famine. We must, however, be prepared to find that the actual receipts under the new taxes may fall short of the approximate estimates now presented. In the first year the receipts will certainly be short, for, in consequence of the failure of the autumn crop of 1877 in Northern India, we have been obliged to postpone\* the collection of the extra rate in the North-Western Provinces. Under all the circumstances, we do not consider the margin of 12½ lakhs too large. Towards the attainment of a normal surplus of half a million we have, as yet, made only a temporary provision of 30 lakhs, which we estimate to be the net yield of the recent modification of the Salt duties.

6 With reference to the remarks in paragraph 20 of our despatch of the 4th January, regarding fresh taxation in Assam and Burmah, we have decided not to demand from either of these provinces, at present, any contribution to the Famine Insurance Fund. Both Burmah and Assam have many growing needs for which we are unable to make sufficient provision by reason of the condition of our finances. We have accordingly informed the Chief Commissioners of British Burmah and of Assam that, if they see their way to fresh taxation on the basis of the arrangements now made in older provinces, they will be allowed to keep, for the present, the proceeds of such taxation for the development of the provinces under their charge.

No. 118 A., dated 29th March, 1878.

No 23.] *From—C. ROBERTSON, Esq., Secy. to the Govt. of the N-W Provinces and Oudh,*  
*To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep Rev Pro, July  
1878, No 324.

I am directed by the Lieutenant-Governor and Chief Commissioner to submit, for the sanction of His Excellency the Governor General in Council, the following draft orders and rules under caluses (a), (b) and (c) of Section 26 of the Northern India License Act, 1878

2. Appendix A is based on the orders communicated in your letters Nos. 1677 and 1654, dated the 6th and 8th instant, respectively.

3. By appendix B it is intended to exempt from the operation of the Act all persons whose respective net annual earnings are less than Rs. 200. His

\* The Lieutenant Governor of the Punjab, on our consulting him, reported that a similar postponement was not required by the circumstances of his provinces.

Honour's reasons for proposing this limit for the current year are that the poorer classes of traders and dealers have suffered much from the high prices of food, and that a careful determination of classes and grades, and the disposal of the numerous objections that may be expected in the first year of the imposition of a finely graduated tax will throw very heavy work on the staff of every district.

Sep. Rev. Pro., July  
1878, No. 324.

Once the lists are carefully prepared, their revision in subsequent years will be comparatively easy, and the causes which now operate to impair the tax-paying capacity of the poorer classes of traders and dealers, will, it is hoped, be absent in 1879, when the limit may be reduced from Rs. 200 to Rs. 100, if it be considered expedient then to do so.

In regard to the words "from one or more of the trades or dealings specified in the schedule annexed to the said Act," I am to explain that they are inserted to make it clear that only earnings derived from scheduled trades or dealings are to be taxed, and that if the aggregate earnings of a man carrying on more than one scheduled trade or dealing exceed Rs. 200, he must take out a license. Thus a well-to-do cultivator who makes Rs. 50 per annum by letting out his cart for hire when his bullocks are not wanted for agricultural purposes, will be exempt from the operation of the Act, even though his gross earnings from all sources exceed Rs. 200, while the small village shop-keeper who ekes out his livelihood by advancing cash on extravagant interest and bad security, and makes in all Rs. 250 per annum, will have to take out a license.

4. Appendix C contains the rules which His Honour proposes to make under clause (c) of Section 26. Rules 1, 3, 4 and 5 are identical with those bearing the same numbers sanctioned in your No. 788, dated the 24th May 1877.

Rule 2 follows Section 10 of the new Act, which addresses the Notification to all persons who are required by Section 4 to take out licenses, whether or not they are mentioned in the lists.

Section 13 of the Act renders elaborate rules unnecessary under clause (c) (3) of Section 26. His Honour would therefore lay down no rigid instructions for determining the mode in which persons belonging to any class shall be distributed into grades, and a permissive rule in the form suggested in rule 6 seems to be all that is required. The net annual earnings to be taxed cannot be the earnings of the year in respect of which the fee is to be paid, as these earnings cannot be ascertained at the time of assessment and disposal of objections; and it seems fair that the Collector should take the average earnings of two years into account, as the earnings of one year might frequently be an uncertain guide.

Rule 7 is strongly recommended by an officer whose efficient administration of Act VIII of 1877 has been conspicuous.

5. In conclusion, I am to beg that an order in the terms of your Notification No. 1897, dated 29th March 1877, may be made, reducing the Court fees payable for petitions of objection under the Northern India License Act, and that a copy of the order may be forwarded to the Legislative Department with advertence to Article 8, Schedule V of the Stamp Bill.

No. 205, dated 26th April, 1878.

No. 24.] *NOTIFICATION—By the Govt. of India, FINANCIAL DEPARTMENT.*

In exercise of the power conferred by Section 1 of the Northern India License Act, 1878, the Governor General in Council is pleased to declare that the said Act shall come into force in the territories administered by the Lieutenant-Governor of the North-Western Provinces and the Chief Commissioner of Oudh from the 1st of May 1878.

Sep. Rev. Pro., July  
1878, No. 327.

No. 204, dated 26th April, 1878.

No. 25.] *NOTIFICATION—By the Govt. of India, FINANCIAL DEPARTMENT.*

In exercise of the power conferred by Section 1 of the Northern India License Act, 1878, the Governor General in Council is pleased to declare that the said Act shall come into force in the territories administered by the Lieutenant-Governor of the Punjab from the 1st of May 1878.

Sep. Rev. Pro., July  
1878, No. 327A.

Sep. Rev. Pro., July  
1878, No. 327A.

Copy forwarded to the Government of the Punjab for information, and with the request that rules for working the Act in the Punjab may be framed and submitted for the sanction of the Governor General in Council.

No. 203, dated 29th April, 1878

No. 26.] *From*—R. B. CHAPMAN, Esq., *Secretary to the Government of India, FINANCIAL DEPT., To*—*The Secretary to the Government of the North-Western Provinces and Oudh.*

Sep. Rev. Pro., July  
1878, No. 328

With reference to your letter No. 113A., dated 29th March 1878, I am directed to forward a copy of the rules sanctioned by the Governor General in Council for working the Northern India License Act, 1878, in the North-Western Provinces and Oudh.

A Notification has been issued in the last *Gazette of India*, declaring the said Act to be in force in the North-Western Provinces and Oudh from 1st of May 1878

No. 27.] *Rules for working the Northern India License Act, 1878, in the North-Western Provinces and Oudh.*

Sep. Rev. Pro., July  
1878, No. 329

In exercise of the powers conferred by Section 26 of the Northern India License Act, 1878, the Lieutenant-Governor of the North-Western Provinces and Chief Commissioner of Oudh is pleased, with the previous sanction of the Governor General in Council, to exempt from the operation of the above-mentioned Act—

(a) All public servants in the North-Western Provinces and Oudh carrying on trades or dealings under the orders of Government as part of their official duty.

(b) All other servants in the North-Western Provinces and Oudh, who, though their duties are those of persons carrying on trades or dealings specified in the schedule annexed to the said Act, receive only fixed wages for their services, and do not carry on any trades or dealings on their own account.

(c) Every person in the North-Western Provinces and Oudh, whose net annual earnings from trades or dealings specified in the schedule attached to the said Act are less than Rs. 200.

In exercise of the powers conferred by section 26, clause (c) of the Northern Indian License Act, 1878, the Lieutenant-Governor, North-Western Provinces and Chief Commissioner, Oudh, is pleased, with the sanction of the Governor General in Council, to make the following rules for the North-Western Provinces and Oudh.—

*1st.*—All fees charged under the said Act shall be paid in one sum, and not by instalments.

*2nd.*—Every person falling under any of the heads specified in the schedule to the said Act, whether or not he is mentioned in the list published under Section 10 of the said Act, shall attend in person or by authorised agent at the office of the tahsildar within whose tahsil the place where such person intends to carry on his trade or dealings is situated, or, if the Collector shall so direct, on himself personally, and there pay the fee specified in the schedule to the said Act as payable by persons of the class and grade to which he belongs.

On payment of the fee so specified, a license shall be given to such person, and this license shall be deemed a receipt for the fee so paid.

*3rd.*—The Collector may summon to his presence any person charged under the said Act, whose attendance he considers necessary in any case relating to the liability of such person to be so charged, and any person so summoned shall be bound to attend either in person or by authorised agents as the Collector may direct

*4th.*—No charge shall be made for the service of any process issued under the said Act, or under rule 3, except in cases of recusance, and then only with the express sanction of the Collector of the District, or of an Assistant Collector of the 1st class exercising the powers of a Collector under the said Act.

5th.—The fee chargeable under rule 4 for the service of any process shall be the fee that would be chargeable under any law for the time being in force, if the processes were served and issued by a Revenue Court. Sep. Rev. Pro., July 1878, No. 329

No. 146B, dated 5th July, 1878.

No. 28.] *NOTIFICATION*—By the Govt. of India, FINANCIAL DEPARTMENT.

In exercise of the power conferred by section 35 of the Court Fees Act, 1870, the Governor General in Council is pleased to fix, at the following amounts, the Court fee payable under Schedule II, Number 1 (b) of the said Act for a petition of objection under the Northern India License Act, 1878 :— Sep. Rev. Pro., July 1878, No. 330.

				Court Fee.
When the petitioner has been charged under the second class				... 4 annas.
Ditto	ditto	ditto	the third class	.. 1 anna.

Copy forwarded to the Government of the North-Western Provinces and Oudh, with reference to their letter No. 113, dated 29th March 1878.

No. 123 A., dated 20th April, 1878.

No. 29.] *From*—C. ROBERTSON, Esq., *Secy. to the Govt. of the N.-W. Provinces and Oudh,*  
*To*—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

In continuation of my letter No. 113 A., dated the 29th March last, I am directed to submit, for the information of His Excellency the Governor General in Council, a copy of the papers marginally noted, and to enquire whether the interpretation put by this Government on the provisions of section 17 of the Northern India License Act, 1878, is concurred in by the Government of India. Sep. Rev. Pro., July 1878, No. 331.

From Secretary to Board of Revenue, North-Western Provinces, No. 168—V S.-95, dated the 5th April  
To ditto ditto, No. 127 A of this day's date.

No. 168—V.S.-95, dated 5th April, 1878.

No. 30.] *From*—G. BURR, Esq., *Offy. Secretary to the Board of Revenue, N.-W. Provinces,*  
*To*—The Secretary to the Government of the N.-W. Provinces and Oudh.

I am directed by the Junior Member to acknowledge the receipt of your No. 141 A. of the 29th ultimo, on the subject of the rules and circulars to be issued under the Northern India License Act of 1878, and to state that the draft of the Board's Book Circular will be immediately prepared and submitted, and that at the same time Mr. Carmichael will reply to the third paragraph of your letter. Sep. Rev. Pro., July 1878, No. 332.

2. Meantime, there is one point raised by the papers now received which appears to Mr. Carmichael of much importance, and he desires me at once to refer it for the orders of Government.

The proposed notification, appendix B to your letter to the Government of India, exempts persons whose net annual earnings from one or more of the scheduled trades or dealings are less than Rs. 200: and from paragraph 3 of the letter it appears that the words *one or more* are inserted to make it clear,—(a) that only earnings from the scheduled dealings are to be taken into account; and (b) that if the aggregate earnings from two or more such dealings exceed Rs. 200, a license must be taken out.

From the example given it would appear that a man making Rs. 125 as a village shop-keeper and Rs. 125 as a money-lender is liable to taxation on an income of Rs. 250.

3. The principle here laid down should apparently apply not only to questions of exemption from the Act, but to all cases of objections raised, and also to all original assessments; but section 17 of the Act prescribes that a person coming under more than one of the designations in the schedule shall be chargeable under only one designation at the discretion of the Collector.

Mr. Carmichael would then have understood that in the exemplar case above, the person could only have been charged under one designation, and would have been exempt with a minimum limit of Rs. 200.

Sep Rev. Pro., July  
1878, No. 332.

4. The powers the Government possess under section 26 may enable this proviso to be attached to the rule fixing the minimum earnings, but evidently it is necessary that clear orders should be issued defining the extent to which the principle is to be applied.

Suppose A to be a hotel-keeper with net earnings from his hotel of Rs. 9,000 per annum; he is also a wholesale dealer with earnings of Rs. 9,000, and further makes Rs. 8,000 as a money-lender.

Section 17 would appear clearly to forbid the Collector from assessing on more than one class of income, when the fee could not be more than the fee of Rs. 150 applicable to incomes from Rs. 7,500 to Rs. 10,000. If the principle adopted by Government were to be applied, A should be assessed to pay Rs. 500, his income from all scheduled dealings exceeding Rs. 25,000.

5. It might be argued that as section 13 does not state what earnings are to be considered, whether the earnings from the dealing in respect of which the person has been assessed, or the earnings from all scheduled dealings, or earnings from all sources, the Collector, in disposing of objections, can take into consideration earnings he could not have considered in assessment.

The wording of section 13 is not clear, and this question will certainly be raised; but Mr. Carmichael considers that, for all purposes—whether of assessment, exemption, or disposal—of objection, only the earnings from the one designation under which the Collector prefers to make the assessment should be taken into consideration.

No. 127 A., dated 20th April, 1878.

No. 31.] *From—C. ROBERTSON, Esq., Secy. to the Govt. of the N.-W. Provinces and Oudh,  
To—The Secretary to the Board of Revenue, North-Western Provinces.*

Sep Rev Pro., July  
1878, No. 338

In reply to your letter No. 168—V.S.-95, dated the 5th April, in which the Junior Member recorded an opinion that only the earnings from the one *designation*, under which the Collector elects to charge a person or firm, should be taken into consideration in the preparation of the list of persons to be licensed under Act II of 1878, I am directed to say that Sir George Couper considers the Junior Member's interpretation to be erroneous.

Section 17 simply declares that a Collector shall not, for instance, say to a man that he is (1) a banker, (2) a professional money-lender, (3) a wholesale dealer, and (4) an indigo manufacturer, and that therefore he must pay under the first grade of Class I Rs. 500 × 4 = Rs. 2,000 as his license fee.

The section does not say and does not intend that the Collector shall assess on one class of *income* only. Persons carrying on more than one trade or dealing must be assessed on a consideration of the aggregate profits derived by them from all the scheduled trades or dealings they carry on.

Dated 26th November, 1877.

No. 32.] *Demi-official from—SIR R. EGBERTON, Lieutenant-Governor, Punjab,  
To—SIR JOHN STRACHEY.*

Sep Rev Pro., April  
1878, No. 127.

I have received from Chapman copies of the draft Bills mentioned in your letter from camp of the 12th instant.

The License Bill Schedule, which I should like to propose for the Punjab, will go as low as one rupee. I think we shall lose as much if we keep the minimum as high as two rupees, and the chief justification of such a tax is its productiveness, that I am unwilling to keep the minimum rate as high as Rs 2. I would either rate class IV at Re. 1, or would make another class at Rs. 2, specifying the trades included in it, and rate the residuum at Re. 1 as class V.

I propose to inform Deputy Commissioners of the general scheme of the Bill, and to direct them to employ their cold-weather tour in making arrangements for assessing the new rate. I intend to suggest a certain sum which I expect to obtain from each district, and shall direct the Deputy Commissioners to raise it from the various classes by giving them lump sums to distribute.

I want you to let me know as soon as possible when I may send out these instructions. It is very desirable that the officers in other Provinces should be

able to make the assessments during their winter tours. I will send you a draft Land Rate Bill and a schedule for the License Bill as soon as possible.

Sep Rev. Pro., April  
1878, No. 127.

Dated 3rd December, 1877.

No. 33.] *Telegram from—The Lieutenant-Governor, Punjab,*  
*To—SIR JOHN STRACHEY.*

I am anxious to fix limit of taxation earnings lower than Rs. 200 in order to make the tax productive. I would lower the minimum earnings taxation at Rs. 100 annually. One rupee should be paid by the lowest class.

Sep Rev. Pro., April  
1878, No. 128.

Dated 4th December, 1877.

No. 34.] *Telegram from—SIR JOHN STRACHEY,*  
*To—The Lieutenant-Governor, Punjab.*

Your cypher message of third.  
I see no objection to your proposal.

Sep. Rev. Pro., April  
1878, No. 129.

Dated 1st December, 1877.

No. 35.] *Telegram from—SIR JOHN STRACHEY,*  
*To—The Lieutenant-Governor, Punjab.*

Confidential. It has been decided to divide license tax classes into grades.

Sep Rev Pro., April  
1878, No. 130.

Suggestions for North-Western Provinces are as follows:—

*Class I* to be divided into five grades, varying from Rs. 15 to Rs. 1,000.

*Class II*, four grades, from Rs. 10 to Rs. 100.

*Class III*, two grades, Rs. 2 and Rs. 5.

Maximum rate 2 per cent. Persons whose annual earnings are less than Rs. 200 exempt.

Please revise schedule on this principle. Have written by post.

No. 2569, dated 12th December, 1877.

No. 36.] *Telegram from—SIR JOHN STRACHEY,*  
*To—The Lieutenant-Governor, Punjab.*

Draft Bills for Punjab Land Cess and License Tax most urgently needed. Should be here by 17th instant. License Tax Schedule can be revised as necessary in Committee: a draft to accompany Bill when introduced will be sufficient for present purposes.

Sep Rev. Pro., April  
1878, No. 131.

Dated 14th December, 1877.

No. 37.] *Telegram from—The Lieutenant-Governor, Punjab,*  
*To—SIR JOHN STRACHEY.*

I agree to License Bill and schedules as drafted throughout. After trades and dealings the words "and occupations."

Sep. Rev Pro., April  
1878, No. 132.

Some trades will be hereafter added to class III, and I would add class IV of one rupee for artisans. The minimum income taxed being Rs. 100, and between one and two hundred the Rs. 1 rate only.

Secondly, I wish Bill for additional rate on land to alter as little as possible existing Local Rates Act, only authorising increased rate as proposed for the object proposed. Legislative Department will draft on these lines; our drafts would not reach in time.

Dated 15th December, 1877.

No. 38.] *Telegram from—SIR JOHN STRACHEY,*  
*To—The Lieutenant-Governor, Punjab.*

Your telegram of 14th. I understand that you agree to License Tax Bill and Schedule as drafted, with addition of grades. We have decided finally

Sep Rev. Pro., April  
1878, No. 133.

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1878, No. 133

upon the grading system Grades will be about four in the two upper classes, and two or three in lowest class, and will include artisans in the Punjab. Rates of fee will range from Rs. 500 to Rs 1

Dated 15th December, 1877.

No. 39.]

Telegram from—The Lieutenant-Governor, Punjab,  
To—SIR JOHN STRACHEY.

Sep. Rev. Pro., April  
1878, No. 134

Your telegram of to-day. My telegram of 14th has been rightly understood

Dated 2nd January, 1878

No. 40.]

Telegram from—The Lieutenant-Governor of the Punjab,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT

Sep. Rev. Pro., April  
1878, No. 134A

Kindly telegraph schedule license tax, as desirable to collect information at once.

No. 43, dated 3rd January, 1878.

No. 41.]

Telegram from—C. BERNARD, Esq., *Add. Secy. to the Govt. of India*, FINL. DEPT.,  
To—The Lieutenant-Governor of the Punjab

Sep. Rev. Pro., April  
1878, No. 144B.

License tax schedules in Bill are class first—registered companies, bankers, money-lenders, owners of cotton screws, Europe good-sellers, hotel-keepers, wholesale dealers, precious stone dealers, sugar refiners, indigo manufacturers, three grades taxed at Rs. 200, 100 and 15 respectively. Class second—cloth-sellers, fuel-sellers, metal-sellers and dealers, chowdrees, letters-out of conveyances and cattle, contractors, printers, lac manufacturers, commission agents, brokers, bill-brokers, pawn-brokers money-changers, dealers in gold and silver lace, druggists, harness-makers, four grades at Rs. 75, 50, 25, and 10 respectively. Artisans, trades and dealers not above specified, three grades, at Rs. 5, 2 and 1 respectively.

Dated 5th January, 1878.

No. 42.]

Telegram from—The Lieutenant-Governor, Punjab,  
To—SIR JOHN STRACHEY.

Sep. Rev. Pro., April  
1878, No. 145.

Punjab Local Rates Enhancement Bill, section six, clause A, empowers the Government of India to expend the whole local rates collections for famine purposes generally, and not merely the sum produced by the present enhancement. Is the draft correct? If it is, I cannot agree to it.

Dated 7th January, 1878

No. 43.]

Telegram from—SIR JOHN STRACHEY,  
To—The Lieutenant-Governor, Punjab,

Sep. Rev. Pro., April  
1878, No. 146.

The first clause of section 6 is limited by its final proviso, but this shall be made plain. There is no intention whatever of allowing more than  $\frac{1}{4}$ th of rate to be appropriated under orders of India for famine purposes, and in fixing the amount to be paid to us by the local Government from the proceeds of the new taxes, we desire so to regulate our demands as to leave a margin for you.

Dated 14th January, 1878

No. 44.]

Telegram from—The Lieutenant-Governor, Punjab,  
To—SIR JOHN STRACHEY

Sep. Rev. Pro., April  
1878, No. 137.

The license tax is approved of by all whom I have consulted and also by me. As it is impossible to impose any other taxes for provincial purposes than those now under consideration, I hope that provision will be made from proceeds of license tax to meet provincial requirements. The money allotted will be required for other purposes than relief and prevention of famines, and I wish



section 23 altered to permit more general use of sum allotted to province. No other alterations in text of Bill are required. In the schedule class 2 add timber merchants, woollen manufacturers, silk manufacturers, Omit fuel-sellers and druggists.

Sep. Rev. Pro., April  
1878, No. 137

No. 321, dated 15th January, 1878.

No. 45.] *Telegram from*—B. B. CHAPMAN, Esq., *Secy. to the Govt. of India, FINANCIAL DEPT., To—The Lieutenant-Governor of the Punjab.*

Couper has asked for extension of Act VII of 1877 to Oudh. Would you like similar extension to Punjab?

Sep. Rev. Pro., April  
1878, No. 138.

Dated 16th January, 1878.

No. 46.] *Telegram from*—The Lieutenant-Governor of the Punjab, *To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Your telegram of 15th. I do not at present wish to extend Act VII of 1877 to the Punjab.

Sep. Rev. Pro., April  
1878, No. 139.

No. 400, dated 18th January, 1878.

No. 47.] *Telegram from*—B. B. CHAPMAN, Esq., *Secretary to the Govt. of India, FINL. DEPT., To—The Lieutenant-Governor of the Punjab.*

Couper has proposed to postpone famine cess in his jurisdiction till next agricultural year because of khariff failure. Do you think it desirable to follow the same course in Punjab?

Sep. Rev. Pro., April  
1878, No. 140.

Dated 21st January, 1878.

No. 48.] *Telegram from*—The Lieutenant-Governor of the Punjab, *To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Lieutenant-Governor sees no reason to postpone levy of famine cesses in the Punjab.

Sep. Rev. Pro., April  
1878, No. 141.

No. 442, dated 21st January, 1878.

No. 49.] *Telegram from*—SIR JOHN STRACHEY, *To—The Lieutenant-Governor of the Punjab.*

North-West Government desires to omit section fourteen, License Bill, and allow no appeal to Commissioner. Bengal Government takes same view in Local Bill. Please state by telegraph your opinion.

Sep. Rev. Pro., April  
1878, No. 142.

Dated 21st January, 1878.

No. 50.] *From*—L. H. GRIFFIN, Esq., *Offg. Secy. to Govt. of the Punjab and its Dependencies, To—The Secretary to the Government of India, LEGISLATIVE DEPARTMENT.*

I am desired to convey the opinion of the Honourable the Lieutenant-Governor, asked for in your Nos. 1195 and 1201, dated 27th December, on the Bills for the Licensing of Trades and Dealings in the Punjab, North-Western Provinces and Oudh, and for the levy of Additional Rates on Land in the Punjab, XXIII and XXVI of 1877.

Sep. Rev. Pro., April  
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2. A report on the Bills has been required with so much urgency by the Financial Department, in consequence of the desirability of their consideration in the Legislative Council at the earliest opportunity, that the Lieutenant-Governor has been unable to obtain upon them all those opinions of competent and experienced officers that he desired. Such as have been received—from the Commissioner of the Deraját, Commissioner of Lahore, and Settlement Commissioner—are forwarded as annexures to this letter, together with a telegram generally expressing the views of the Financial Commissioner. His Honour the less regrets on this occasion the absence of the opinions of Punjab officers, seeing that the principles on which the Bills are based have been

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thoroughly discussed and finally accepted for the whole Empire by the Governor General and Secretary of State for India.

3. No examination appears, therefore, necessary of the propriety of the measures, or of their particular excellence or adaptability to the country as compared with other possible measures of taxation.

4. The Lieutenant-Governor would duly record with reference to the Bill for Enhancement of the Local Cess that he believes that, although it will give rise to no active discontent or expression of dissatisfaction, it will still be regarded by the people with some dissatisfaction, as involving a further departure than that taken in the original Local Cess Act, from the principle of the fixity of the land revenue demand. This feeling of dissatisfaction will not be the less strong from the fact that the money raised under the new Act will possibly be spent out of the Punjab. To a trained intelligence it is easy to distinguish the proposed impost, which is no more than a tax upon rent, from an enhancement of the Government share of the produce of the land. But His Honour doubts whether it is possible to persuade uneducated zemindars, the more especially that the revenue is no longer taken in kind, but in cash, that the demand is not an increase on the amount of land revenue which has, in each district, been fixed for the term of settlement. The Lieutenant-Governor does not, however, imagine that there will be any difficulty in collecting the enhanced tax, or that, after a short time, the irritation caused will not pass away.

5. With reference to the form of the Bill, the Lieutenant-Governor thinks that it will be convenient to repeal Act XX of 1871 and to re-enact it with the new provisions, instead of having two Acts on the Statute Book upon the same subject.

6. With reference to the License Bill, those officers whom he has consulted have approved its provisions, and His Honour would make no change in the provisions for assessing and collecting the new tax. As, however, it is impossible to impose any other new taxes at present, the Lieutenant-Governor wishes that the local Government should be empowered to devote such portion of the revenue derived from the tax as may be allotted to the Province to other objects than the relief and prevention of famine, and he wishes section 23 to be so altered as to provide for this.

7. In the schedule the Lieutenant-Governor would add "Timber Merchants Wollen Manufacturers and Silk Manufacturers" to the second class; and omit "Fuel-sellers and Druggists," who, in the Punjab, are generally petty tradesmen, European druggists finding their place among the sellers of European goods.

No. 708, dated 2nd February, 1878.

No. 51.]

Telegram from—SIR JOHN STRACHEY,  
To—The Lieutenant-Governor of the Punjab.

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Am I right in supposing that you think that all traders with incomes exceeding one hundred rupees shall be liable to license tax? We do not propose anywhere to go lower than this.

Dated 2nd February, 1878.

No. 52.]

Telegram from—The Lieutenant-Governor of the Punjab,  
To—SIR JOHN STRACHEY.

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I propose to assess artisans and others under class 3 whose incomes amount to Rs. 72 per annum, if the minimum limit should be Rs. 100. I will alter instructions which have gone out for the preparation of lists of persons liable to tax.

No. 756, dated 4th February, 1878.

No. 53.] Telegram from—C. BERNARD, Esq., *Addl. Secy. to the Govt. of Inds, FINL. DEPT.*,  
To—The Lieutenant-Governor of the Punjab.

Sep Rev Pro, April  
1878, No. 146.

Your telegram of second. The Government of India has decided that no person shall be assessed to license tax whose presumed annual net earnings are less than one hundred rupees.

No. 960, dated 14th February 1878.

No. 54 ] *From*—C. BERNARD, Esq., *Additional Secretary to the Govt. of India*, FINL. DEPT.,  
*To*—*The Secretary to the Government of the Punjab.*

The Honourable the Lieutenant-Governor will have observed that the Punjab Local Rates Act\* was passed on the 9th January. I am now directed to explain why provision was not made, in accordance with the Lieutenant-Governor's suggestion, for devoting some portion of the yield of the old rates to general provincial purposes.

\* Act V of 1878

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2. His Excellency the Governor General in Council gave full consideration to the wishes of the Punjab Government for the amendment of the law under which existing local rates were levied. But it was found that no proposal for such amendment was contained in the Bills, which had been submitted to, and approved by, Her Majesty's Secretary of State. No material alteration of this kind could have been made without previous reference home. The need for the early passing of the Taxation Acts was great. Accordingly it was decided to ask the legislature merely to re-enact the old substantive law, and to impose the new Famine Insurance rate.

3. It will be open to the Honourable the Lieutenant-Governor to propose an amendment of the law hereafter, if he sees fit.

Dated 19th December, 1877.

No. 55. ] *Telegram from*—*Governor, Bombay,*  
*To*—*Viceroy, Calcutta.*

Your Lordship's cipher message of yesterday. I cordially concur. I would only add importance establishing principle of making every province defray by special resources interest on outlay famine relief.

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Dated 19th December, 1877.

*Endorsed by Assistant Private Secretary to Viceroy.*

Copy forwarded to the Secretary to the Government of India in the Financial Department.

Dated 22nd December, 1877.

No. 56. ] *Telegram from*—*Viceroy, Calcutta,*  
*To*—*Governor, Bombay.*

You will be interested to know that new financial measures will be introduced on Thursday. Sole change in arrangements known to you is that final consideration of salt question leads us to reduce slightly duties in Bengal Presidency, for reasons you will readily appreciate. As to trades tax, it has been decided for Calcutta to extend existing municipal license tax as equivalent for that to be imposed elsewhere. It therefore seems impossible to exempt City of Bombay. Nothing, however, will be said on this subject, and it will remain for your further consideration.

Sep. Rev. Pro., April 1878, No. 152.

No. 104, dated 5th January, 1878.

No. 57. ] *Telegram from*—R. B. CHAPMAN, Esq., *Secy. to the Govt. of India*, FINL. DEPT.,  
*To*—*The Chief Secretaries to the Governments of Bombay and Madras.*

With reference to Sir John Strachey's Statement in Legislative Council of Governor General on 27th December, Government of India presume that you will prefer passing your License Act in Local Council. Please send copy of draft Bill by 25th January. It is necessary that Act should operate by 1st April, and that as much time as possible should be allowed for preliminary enquiries and work. Laws for Upper India will probably pass by middle of February. More by post.

Sep. Rev. Pro., April 1878, No. 153.

Dated January, 1878.

No 58.]

Telegram from—SIR JOHN STRACHEY, Calcutta,  
To—Governor, Bombay.

Sep Rev. Pro, April  
1878, No 154.

How much do you think we may properly say officially to your Government that we expect to obtain from license tax in Bombay Presidency? Bengal undertakes to supply thirty lakhs of rupees at least.

Dated 7th January 1878.

No. 59.]

Telegram from—Governor, Bombay,  
To—SIR JOHN STRACHEY, Calcutta.

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It seems to be intended that taxation under Bombay License Act shall be similar in principle to that under Act introduced into Supreme Council in 1867-68. Under License Act 21 of 1867, fourteen and quarter lakhs were collected in Bombay Presidency.

Of this, there were four lakhs collected in City of Bombay and one and three-quarters in Sind. Under new Act, schedules and rates are different, but probable realisations will be similar to those under the old Act. We will try to obtain more.

No. 322, dated 15th January, 1878.

No. 60.] From—R. B CHAPMAN, Esq., Secy. to the Govt. of India, FINANCIAL DEPT.,  
To—The Chief Secretary to the Government of Bombay.

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In continuation of a telegram, dated 5th instant (copy enclosed), I am directed by His Excellency the Governor General in Council to invite the attention of the Government of Bombay to the Proceedings in the Legislative Council of the Governor General on Thursday the 27th December, upon the introduction by the Hon'ble Sir John Strachey, K C S.I., of a Bill for the licensing of trades and dealings in the Punjab, North-Western Provinces and Oudh.

2 It is not necessary to repeat the facts stated by Sir John Strachey, to show the urgency of the need of some effectual measures for restoring the financial equilibrium of the State. The Government of Bombay will doubtless have been prepared for the announcement that the Governor General in Council must call upon the country generally to contribute fresh resources, to enable the Government to bear the burden, which it has undertaken, of preserving life in time of famine.

3. I am now to express the hope of the Government of India, that the measures which have been devised for this purpose will be approved by the Government of Bombay: the Governor General in Council is well assured that he may rely upon the cordial co-operation of the Government of Bombay in giving effect to those measures.

4. It is with much satisfaction that His Excellency in Council found himself able to dispense for the present with any further demands from those deriving incomes from the land in the Bombay Presidency.

5. Setting aside the increase of the salt duty, the eventual object of which is not to add to the resources of the State, but to equalise the salt duties throughout India, the only contribution now sought from the Bombay Presidency is the license duty, which is to be generally imposed throughout India.

6. There are no data upon which to estimate accurately the produce of such a tax in each province and presidency. The Government of Bengal expects confidently to collect a net sum of 30 lakhs of rupees. In the North-Western Provinces and Oudh, the estimate is for net 8½ lakhs, and in the Punjab, for 5 lakhs. In the Bombay Presidency, the license tax of 1867-68 yielded net 15 lakhs; the professions and trade tax of the following year about 12½ lakhs.

7. Looking to all the existing circumstances of the Bombay Presidency, the Governor General in Council would hope the license tax now to be imposed in that presidency will probably yield at least 18 lakhs of rupees a year; but the Governor General in Council will be glad to have the opinion upon this point of the Government of Bombay. His Excellency in Council relies on

the efforts of the Bombay Government to so arrange the details of the schedules, that its contribution to imperial necessities may fully represent the known resources of the presidency, and may be relatively equal to the contributions expected from other divisions of the Empire. From this point of view, a sum of 18 or 20 lakhs may be expected from Bombay. If this expectation can be realised fairly according to the intention of the law, the Governor General in Council is sure that the exertions of the Government of Bombay will be directed towards the attainment of such a result.

8. The Governor General in Council presumes that the Government of Bombay will prefer that the necessary legislation should take place in the Council of His Excellency the Governor of Bombay rather than in the Legislative Council of His Excellency the Viceroy. Upon this assumption, I am to request that a draft Bill may, as soon as possible, be forwarded for the approval of the Government of India. The Governor General in Council would be glad if the Bill should, as far as is consistent with local circumstances, conform to the model of the measure introduced on Saturday, the 29th December 1877, into the Council of the Hon'ble the Lieutenant-Governor of Bengal.

9. I am especially to invite attention to the provisions contained in that Bill for the employment of Municipalities, both at the presidency and the interior, for the collection of the tax.

10. The Government of India depends confidently upon the new duties coming into operation on the 1st April next, and the estimates of the financial year 1878-79 will be framed upon this anticipation. In this view it is the present intention of the Government of India to ask the Legislative Council of the Governor General to pass the Bill introduced by Sir John Strachey without any unnecessary delay. There will thus be time given to the fiscal officers to make needful preliminary enquiries and assessments before the beginning of the new financial year.

11. I am accordingly to invite the Government of Bombay to lose no time in introducing the needful measure into the Legislative Council of His Excellency the Governor of Bombay. Provided that the suggestions contained in this despatch are substantially accepted, the introduction of the measure need not await the sanction of the Government of India.

*Schedule of Papers.*

Telegram, dated 6th January 1878.

\* See A Accounts, April 1878, No 261.

Abstract of the Proceedings\* of the Council of the Governor General of India assembled for the purpose of making Laws and Regulations on the 27th December 1877.

† Deposited

Bill for the licensing of trades and dealings in the Punjab. †

Speech by the Hon'ble A. Mackenzie, Financial Secretary to the Government of Bengal, on the 29th December 1877, upon the introduction into the Legislative Council of the Lieutenant-Governor of Bengal

‡ Deposited.

A Bill for the licensing of trades, dealings and industries within the territories subject to the Lieutenant-Governor of Bengal. †  
The Bill as aforesaid. ‡

No. 61.] *Extract from the Proceedings of the Council of the Lieutenant-Governor of Bengal for the purpose of making Laws and Regulations,—dated 29th December 1877.*

**LICENSE TAX ON TRADES, DEALINGS, AND INDUSTRIES.**

The Hon'ble Mr. Mackenzie asked the President, under Rule VII of the Rules for the conduct of business, to grant him leave to move for permission to bring in a Bill for the licensing of arts, trades, and dealings in the provinces subject to the Lieutenant-Governor of Bengal. On leave being given, he said:—"Before describing to the Council the details of the proposed measure, I desire to explain as briefly and clearly as I can its origin and history, and the place which it is intended to occupy in our provincial finance. In doing this, I cannot altogether avoid reiterating statements that have been made elsewhere; but it is essential that the proceedings of this Council should be complete in themselves, and we have to examine things here from the viewpoint mainly of the local Government.

I must as the Council, then, to recall to mind the beginning and objects of the policy of which this measure is the final outcome. In December 1870, the Supreme Government announced that imperial resources were no longer

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adequate to the growing wants of the country; that they had indeed ceased to be adequate even to existing and sanctioned demands. Local Governments, we were told, like leeches' daughters, sent up one constant cry of "Give," supporting their pleas by such admirable argument that the Government of India had fairly beggared itself in a vain endeavour to meet their wishes. That Government had now therefore placed these well-meaning prodigals upon a fixed allowance, and required them to supply their further wants otherwise than by inroads upon the parental purse. In official phraseology, it was determined "to enlarge the powers and responsibilities of local Governments in respect of the public expenditure," and to inaugurate a system of "local taxation for local purposes" throughout the various provinces of India.

The extent of the relief required by the Imperial Exchequer was at one time, it may be remembered, matter of very serious doubt. It was feared that nothing less than the equivalent of the income tax at  $3\frac{1}{2}$  per cent. would satisfy imperial needs; that the services to be transferred to provincial management would be made over with grants reduced by that amount; and that new provincial taxation to that extent would have been necessary at the very outset of the scheme. Eventually, however, the control of seven great spending departments was made over to the Government of Bengal, with an assignment about 7 per cent. less than the reduced budget allotments of 1870-71. We were at the same time warned—and the warning was then but little noticed—that fiscal misfortune such as a failure of the opium revenue, or national disaster, such as war or famine, would involve a re-opening of the terms of these provincial contracts.

The Government of Bengal under these arrangements began the year 1871-72 with an apparent deficit of  $8\frac{3}{4}$  lakhs of rupees, and Sir George Campbell hesitated long whether to pinch the departments or to tax the public. On the one hand were the facts, tempting to taxation, that Bengal was by far the richest province in India, by far the most lightly taxed, and by far the most backward in local improvements. On the other hand frowned the difficulties,—the entire absence of co-ordinated local agency, the vastness of the tracts and populations to be dealt with, the multiplicity of villages, and the paucity of towns. The difficulties were gross and palpable, and the Lieutenant-Governor shrank from facing them. Economy, and not taxation, was the policy adopted: and so stern (I had almost said, so Scotch) was the economy, so relentless the saving, that the first year of provincial finance wrung from the imperial allotment an unexpected surplus of 14 lakhs of rupees. Doubtless this was in some degree eked out by windfalls and adjustments of account; but it had involved what was felt to be a partial paralysis in many important branches of administration—a paralysis most uncongenial to the temperament of him who ruled us, and never contemplated or desired by the Government of India. The reaction was speedy, complete, and necessary. New schemes and old services were claimant for funds, and it was impossible long to stifle the just demands of great departments. The money was distributed almost as soon as saved.

Nevertheless we were still able to avoid all fresh provincial taxation. The development of *local* taxation, properly so-called, had by this time begun to relieve our Exchequer of many new demands. Indeed it was Sir George Campbell's hope that the road cess in the country, and revised municipal arrangements in towns, would together blend into a system of local rating, which would make general taxation unnecessary for any ordinary ends. And although the Bengal Municipal Bill as passed bears only a remote resemblance to the Municipal Bill as originally framed, we can still say that, but for forces beyond our own control, the Government of Bengal would probably have continued solvent and saving, able to pay its honest way and reap a modest surplus, though perhaps it could never have undertaken many new and important works. This is clear from the fact that, but for the scarcity of 1874, our balances at the close of the following year would have aggregated full 20 lakhs of rupees, notwithstanding all our outlay upon Burdwan fever, primary education, and subordinate executive establishments.

Famine however, both here and elsewhere, has played havoc with higher finance than ours, and Bengal has to bear its share of the heavy burden that has fallen on the State at large. It is not for me to criticise the policy which

the Imperial Government has under these circumstances adopted, for it commands, I believe, the approval of all thinking men. Here we have only to deal with facts, and to carry out loyally the policy of the Crown. There can, Sir, be no question as to the duty of a Provincial Government in a juncture of this kind. There should be no question as to the attitude of the provincial public. I am not myself disposed to speak evil of provincialism. I believe in the virtues of strong healthy local feeling. If men take no interest in what is nearest them, any interest they profess in things remote is mostly sham. But there are occasions when sympathies must take a wider range. We in Bengal may well be proud of our province, of its growing enlightenment, of its marvellous trade, and its advancing wealth. We *may* feel at times, like all elder sons, that the younger brethren get too many of the plums and less than their share of crust. But at a strait like this we must rise to our position as the premier province of the Empire, and consider how much, and not how little, we can do to help the State. Then, duty done, we may for the rest, and on being occasionally overlooked, console ourselves with the thought—

"How the best State to know? It is found out,  
Like the best woman, that least talked about."

To meet all unremunerative expenditure out of income, and to establish a permanent surplus for the future—this was, in fewest words, the object kept in view in the Financial Statement of the 15th March. Leaving the question of *famine* for future consideration, the Government of India sought to obtain that surplus by a bold and threefold extension of the decentralisation plan. The income of the Empire was, in the first place, to be increased by transferring to provincial control certain great branches of improvable revenue; secondly, expenditure was still further to be checked by multiplying the services under provincial management; and lastly, those Extraordinary works which serve a chiefly local end were in future to be maintained by local or provincial funds. Now this last change, to Bengal at least, meant new taxation. Suggestions as to the character of this taxation were authoritatively given us. We were advised to redistribute the charges laid upon us, so as to adapt the burden locally to the benefits received. Compulsory local rating for canals was shown to satisfy this condition. Again, so far as general taxation might be required, expansion of existing cesses was declared preferable to new and unfamiliar imposts. This Council therefore, at its last session, was asked to consider a Bill for the imposition of a compulsory rate upon irrigable lands, and a Bill for the levy, through the road cess machinery, of a cess for the construction and maintenance of provincial public works. The last of these measures has become law, and imposes, chiefly on the agricultural and landed classes, an annual burden of some 30 lakhs of rupees. If the Irrigation Bill eventually passes, it too will affect only persons interested in lands, within certain limited areas.

So far, the Government of India had only provided in a general way for a moderate improvement of departmental revenues, for a further check upon departmental expenditure, and for the charges on account of maintaining remunerative public works. The problem of providing financially against recurrent *famine* was, I have said, reserved in March last for future consideration. The mode, in which the Government of India proposes to meet this question, has, within the last few days, been clearly explained to the public. We have here simply to accept the fact that Bengal must raise for the common weal a further subsidy of some 30 lakhs.

We cannot give this out of our existing means. The public works cess will, for some years to come, at best do little more than meet the interest and working charges on existing railways and canals. It will certainly not enable us to meet the interest on the capital required for that complete and improved system of railway communications which Bengal still sadly needs. On the other hand, the margin of surplus to be earned by improving our revenues is as yet unknown, and will in any case come nowhere near the sum that I have named. Not only have we from this source to make good to the Supreme Government the assumed normal increment of our stamp and excise receipts, but we have to meet a further reduction of about 4 per cent. upon the already reduced allotments of 1871-72, besides a gross reduction of 1½ lakhs upon the allotments of two of the heads of service last made over to us. Again, it must

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always be remembered that no *great* reductions of expenditure are possible to the Local Government, if it does its duty properly. It may practice small economies, redistribute allotments, and avoid needless increase of expenditure, but it is bound to maintain provincial services on the lines laid down by higher authority. It can neither change the system nor starve the departments. To obtain the funds that we require, then, fresh taxation is our only stand-by.

We have been allowed considerable latitude of discussion with reference to its shape. So long as we did not attempt an income tax, or trench on imperial resources, we might probably have had any tax that suited us, though of course uniformity with other provinces was most desirable. At any rate we gave this question of the shape of the tax much consideration. All the canons of taxation laid down in the books, and all the canons of taxation deemed special to India, have been duly paraded and duly pondered. "Indirect taxation," say some, "is the only form of taxation suited to this country." This is one of the canons usually now-a-days deemed axiomatic. And indirect taxation is, I admit, in many respects a delightful mode of raising money. You take away a large percentage of a man's earnings, and he is not one whit the wiser, and (what is better still) never cares to ask about how you spend it. If only those who are so fond of enunciating the canon would go on to show us in detail how we, as a Local Government, can raise 30 lakhs of rupees by indirect taxation, they would confer on us an inestimable benefit. To bring in the sum that we require such a tax must be laid upon some article or articles of very extensive consumption. We cannot tax grain any more than air or drinking-water. Salt it is beyond our province to touch. Sayer, in the shape of internal duties on commodities in general, we would not, if we could revive. A tax on tobacco and pân is the only indirect tax, properly so-called, that deserves serious consideration. But after careful scrutiny we (I speak here only for Bengal) have come to the old conclusion that, save perhaps by organising a great imperial monopoly, no revenue of moment could be raised from tobacco, either by a tax on cultivation or a tax on sales, save at such a cost of collection, and with such an amount of prevention and interference with the people, as would make the tax a piece of sheer financial madness. From pân by itself only a trivial revenue could be had. I need not weary the Council by discussing the question of a tobacco monopoly, though some go so far as to think that such a scheme might rehabilitate our Indian finance, and enable us in time, by improved manufacture and so on, to command the custom of all smoking Europe. The question is imperial, and the idea of a monopoly is not likely to find favor at home. Moreover, we want this money speedily, and arguments on principles take years to settle. Then again we are told that sumptuary and optional taxes are the best form of taxation. But to each and all of these is the objection that they would not be sufficiently productive in a country of poor men. A marriage tax in Bengal at any reasonable rates would probably yield not more than 4 or 5 lakhs of rupees, could only be worked through the police, and is open to various objections when affecting Mahomedans. The question of a succession duty was disposed of in the *Gazette of India* of the 8th February 1868. Taxes on footmen, powder, crests, and plate, are hardly feasible as yet, and their Indian equivalents would yield but little to the State. But it may be asked why not, by a combination of small sumptuary and indirect taxes, raise what you require? To this we reply that we know of no combination of unobjectionable taxes that would give us the money; and, after careful consideration, we have thought it best to avoid multifarious measures of taxation, and to raise the sum we want without distracting the same classes of the people by taxes of different kinds coming upon them at the same moment, even though some of these might appear to be either optional or indirect.

We require, to cover the famine subsidy, with costs of collection, and to give a small margin for risk and trouble, something like 35 to 37 lakhs of rupees. We propose to raise this sum by a direct license tax upon arts, trades and dealings. We can at present lay no further burden upon the land. We prefer rather to remove the invidious exemption that, since the repeal of the income tax, trade and commerce have enjoyed. Looking to the amounts raised from land under existing cesses, the demand now to be made upon industry and trade is not, we submit, excessive. The trade of Bengal is year by



year receiving fresh developments. It has profited by the misfortunes of our own agriculturists. It benefits by every calamity in neighbouring provinces. It shares in the improving condition of both peasant and landowner, but contributes less than either of them to the Exchequer of the State. The import and export trade of this presidency, excluding Government transactions, was, in 1876-77, 17.43 per cent. greater than in the year preceding. The gross exports alone were 26 per cent. in excess of those of 1875-76. The trader is everywhere, as Mr. Massey once remarked, though a valuable, still a very expensive, member of the community. To enable him to carry on his business large sums are spent on public works. It is he who benefits most by good police and all the paraphernalia of protective administration. In Europe, traders were the earliest class subjected to special tax. In India, direct taxes upon trade were a normal feature under native rule, are consonant with both Hindu and Mahomedan law and practice, and have been common under our own legislation, both local and imperial. But at present, with the exception of his individual share of the duty on salt, and his individual share of the import duties on articles consumed by him, the trader and the artisan in Bengal pay nothing to the public Exchequer for the benefits they enjoy. We propose to remedy this anomaly.

The Lieutenant-Governor has explained elsewhere why the tax we now propose is not upon the model of those of 1867 and 1868. By no possibility could we raise the sum required by any reasonable rate of tax upon trade incomes of Rs. 200 and upwards, such as Mr. Massey's license tax and certificate tax affected. A country where, though the craving for land is as strong as in Ireland, 80 per cent. of the suits about real property are valued at less than Rs. 100, is not a country with many wealthy men. It is a mere truism to say that any tax in India, to be largely productive, must go down in some way or other to the masses, and be adapted to the general circumstances of those who form these masses. It's "mony a mickle that mak's the muckle" in Indian finance, and we feel the less hesitation in taxing the petty trader and the artisan, because we see every ryot in the country contributing to cesses according to his rental.

There are, according to the census, about 4 millions of adults carrying on arts, trades and dealings other than agricultural throughout Bengal. We assume that probably one-fourth of these will be able to pay tax, and we propose to levy on them a light general license tax at rates ranging from Re. 1 to Rs. 200 annually. We have sought to grade the tax for Bengal so as to make anything like minute inquisition into income or profits unnecessary. Local officers should, for instance, have no difficulty in settling whether a man should pay Rs. 32 or Rs. 100; whether he should pay Rs. 10 or Rs. 32. The most general knowledge of a trader's style and means will enable the Collector to grade him according to those rates. We may by our rules prescribe that the Collector's general aim should be so to classify as not to impose upon incomes, so far as known or proved, more than a certain percentage of tax, but nothing of the nature of an income tax is at all intended. The highest fee of all (Rs. 200) will be paid only by certain specified wholesale traders, bankers, companies, and the like. Substantial retail traders will pay Rs. 100, Rs. 32, or Rs. 10, according to class. In the lower grades the normal rate of tax will be settled by considerations of locality. In first class municipalities Rs. 4, in smaller towns and unions Rs. 2, and in mofussil villages Re. 1, will be the normal rates. But Collectors will have power to make a well-to-do man pay Rs. 4 or Rs. 2 wherever he may be found, and to reduce or remit the rates in cases where poverty makes the normal tax unduly heavy. We have tried, however, to leave as little as possible in the power of assessors. We propose also, in framing the lists of licensees, to make as much use as we can of existing local agencies, such as municipalities and union punchayets. These already possess lists of individuals residing within their limits, and can, with proper supervision, easily do the work of selection and classification. The Council will consider whether village punchayets under Bengal Act VI of 1870 can be similarly used. The Bill, as framed, assumes that they can. In the work of collection we propose again to make use of municipal and union machinery, making it worthwhile for those agencies to act as our collectors. For the rest of the country Government must provide an agency, and I will

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only say that it will be our object in all arrangements to reduce to a minimum the harassment of individuals by providing for collection at local centres and for strict supervision of the subordinate agency. The tax is in its nature so simple that it is hoped, all liable to it will easily understand their obligations, and thus anything like illegal exaction be next to impossible. I attach much importance in this connection to the fact that the tax will be paid in one annual instalment. If any licensee cannot possibly pay up the tax to which he is assessed in one sum, he will have a claim to be put in a lower grade. If a man cannot possibly pay one rupee, he ought not to be taxed at all. There will be no half-yearly, or quarterly, or monthly dunnings. The tax is not, it will be seen, a tax upon households, firms, or partnerships, but upon individuals. Any other arrangement would in the interior give rise to endless disputes as to liabilities. But we shall lay down rules for reducing the gross assessment of a family when its members are living and working together. Our object in all our proposals has been to minimise as far as possible the ordinary evils of direct taxation. We are not without hope that we have to some extent succeeded.

In conformity with the principle of avoiding multifarious imposts, those persons who pay license tax will be relieved of the house cess which they now pay under the Road Cess and Public Works Cess Acts. This will be recognised in the mofussil as a very substantial boon. That the house cess is a thoroughly unpopular tax is, I believe, beyond doubt. The disputes as to liability and as to correctness of valuation, the claims to exemption, the constant changes in the lists from death and desertion, the inefficiency of the collecting machinery, and the repeated periodical demands, all combine to make the exaction hateful to both collectors and assessees. It would realise, at best, but about 1½ lakhs per annum, and the collections are always persistently in arrear. Its abolition should alone reconcile the mofussil trader to this license tax.

The arrangements proposed for Calcutta are in some degree special, in order to work the tax upon existing lines and avoid conflicting demands. Briefly, we adopt the third schedule of the Calcutta Municipal Act, under which a license tax is already levied on professions, trades and callings; raising the rates for a few of the wealthier trades to those proposed for the mofussil, and tacking on at the bottom the arts and industries not at present touched by the Calcutta schedule. We have not excluded the few professions that are in Calcutta affected by the present schedule. They are flourishing and well-to-do, and have shared in the special prosperity of Calcutta as a town. Generally however, and in the interior, we do not intend to tax professions, or those earning their living by service on fixed salaries. These classes suffer from the undoubted rise of prices without being able to recoup themselves, and the Europeans among them have been specially mulcted by the fall in exchange. But our main reason for excluding them is, that we are not proposing an income tax upon all classes, but an ordinary trade license tax for a specific purpose.

We estimate the proceeds of the license tax at from 35 to 37 lakhs of rupees. It may bring less; it may bring more. Experience only can show. The number of taxable persons is at present to a great extent matter of conjecture. The Government will regulate the demand hereafter by the results of the first year's working. If it turns out to be very productive, we may be able to remit other forms of taxation, and we can always utilise any unappropriated balance for provincial improvements.

This, then, is the Bill which we have to submit to the Council. That it will be received by the country at large with acclamation, or that it is beyond all reach of criticism, we do not expect.

“ He that expects a faultless tax to see,  
Expects what never was, nor is, nor e'er shall be ! ”

The Government is fully sensible of the difficulty of the task before it, but it believes that the measure is difficult rather from its magnitude than by its intricacy; and we are encouraged to go on by the opinion of the most experienced officers, both now and when a similar measure was proposed in Act XVIII of 1861, that a tax of the kind is feasible, even in Bengal. The Government relies upon the energy and devotion of its officers to bring about in the

end a successful issue It relies at the same time upon the loyalty and intelligence—shall I not say, the patriotism—of the people of Bengal. These taxes are not required by us to bolster up unwholly war, or carry carnage through a neighbour's land. We do not wring from toil its tribute to satisfy a sovereign's lust, or raise in far off capitals memorials of conquest. We seek to save the lives and not to filch the earnings of the poor, and we demand from the people of Bengal the means of warding from their doors that famine spectre that has slain already so many of their brethren, and may, for aught we know, be knocking at their own homes in the early future. Whether our object will be understood by all, we cannot tell. But we do trust that educated natives, by their speech and by their writings, will lead their countrymen to the truth in this important matter, and rise superior to paltry cavil, recognising the urgency and greatness of the need. But whatever be the view taken by the people as a whole, the sympathies and aid of this Council will not be wanting to the head of this Government, into whose hands was put but yesterday what (if I may quote Carlyle) "seemed to be the rudder of Government, but has for the present turned out rather the spigot of taxation, wherewith he must tap, and the more cunningly the nearer the lees."

With these remarks I beg to move for leave to bring in the Bill.  
The motion was agreed to.

No. 703, dated 1st February, 1878.

No. 62.] *Telegram from—SIR JOHN STRACHEY, Calcutta,  
To—Governor, Bombay.*

*Confidential.*—Some changes of importance have been made in our License Bill and in that for Bengal. The principal change is, that maximum fee has been raised to five hundred rupees. No person will be liable whose presumed income does not exceed one hundred rupees. Our Bills will be passed next Wednesday.

Sep Rev Pro., April  
1878, No. 157.

Sep Rev Pro., April  
1878, No. 158.

No. 376, dated 2nd February, 1878.

No. 63.] *From—HON'BLE E. W. RAVENSCROFT, C.S.I., Chief Secy. to Govt., Bombay,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

I am directed to acknowledge the receipt of your letter No. 323, dated 15th January 1878, in regard to the introduction of a license tax in the Bombay Presidency, and to state that this Government cheerfully accept the responsibility imposed upon them, and will, to the best of their ability, carry out the views of the Supreme Government. A Bill for the licensing of trades has been introduced into the Bombay Legislative Council, and is now under consideration.

2. With reference to paragraph 7 of your letter, wherein it is hoped that the license tax about to be imposed in the Bombay Presidency will yield 18 lakhs of rupees a year, I am desired by His Excellency the Governor in Council to state that he will do his utmost to realise that hope. In this endeavour he thinks he shall succeed.

Dated 11th February, 1878.

No. 64.] *Telegram from—Governor, Bombay,  
To—SIR JOHN STRACHEY, Calcutta.*

License tax, Bombay Presidency, passed. Assessment arrangements being made. We desire to appoint a selected civil servant temporarily for six months to examine and compare local assessments, and to see that all districts and cities are assessed equally and properly. He would receive Collector's pay with travelling allowance. Expense debitable to Provincial Services; will repay itself many times over in improved productiveness of tax.

Sep Rev Pro., April  
1878, No. 159.

Sep Rev Pro., April  
1878, No. 160.

No. 922, dated 12th February, 1878.

No. 65.]

Telegram from—SIR JOHN STRACHEY, *Calcutta*,  
To—Governor, *Bombay*.

Sep. Rev. Pro., April  
1878, No. 161.

Thanks for very satisfactory news about completion of your license tax legislation. Proposal about special officer approved. You can act accordingly, but please report officially.

No. 78, dated 22nd February, 1878.

No. 66.] From—J. NUGENT, Esq., *Under-Secretary to the Government of Bombay*,  
To—The Secretary to the Government of India, HOME DEPARTMENT.

Sep. Rev. Pro., July  
1878, No. 310.

I am desired to request that you will submit, at your earliest convenience, to His Excellency the Governor General, for the purpose required by section 40 of the Indian Councils Act, the accompanying authentic copy of the Bill noted in the margin, which was passed by the Council of the Governor of Bombay on the 8th February 1878, and assented to by His Excellency the Governor on the 13th February 1878. Five spare copies of the Bill as read a third time and passed, and six sets of the papers relating to it (as noted in the accompanying list), are herewith forwarded.

BILL No. 1 of 1878 (a Bill for the licensing of trades, dealings and industries in the Presidency of Bombay).

As it is of great importance that this measure should become law and come into operation with the least practicable delay, I am directed by His Excellency the Governor in Council to request that the assent of His Excellency the Governor General to this Bill may be granted, and communicated to this Government at the earliest possible date.

Dated 10th January, 1878.

No. 67.] Telegram from—HON'BLE D. F. CARMICHAEL, *Chief Secy. to Govt. of Madras*,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

Sep. Rev. Pro., May \* Vide A Sep. Rev. Pro., April 1878,  
1878, No. 200. No. 153.

Your telegram fifth.\* We certainly prefer passing Madras License Tax local Council.

No. 125, dated 7th January, 1878.

No. 68.] From—R. B. CHAPMAN, Esq., *Secy. to the Govt. of India*, FINANCIAL DEPT.,  
To—The Chief Secretary to the Government of Madras.

Sep. Rev. Pro., May  
1878, No. 201.

In continuation of a telegram dated 5th instant, I am directed by His Excellency the Governor General in Council to invite the attention of the Government of Madras to the Proceedings in the Legislative Council of the Governor General on Thursday, the 27th December, upon the introduction by the Hon'ble Sir John Strachey, K.C.S.I., of a Bill for the licensing of trades and dealings in the Punjab, the North-West Provinces and Oudh.

2. It is not necessary to repeat the facts stated by Sir John Strachey to show the urgency of the need of some effectual measures for restoring the financial equilibrium of the State. The Government of Madras will doubtless have been prepared for the announcement that the Governor General in Council must call upon the country generally to contribute fresh resources to enable the Government to bear the burden which it has undertaken of preserving life in time of famine.

3. I am now to express the hope of the Government of India that the measures which have been devised for this purpose will be approved by the Government of Madras; the Governor General in Council is well assured that he may rely upon the cordial co-operation of the Government of Madras in giving effect to those measures.

4. It was with much satisfaction that His Excellency in Council found himself able to dispense, for the present, with any further demands from those deriving incomes from the land in the Madras Presidency.

5. Setting aside the increase of the salt duty, the eventual object of which is not to add to the resources of the State but to equalize the salt duties throughout India, the only contribution now sought from the Madras Presidency is the license duty, which is to be generally imposed throughout India.

6. There are no data upon which to estimate accurately the produce of such a tax in each province and presidency. The Government of Bengal expects confidently to collect a net sum of 30 lakhs of rupees. In the North-West Provinces and Oudh the estimate is for net 8½ lakhs, and in the Punjab for 5 lakhs. In the Madras Presidency the Mutaharafa used to yield about 12 lakhs of rupees a year, the license tax of 1877-78 yielded about 9 lakhs, and the profession and trades tax of the following year about a lakh less.

Sep. Rev. Pro. May  
1878, No. 201.

7. The license tax now to be imposed in the Madras Presidency will probably yield at least 12 lakhs of rupees a year; but the Governor General in Council will be glad to have the opinion upon this point of the Government of Madras.

8. The Governor General in Council presumes that the Government of Madras will prefer that the necessary legislation should take place in the Council of His Excellency the Governor of Madras rather than in the Legislative Council of His Excellency the Viceroy. Upon this assumption I am to request that a draft Bill may, as soon as possible, be forwarded for the approval of the Government of India. The Governor General in Council would be glad if the Bill should, as far as is consistent with local circumstances, conform to the model of the measure introduced on Saturday, the 29th December 1877, into the Council of the Hon'ble the Lieutenant-Governor of Bengal.

9. I am especially to invite attention to the provisions contained in that Bill for the employment of Municipalities both at the Presidency and in the interior for the collection of the tax. It is believed that some such arrangement will be found especially convenient in the Madras Presidency.

10. The Government of India depends confidently upon the new duties coming into operation on the 1st of April next, and the estimates of the financial year 1878-79 will be framed upon this anticipation. In this view it is the present intention of the Government of India to ask the Legislative Council of the Governor General to pass the Bill introduced by Sir John Strachey without any unnecessary delay. There will thus be time given to the fiscal officers to make needful preliminary inquiries and assessments before the beginning of the new financial year.

11. I am accordingly to invite the Government of Madras to lose no time in introducing the needful measure into the Legislative Council of His Excellency the Governor of Madras. Provided that the suggestions contained in this despatch are substantially accepted, the introduction of the measure need not await the sanction of the Government of India.

Dated 25th January, 1878.

No. 69. ] *Telegram from—The Chief Secy. to the Government of Madras,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

License tax. Our legislation follows Bengal.

Sep. Rev. Pro. May  
1878, No. 202.

Dated 5th February, 1878.

No. 70. ] *Telegram from—R. B. CHAPMAN, Esq., Secy. to the Govt of India, FINL. DEPT.,  
To—The Chief Secretary to the Government of Madras.*

Referring to your message saying Madras would probably follow example of Bengal License Tax legislation, I note that some important changes have been made in Bengal and Northern India License Bills. Chief points are that maximum fee will be raised from two hundred to five hundred rupees, and it will be made clear that no person can become liable to the tax unless his presumed income exceeds one hundred rupees a year.

Sep. Rev. Pro. May  
1878, No. 203.

No. 46, dated 26th February, 1878.

No. 71. ] *From—HON'BLE D. F. CARMICHAEL, Chief Secy. to the Govt. of Fort St. George,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

With reference to your letter of the 7th January ultimo, No. 125, I am directed to forward, for submission to His Excellency the Governor General in Council, the accompanying copy of the Proceedings of this Government, and

Sep. Rev. Pro. May  
1878, No. 204.

Sep Rev. Pro., May  
1878, No. 204.

of draft of a Bill prepared in accordance with the views of His Grace the Governor in Council, of the provisions which should be adopted in this Presidency for licensing trades, dealings, and industries.

2. As the principle of the Madras License Bill is the same as that of the corresponding measures proposed for Bengal and Northern India, I am to intimate that steps will be taken for its immediate introduction into the local legislature.

3. I am also to state, with reference to paragraph 7 of your letter under acknowledgment, that the proceeds which may be expected from the proposed license tax in this Presidency, may be estimated at 12 lakhs of rupees a year.

No. 140, dated 25th January, 1878.

No. 72 ] *Office Memo from—HON'BLE D. F. CARMICHAEL, Chief Secy. to the Govt of  
Fort St. George,*

*To—The Secretary to the Board of Revenue, Madras*

Sep Rev Pro., May  
1878, No. 205

In forwarding the accompanying letter\* and its enclosures (to be returned), the undersigned is directed to request that the Board of Revenue will state, as early as practicable, what modifications they would propose in the *Bengal* Bill, which the Government of India wish to be taken as a model for Madras legislation, *in re* the new license tax.

\* From Financial Department, Government of India, dated 7th January 1878, No. 125, in original.

No. 252, dated 30th January, 1878.

No. 73.] *From—H. E. STOKES, Esq., Secretary to the Board of Revenue, Madras,  
To—The Chief Secretary to the Government of Fort St. George*

In reply to official memorandum, dated 25th January 1878, No. 140, I am directed by the Board to submit the following remarks on the Trade License Tax Bill introduced into the Bengal Legislative Council.

2. The Board do not consider that this Bill affords nearly so good a model for legislation in Madras as the Bill for imposing a similar tax in the North-Western Provinces. There are numerous minor changes, chiefly verbal, which would have to be made to adapt the Bengal Bill to this Presidency. These the Board need not notice, but the distinctive features of the Bill, *viz.*, the peculiar classifications in the Schedule, the principle of a different assessment in large and small towns and in town and country, and the employment of Municipal agency to collect the tax, appear to the Board quite unsuitable in the Madras Presidency.

3. *Schedule A.*—The denomination of trades described in Class I is vague and inadequate; and as the Schedule stands, every person coming under these denominations must be assessed in that class, or in Classes V, VI, or VII, as Classes II, III, and IV apply to retail traders only. This, of course, will not work, and will let many traders and merchants off much too lightly. Then, as to Classes V, VI, and VII, the difference between first and second class Municipalities may be defined by law in Bengal, and the terms "station" and "union" have probably fixed meanings there, but the Board do not know any institutions in this Presidency which can be considered to correspond with them. The principle of the distinction of classes must be some difference, real or supposed, between the condition of traders, &c., in towns and in the rural villages; but there is no such marked difference in Madras. In point of fact, traders in non-municipal towns are at present better off, as they escape liability to professional tax, and in many non-municipal towns and even rural villages there are rich traders who should pay the same as any traders in municipal towns, while in the latter there are dealers as petty as in many villages. For similar reasons the Board are of opinion that there should be no difference between taxation in the city of Madras and elsewhere; that one schedule, in fact, should apply to both town and country.

4. The Board are of opinion that there should be no attempt at detailed denomination of trades in the schedule, but that the classes should each embrace all trades, dealings, and industries, the rates being Rs 200, Rs 100,

Rs. 50, Rs. 25, Rs. 10, Rs. 4, Rs. 2, and Re. 1. The classes would then be roughly divided by means of the prescribed maximum limit of 2 per cent. of profits.

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5. As to the employment of Municipal agency for the collection of the tax, the Board do not think that in this Presidency anything will be gained by it. There is in every mofussil town a revenue organization quite as well fitted for the work and more under control than the Municipal one; and in the city of Madras the Town Deputy Collector could, with a slight increase of staff, make a more complete assessment of the tax and collect it better than the Municipality. The reason of the proposal as regards Bengal is probably the absence of such extended organization of Government establishments as is found here. The proposal would have advantages if the classification adopted for the License Tax and Municipal Profession Tax Schedules coincided, as there would then be a saving of expense of assessment and collections, and all that would be necessary would be that a certain proportion of the enhanced receipts should be paid over by the Municipality to Government. But the two taxes differ altogether as to basis and classification; and in point of assessment or collection there will be no gain in administrative efficiency or otherwise by the transfer, while the provisions of Section 27 throw upon the Municipal revenues all the risks of collection and responsibility for irrecoverable assessments. The whole scheme is apparently framed with reference to the Bengal Municipal law, and will not, in the Board's opinion, answer in Madras. It is true that the Act leaves it optional with the Collector and the Government to bring Sections 24 to 30 into operation, and that similar sections are found in the North-Western Provinces Bill, but it is now apparent that the intention is that these sections shall be availed of as the rule.

6. There are a few other points which the Board wish to notice—

- (a) The taxation of firms and household partnerships. The provision in Section 16 of the North-Western Provinces Bill appears as a note, which apparently applies only to Schedule B of the Bengal Bill. It should, the Board think, be part of the Bill itself. The point will require to be further provided for in the rules; for example, as regards master-artificers employing journeymen, relatives, or others. Such will, it is supposed, unless partners in the business, be able to take out separate licenses.
- (b) Section 6.—It seems absurd to throw the duty of deciding as to a man's principal place of business on the Local Government.
- (c) Section 17.—No exemption or reduction should be claimable if a man has exercised his trade or calling for six months or upwards. This should be specified for the sake of ensuring uniformity.
- (d) Section 20.—The process for recovery of land revenue arrears may in this Presidency be made applicable to all cases. The difference proposed (which is not found in the North-Western Provinces Bill) is probably due to some peculiarity of Bengal law.
- (e) Section 25.—There are no stations or unions in Madras.
- (f) Section 30 should be entirely omitted.
- (g) Section 31 will have to be liberally used, as much of the working of the Act must here be entrusted to Tahsildars.
- (h) The Board note that Section 4 does not preclude the taxation of ryots who engage, as they often do, in money-lending or trade.

7. The Board do not think there is much force in the arguments used by Mr. Mackenzie for exempting the professional or salaried classes.

8. The papers received with the memorandum under reply are herewith returned.

No. 25, dated 7th February, 1878.

No. 74.] Office Memo. from—HON'BLE D. F. CARMICHAEL, Chief Secy. to the Govt.

of Madras,

To—The Secretary to the Board of Revenue, Madras.

The accompanying proof-copy of the draft of a Bill for licensing trades, dealings, and industries in this Presidency, prepared in this Department in accordance with the suggestion\* of the

\* Letter from the Board's Secretary, dated 30th January, No. 253

Board of Revenue, and based mainly on the Northern India License Bill, is forwarded to the Board with the view of eliciting any remarks they may wish to make with reference to its provisions.

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1878, No. 205.

2. The Government have received official intimation that changes have been made in the Northern India License Bill and in the Bengal License Bill since their introduction into the Council of the Governor General and the Council of the Lieutenant-Governor of Bengal, respectively, under which the maximum rate of the proposed license tax will be raised from Rs. 200 to Rs. 500, and no person will become liable to the tax unless his presumed income exceeds Rs. 100 a year. The Board will be good enough to state whether, in their opinion, corresponding alterations should be made in the Madras Bill.

3. The matter being very urgent, a very early reply to this memorandum is requested.

No 382, dated 13th February, 1878.

No. 75 ] *Extract from the Proceedings of the Board of Revenue, Madras*

Read—

Official memorandum, dated 7th February 1878, No. 25.

The opinion of the Board is requested as to whether the maximum rate of the proposed license tax should be raised from Rs. 200 to Rs. 500, and whether persons whose presumed income does not exceed Rs. 100 a year should be exempted.

2. The Board see no objection to the first proposal; it will doubtless excite opposition from a powerful section of the community; but there is no injustice in raising the maximum, and the proposal may be adopted, though a large increase of revenue is not likely to result, as few will be affected by the change.

3. As regards the proposal to exempt incomes of Rs. 100 and less, the Board are inclined to think that the minimum should be still further raised to Rs. 200, as payment of a tax of even Rs. 2 will press hardly on persons whose earnings amount to so small a sum as Rs. 8½ per mensem, whilst the measure involves the necessity of dealing with a very large number of persons. A rough estimate of the proceeds of the tax, applied to all incomes in excess of Rs. 100 per annum, based on the number of persons assessed under Act IX of 1868 as regards incomes of Rs. 500 and upwards, and on the data furnished by the Census Report as regards incomes below that amount, is subjoined. It shows that about 11¼ lakhs may be expected to be realized from about 244,000 persons:—

INCOMES	Persons	Rate.		Amount
		Rs	Rs	
Rupees 40,000 and upwards	39	500	19,500	
" 25,000	48	350	16,800	
" 10,000	184	200	36,800	
" 5,000	569	100	56,900	
" 2,500	1,726	50	86,300	
" 1,250	6,350	25	1,58,750	
" 500	24,124	10	2,41,240	
" 200	70,190	4	2,80,760	
" 100	140,380	2	2,80,760	
TOTAL	243,610	..	11,77,810	

This estimate will not be found to agree with that given in Mr. Stokes' demi-official note of the 14th January, because the basis of calculation is different, the assessment having to be made with reference to income instead of the class and character of the trade as then presumed.

4 The following figures show that by raising the rate of the tax slightly the proceeds would not be materially reduced, notwithstanding the exemption of incomes below Rs. 200, whilst the numbers to be dealt with will be greatly



diminished, the persons liable being estimated at 103,230 only instead of 243,610 :—

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INCOME.	Persons	Rate.		Amount
		Rs		Rs
Rupees 40,000	99	800 or 2 per cent.		31,200
" 25,000	48	500		24,000
" 10,000	184	250 or 2½ per cent		46,000
" 5,000	569	125		71,125
" 2,500	1,726	62		1,07,012
" 1,250	6,350	32		2,03,200
" 500	24,124	12		2,89,488
" 200	70,190	5		3,50,950
TOTAL	103,230			1,22,975

By this arrangement the burden will be shifted to those who are better able to bear it, and the task of rating will be rendered easier.

5. The Board note that the provisions for the employment of Municipal agency in collecting the tax have been retained. It is presumed that there is no intention of resorting to this method of levying the tax as a rule, Section 20 being, it is observed, merely permissive, and that the object of this portion of the Bill is to enable Municipalities, should they object to an Imperial in addition to a local tax on trades and industries, to raise the sum required by any means in accordance with the Town Improvement Act which they may prefer to adopt, *e. g.*, by an enhancement of the house-tax. If so, the objections put forward by the Board to the provisions in question do not apply.

No. 45, dated 26th February, 1878.

No 76 ]

Order thereon by the Government of Madras.

The draft Bill above recorded embodies the proposals of this Government as to the provisions which should be adopted in this Presidency for licensing trades, dealings and industries. It is based chiefly on the Northern India License Bill, the only important respect in which it differs from that Bill being the Schedule.

2. The Schedule attached to the draft does not contain (as in the Northern India Bill) any detailed denomination of traders and dealers, but embraces, under each of the twelve classes entered therein, *all* trades, dealings and industries, the maximum rate of the license tax being Rs. 800 and the minimum Rs. 4. The intermediate rates are Rs. 700, 600, 500, 400, 300, 200, 100, 50, 25 and 10. All the rates are fixed at 2 per cent. on the minimum amount of earnings named in each class, annual earnings amounting to Rs. 200 and less being exempted from taxation.

3. Several minor alterations have also been made in the draft Bill; but they are chiefly verbal, and such as are necessary to adapt the provisions of the Northern India Bill to the circumstances of this Presidency.

4. Copy of the draft Bill will be submitted to the Government of India, with reference to paragraphs 7 and 8 of their Financial Secretary's letter above recorded, with the intimation that as the principle of the Bill is the same as that of the corresponding measures proposed for Bengal and Northern India, steps will be taken for its immediate introduction into the local Legislature, in anticipation of the sanction of the Governor General in Council, and that the proceeds which may be expected from the proposed license tax in this Presidency may be estimated at about 12 lakhs of rupees a year.

5. Under the orders of His Grace the Governor, the Bill, with the Statement of Objects and Reasons accompanying it, will be published in the next issue of the *Fort St. George Gazette*, under Rule 25 of the Rules for the conduct of legislative business in the Council of the Governor of Fort St. George. The Hon'ble W. Hudleston will be requested to take charge of the Bill.

No 744, dated 18th March, 1878.

No. 77 ] *From*—D FITZPATRICK, Esq., *Secy to the Govt. of India*, LEGISLATIVE DEPT.,  
*To*—*The Chief Secretary to the Government of Fort St George.*

Sep Rev Pro., May  
1878, No 206.

I am directed to acknowledge the receipt of your letter No. 46, dated the 26th ultimo, and of its enclosures, and to state that the Governor General in Council approves of the introduction of the Madras License Bill into the local Legislative Council.

2. I am, however, to suggest that as section 4 of the Bill appears to be *ultra vires* of the local Legislature as affecting the jurisdiction of the Madras High Court, it be omitted altogether or made inapplicable to that Court.

3. I am to add that the penalty clause in section 20 appears superfluous, the matter being already provided for by section 175 of the Penal Code. That clause should accordingly, in conformity with the instructions conveyed in the Secretary of State's despatch No. 35 (Legislative), dated 1st December 1862, *vide* Home Department No. 150, dated 8th January 1863, be omitted.

4. A copy of the telegram despatched to you this day is enclosed.

No. 745.

Copy forwarded to the Financial Department for information. Original papers returned.

No. 65, dated 27th March, 1878.

No. 78. ] *From*—W. M. SCHARLIEB, Esq., *Asst. Secy. to the Govt., Fort St George*,  
*Legislative Dept.*,  
*To*—*The Secretary to the Government of India*, FINANCIAL DEPARTMENT

Sep Rev Pro., May  
1878, No 207

In continuation of this office letter dated 26th February last, No 46, I have the honour, by order of His Grace the Governor, to forward copy of the Act specified in the margin, which was passed by His Council on the 18th instant, and formally assented to by him on the 22nd idem, and to request that it may be submitted to the Right Hon'ble the Governor General for His Excellency's assent.

2. Two copies of the enactment in the form in which it was introduced into the Council are enclosed together with the papers specified in the margin.

1. Bill as introduced with Statement of Objects and Reasons.

2. Report of the Select Committee, together with the Bill as amended

3. Proceedings of the Council, dated 11th and 18th March 1878

4. G O, Legislative Department, dated 16th March 1878, No. 63 (Deposited).

3. With reference to the recommendation made in paragraph 26 of the Select Committee's Report, and the Hon'ble W. Hudleston's suggestion placed on record in the Proceedings of the Legislative Council held on the 18th instant, I am directed by His Grace the Governor in Council to request that His Excellency the Governor General in Council may be moved to make such provision as is necessary to restrict to the amount of one anna the stamp duty payable on any petition of application for relief to the Collector under Section 13 of the Act.

4. I am also to request that the assent of His Excellency the Governor General to this Act may be communicated to this Department by telegram, in order that the Act may be brought into operation as soon after the 1st April next as possible.

No. 821, dated 13th April, 1878.

No. 79 ] *From*—D. FITZPATRICK, Esq., *Secy. to the Govt of India*, LEGISLATIVE DEPT.,  
*To*—*The Assistant Secretary to the Govt. of Fort St. George, Legislative Dept.*

Sep Rev Pro., May  
1878, No 208.

In continuation of my telegram of this date (copy enclosed), I am directed to forward, with the assent of His Excellency the Viceroy and Governor

Act for licensing trades, dealings, and industries in the Presidency of Madras.

General signified thereon, the authentic copy of the Act noted in the margin, which accompanied your letter No. 65, dated the 27th ultimo, addressed to the Secretary to the Government of India in the Financial Department.

Dated 12th April, 1878.

No. 80.] *Telegram from—D. FITZPATRICK, Esq., Secy. to the Govt. of India, LEGISLATIVE DEPT.,  
To—The Assistant Secretary to the Govt. of Fort St. George, Legislative Dept.*

Viceroy assented yesterday Madras License Act.

Sep. Rev. Pro., May  
1878, No. 209

No. 81.] No. 822.

Copy forwarded to the Financial Department for information. Original papers returned.

Sep. Rev. Pro., May  
1878, No. 210.

No. 170, dated 26th April, 1878.

No. 82.] *NOTIFICATION—By the Government of India, FINANCIAL DEPARTMENT.*

In exercise of the power conferred by section 35 of the Court Fees Act, 1870, the Governor General in Council is pleased to reduce to one anna the Court-fee payable under the said Act for a petition to the Collector for relief under section 13 of the Madras Trades License Act, 1878.

Sep. Rev. Pro., May  
1878, No. 211.

Copy forwarded to the Government of Madras for information, with reference to their letter No. 65 (Legislative), dated 27th March 1878.

No. 5, dated 11th April, 1878.

No. 83.] *From—The Government of India,  
To—The Secretary of State for India.*

We have the honour to forward herewith a despatch, No. 1, dated 16th March, received from the Government of Madras under flying seal, addressed to the Most Hon'ble the Marquis of Salisbury, copy of which has been already forwarded to Her Majesty's Government direct.

Sep. Rev. Pro., July  
1878, No. 346.

2. With this despatch are transmitted the proceedings of the Government of Madras upon the subject of the Bill for Licensing Trades, Dealings, and Industries in the Madras Presidency, together with a Memorial addressed to Your Lordship by the Madras Chamber of Commerce protesting against the proposed License Tax.

3. The Madras License Tax Act differs from the Acts introduced in Northern India chiefly in that the maximum tax is higher and the minimum lower. In Upper India the maximum tax is Rs. 500 a year; in Bombay it is only Rs. 200; in Madras there are grades of Rs. 600, Rs. 700, and Rs. 800 a year.

4. In Bengal, Bombay, and the Punjab, the minimum taxable income is Rs. 100; in the North-Western Provinces it is left to the Executive Government to determine the minimum, which is, at present, Rs. 200; the Madras Act fixes the corresponding minimum taxable income at Rs. 200. Provided that the needful revenue can be obtained on these terms, it cannot but be a source of satisfaction that the Government of Madras has been able to place the limit of exemption higher than in Bengal and Bombay.

5. There is no principle involved in the particular maximum limit of taxation imposed; and, though the Schedule of the Madras Act has more the appearance of a simple Income Tax than we intended, we have not thought it necessary to insist upon the Madras measures being moulded in these respects in exact conformity with the measure passed for the Bengal Presidency.

6. The objections taken by the Madras Chamber of Commerce relate to questions of principle which were duly considered before the recent financial measures were taken; and it seems only necessary for us to observe that the Chamber has obviously misapprehended the reasons which induced us to adopt the particular forms of taxation against which they protest.

#### *List of Papers.*

- Letter from the Government of Madras, to the Government of India, No. 54, dated 18th March 1878.  
Despatch from the Government of Madras, to the address of the Secretary of State for India, No. 1 (Legislative), dated 16th March 1878.  
Proceedings of the Government of Madras (Legislative Department), No. 45, dated 26th February 1878.  
Memorial from the Madras Chamber of Commerce, to the Secretary of State, dated 8th March 1878.  
Proceedings of the Government of Madras (Legislative Department), No. 53, dated 16th 1878.

No. 27, dated 6th June, 1878.

No. 84.]

*From—The Secretary of State for India,  
To—The Government of India.*

Sep Rev Pro, July  
1878, No 347

The despatch of Your Excellency in Council, dated 11th April, No. 5 of 1878, forwarding a memorial from the Chamber of Commerce at Madras against the Madras License Act, has been considered by me in Council.

2 It is obvious that, under the extraordinary financial pressure which has risen from the famine, the Government must have recourse to unusual expedients to enable the exchequer to meet the various demands made on the resources of the State. I have expressed my approval of the principle of the measures adopted to restore the equilibrium between income and expenditure; but the objection of the Madras Chamber of Commerce is especially directed against certain details in the Madras License Bill. I do not consider it would be expedient for me to discuss these details. Experience can alone suggest what modifications should be made in the financial legislation of the three Presidencies when the time comes for reviewing the measures recently passed, the objections of the Madras Chamber of Commerce will, I am confident, receive your fullest consideration.

No. 999, dated 8th July, 1878.

No. 85.]

*Endorsed by the LEGISLATIVE DEPARTMENT.*

Sep Rev Pro, July  
1878, No 348

Transferred, for disposal, to the Financial Department.

No. 1808, dated 27th July, 1878.

No. 86.]

*Endorsed by the FINANCIAL DEPARTMENT.*

Sep Rev Pro, July  
1878, No 349

Copy of the despatch forwarded to the Government of Madras, with reference to their letter No. 54 of 18th March 1878.

No. 233, dated 12th January, 1878.

No. 87.] *From—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, FINANCIAL DEPARTMENT,  
To—The Chief Commissioner of Assam.*

Sep Rev Pro, July  
1878, No 265

I am directed to invite your attention to the proceedings of the Legislative Council of the Governor General, published in the *Gazette of India* of the 27th December, regarding the new taxation required to meet the cost of famine relief in the past and in the future. The principle adopted by the Government of India is that the landed classes and the trading classes should all pay their share towards the famine insurance fund. To this end, a cess on the land, at the rate of 2 per cent. on the land revenue, has been proposed and also a License Tax on the trading and industrial classes.

2. The province of Assam is perhaps less liable to famines than some other parts of India; but this consideration alone would not warrant the exemption of Assam from the liability to bear a share of the famine burdens of the empire. But, on the other hand, Assam needs for its development larger funds than the financial needs of the empire permit the Government to grant. Under these circumstances, the Governor General in Council has decided that, for the present, no demand shall be made upon Assam for a contribution to the famine insurance fund. At the same time, arrangements can be made for permitting Assam to raise, for purposes of provincial development, additional taxation analogous to that which is now to be raised for famine insurance funds in other parts of the empire.

3 I am accordingly to ask you to consider the matter, and to report what additional taxation, if any, you would propose for Assam on the lines laid down in the Proceedings of the Legislative Council of the 27th December.

No 1077, dated 8th April, 187-.

No. 88.] *From*—S. O B RIDSDALE, Esq., *Secretary to the Chief Commissioner of Assam,*  
*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep. Rev Pro., July  
1878, No 266

I am desired by the Chief Commissioner to reply to your letter No. 283, dated 12th January, inquiring what measures of taxation the Chief Commissioner would recommend for the Province of Assam, analogous to those which have been introduced in other parts of India, with the view of raising additional funds as a means of insurance against famine.

2 The Chief Commissioner has given his most careful attention to the exposition of the views of the Government of India on this subject, contained in the Proceedings of the Legislative Council published in the *Gazette of India* of the 27th December last, and has also perused and compared the several enactments passed for other parts of India to give effect to the policy therein propounded.

3. Accepting the principle on which all those measures are based, that the burden of taxation should fall as equally as possible on the commercial and industrial classes as well as on the agricultural community, and taking into full consideration any special peculiarities in the conditions of these several classes in Assam which would be likely to affect their capability of bearing additional taxation, the Chief Commissioner has come to the conclusion that there is nothing in such conditions to render the application to Assam of an exactly similar system of taxation as that adopted elsewhere, either inequitable or inexpedient, or to prevent the immediate introduction of such measures. The agricultural classes he would tax by a land cess calculated either on the revenue or acreage of each holding, and he would introduce a license-tax exactly similar to that enacted for the Lower Provinces of Bengal to reach the commercial and industrial classes.

4. With regard to the cess on the land, the Chief Commissioner feels some hesitation in propounding at present a detailed scheme, because his proposals for imposing a rate for local purposes, which, after considerable correspondence, were finally submitted to the Home Department in November 1876, with, as he understood, the general concurrence of the Government of India, have not yet been sanctioned. Not knowing the reasons for which approval has been withheld, he is uncertain to what extent the details of that measure may have failed to commend themselves to His Excellency the Viceroy and Governor General in Council. Should, however, that measure be generally approved, the Chief Commissioner would propose, as part of the present scheme of taxation, to raise the scale of rates therein fixed by about 2 per cent., and to impose these rates, without exception, throughout all the districts of Assam, making the requisite alterations in the draft regulation to this effect, and in Goalpara substituting this uniform provincial system for the present assesment under the Bengal Road Cess Act, X of 1871 (B.C.).

5. For the purpose of taxing the commercial and industrial classes, the Chief Commissioner would propose to introduce the Bengal License-tax Act in its entirety, omitting only the sections referring specially to the town of Calcutta.

6. The advantages of adopting, in the districts of Sylhet and Goalpara especially, a system of taxation already in operation in the adjoining Bengal districts are obvious. In Sylhet in particular, the mass of the population is notoriously difficult to deal with, and there is no subordinate controlling agency of adequate strength. Any feeling, however, of discontent or opposition which a new impost might possibly excite would be much lessened by the knowledge that the same tax was already in force in the neighbouring districts of Bengal. Moreover, the Province being under the supervision of the same High Court, it would be found convenient in case of legal difficulties arising out of the interpretation or application of the Act, that the same judicial rulings or precedents should be available for guidance.

7. In the details of the Bengal Bill, the Chief Commissioner sees nothing which would render it unsuitable or difficult of application in Assam. There are, however, a few minor points, such as verbal alterations and other subordinate details, on which the Chief Commissioner will take a subsequent opportunity of submitting his observations, in the event of His Excellency the

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Governor General in Council acquiescing in the advisability of bringing the Act into operation in the Province.

No. 382, dated 21st June, 1878.

No. 89.] From—A. O. HUME, Esq., C.B., Secy. to the Govt. of India,

DEPT OF REV., AGRIC. AND COMMERCE,

To—The Chief Commissioner of Assam.

Sep Rev Pro, July  
1878, No. 267.

I am directed to acknowledge the receipt of your Secretary's letter No. 3338, dated the 15th November 1876, submitting, with your remarks on certain points noticed in my letter No. 318, dated the 6th May of that year, an amended draft of the proposed Local Rates Regulation for Assam.

2. The form in which the Regulation was drawn not having altogether commended itself to the Government of India, a fresh draft, with such modifications and additions as appeared to the Governor General in Council to be necessary, has been prepared, and a copy is herewith forwarded for any further remarks that you may desire to make on it.

3. In the meanwhile the Government of India has received your Secretary's letter to the address of the Financial Department, No. 1077, dated 5th April last, in the fourth paragraph of which you propose that, with a view to providing additional funds as a means of insurance against famine, the rates to be levied under the Local Rates Regulation should be increased by about 2 per cent., and that these rates should, without exception, be imposed throughout all the districts of Assam.

4. With regard to this letter, I am to say that the Governor General in Council concurs, with you in thinking that the proposed famine cess on the agricultural population of Assam should be provided for in the Local Rates Regulation, a separate measure being passed for the taxation of the commercial and industrial classes; and I am to request that, when re-submitting the Regulation for the consideration of the Government of India, the necessary additions and alterations with a view to giving effect to this proposal may be made to it.

5. The following points, in which the draft now forwarded does not altogether agree in substance with that accompanying Mr. Ridsdale's letter of the 15th November 1876, are commended to your consideration.

6. The definition of "annual value" in Section 2, Clause (3), should be carefully examined. You proposed that *nisfkhurajdars* should be assessed at double the amount paid by other holders (see Section II "annual value," clause (b), and paragraph 3 of the letter). Thus if the ordinary ryot paid 1 anna as cess per rupee of revenue paid, the *nisfkhurajdars* would pay 2 annas. But it is assumed that in the case of the ordinary ryot, the profits equal the revenue. The *nisfkhurajdar* is, as regards the land actually under cultivation, an ordinary ryot paying half the ordinary revenue; his profits, therefore, on the assumption just mentioned, would not be double, but one and a half times those of the ordinary ryot paying full revenue, while the proportion of his revenue to his profits would be as one to three. This basis of assessment will, the Governor General in Council thinks, be secured by the definition of "annual value" under clause (b) of the draft now forwarded.

7. Clause (d) has been added to meet the case of *lakharaj* land situated in a permanently-settled district, it seems to be the natural complement of the assumption that the annual value of permanently-settled fully-assessed land is Rs. 2 an acre.

8. The proviso following the definition of "annual value," which has been specially drawn to meet the case of lands leased under the rules for the grant of land for the cultivation of tea, &c., will require careful consideration. You will observe that it is not altogether in accordance with your draft, or with the view expressed in paragraph 7 of Mr. Ridsdale's letter. In the latter you say that you "would strongly deprecate any appearance of imposing a higher assessment on tea cultivation than on lands devoted to other purposes." But you nevertheless proposed to give the holders of such lands the option of being assessed on a valuation of (1) Rs. 10 an acre for the area actually cultivated only, or (2) Rs. 2 an acre for the whole area of the grant. It appears to the

Governor General in Council that this would place tea cultivation in a somewhat exceptional position, and would be thus contrary to the principle enunciated by yourself and quoted above, which is also that followed in the waste land lease rules now in force.

9. On mature consideration, it appeared to the Governor General in Council that, as regards waste lands sold in fee-simple, or of which the revenue has been redeemed in fee-simple, it would be best to leave the case to the operation of clause (3), head (b) of section 2 of the draft now forwarded. It will be observed that section 7 gives all the powers necessary to enable such lands to be assessed as if they were revenue-paying; and it will, His Excellency in Council thinks, be best to treat them for the purposes of the cess as if they were ordinary ryotwari land, dividing them into the three established classes, and assessing cultivation only at double the rate at which the cess falls on ordinary revenue-paying land.

10. Leased lands are in a different position. The application to them of your suggested value of Rs. 2 an acre would often yield more in cess than under the conditions of the lease can be taken in revenue; and it appears to the Governor General in Council that inasmuch as, in order to encourage cultivation where it would otherwise not extend, and to promote the outlay of capital, specially favourable terms have been accorded to holders under leases in respect of payment of revenue, the same principle should, within reasonable limits, govern their case in respect of payment of cess. But, in view of the multiplicity of lease rules which have from time to time been in force in the province, it seemed expedient to take those now in force as the standard, and to provide that grants under older rules might be treated for the purposes of estimating the annual value as if they had been made under the present rules.

## No. 90 ]

*The Assam Local Rates Regulation, 1878.*

Whereas it is expedient to provide in certain portions of the territories under the administration of the Chief Commissioner of Assam for the levy on land of rates to be applied to local purposes; Sep. Rev. Pro., July 1878, No. 267. it is hereby enacted as follows:—

1 This Regulation may be called "The Assam Local Rates Regulation, 1878."

It extends only to the following tracts of country, that is to say, the Districts of Sylhet, Cachar, Kámrúp, Darrang, Nowgong, Sibságar, and Lakhimpur, and that part of the Góálpára District known as the Eastern Duárs, and

Local extent. It shall come into force in each of the said tracts on such date as the Chief Commissioner may fix by notification in the *Assam Gazette*.

Interpretation clause. 2. In this Regulation—

Land. (1) "Land" means land, whether covered with water or not, which is, or in the absence of some express exemption would be, assessable to land-revenue;

Landholder. (2) "Landholder," in the case of land assessed to land-revenue, means any person responsible for the payment of the revenue assessed on such land, and in the case of land not so assessed, any person who, if such land were assessed to land-revenue, would be responsible for the payment of the revenue assessed thereon;

Annual value. (3) "Annual value," used in respect of any land, means the following, that is to say:—

- (a) where such land is liable to be periodically re-settled at full rates, the land-revenue for the time being assessed on such land;
- (b) where such land is situated in any part of the Sylhet District which has not been permanently settled, or in any other district named in Section one, and the land-revenue of such land has been, wholly or in part, released, compounded for, redeemed, or assigned, the amount which, but for such release, composition, redemption, or assignment would, under the law for the time being in force, be assessed on such land, added to the amount which has been so released, compounded for, redeemed, or assigned;
- (c) where such land is situated in any part of the Sylhet District which has been permanently settled, and is assessed to land-revenue, two rupees for each acre of such land; provided that if any of such land is part of an estate exceeding four

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hundred acres in area, or on which not less than one hundred rupees is assessed as land-revenue, and has not been cultivated for three years previous to the assessment of rates under this Regulation, such uncultivated land shall be excluded from the calculation under this clause, unless it shall appear that the landholder derived profit from such uncultivated land notwithstanding the fact that it was not brought under cultivation, in which case such profit, so far as it can be ascertained, shall be deemed to be the annual value of the said uncultivated land,

- (d) where such land is situated in any part of the Sylhet District which has been permanently settled, and is not assessed to land-revenue, four rupees for each acre of such land; provided that if any of such land is part of an estate exceeding four hundred acres in area, and has not been cultivated for three years previous to the assessment of rates under this Regulation, such uncultivated land shall be excluded from the calculation under this clause, unless it shall appear that the landholder derived profit from such uncultivated land notwithstanding the fact that it was not brought under cultivation.

Provided that when any land has been acquired under a grant or lease made in accordance with any rules issued by or under the authority of Government for the grant or lease of waste lands for the cultivation of tea, coffee, or cinchona, the annual value shall, at the option of the landholder, be ascertained in the following way, that is to say :—

If the grant or lease shall have been made under the rules for the lease of waste lands in force at the date of the coming into force of this Regulation, the revenue payable under the conditions of the grant or lease shall be deemed to be the annual value of such land;

If the grant or lease shall have been made under any other rules heretofore in force for the grant or lease of waste lands, it shall be ascertained what would have been the revenue payable at the time of assessment if at the date of making the grant or lease the rules now in force for the grant or lease of waste lands had been in force, and the said revenue shall be deemed to be the annual value of such land;

Or, in either of the above cases, the land actually under cultivation within the boundaries of the area granted or leased during the year previous to the assessment of rates under this Regulation shall be assessed as if it were land paying full rates of land-revenue, and such assessment shall be deemed to be the annual value for the purposes of this Regulation.

This proviso shall not apply to lands sold under any rules issued by or with the authority of Government for the sale of waste lands revenue-free, or to any lands leased under any rules for the lease of waste lands of which the revenue payable under the lease has been subsequently commuted, redeemed, or compounded for.

(4) "Tenant" means any person holding land from a landholder, and liable to pay or deliver rent therefor.

3. All land shall be liable to the payment of such rate, in addition to the land-revenue and local cesses (if any) assessed thereon, as the Chief Commissioner from time to time directs, not exceeding one anna for every rupee of the annual value of such land:

Provided that no such rate shall be imposed on any land in the Districts of Kámrúp, Nowgong, Darrang, Sibságar and Lak-himpur, now assessed at full rates of land-revenue, until the assessment of such land is revised.

4. When a rate is imposed on any land under this Regulation, any cess now leviable on such land for any of the purposes mentioned in section twelve shall cease to be levied on such land; or, if such cess be maintained, a corresponding diminution shall be made in such rate.

5. All sums due on account of a rate imposed on any land under this Regulation shall be payable by the landholder, and shall be recoverable as if they were arrears of land-revenue due on such land.

When such land is held by two or more landholders, such landholders shall be jointly and severally liable for such sums.



Powers of Chief Commissioner

6. The Chief Commissioner may from time to time, by notification in the *Assam Gazette*,—

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- (a) appoint officers to assess and collect any rate under this Regulation, and make rules for the guidance of such officers in assessing or collecting such rate;
- (b) prescribe by what instalments and at what time such rate shall be payable; and
- (c) exempt any land from liability to pay the whole or any part of such rate.

7. All landholders shall be bound, on the requisition of any officer appointed under the preceding section to assess and collect a rate, to furnish such information as they may be called upon by him to supply regarding the area and class of the land held by them, the extent of such land under cultivation, the crops grown, and all other information necessary to enable him to determine the annual value of such land as defined in section two. In case of default or refusal to supply such information when required, or if the officer as aforesaid has reason to doubt the correctness of the information supplied, such officer as aforesaid shall be empowered personally or by means of his subordinates to carry out any enquiry on the land which may be necessary, and make any surveys which he may deem essential to the obtaining of such information, and the costs of such enquiry and surveys shall be borne by the landholder in all cases of default or refusal, and, when such enquiry is undertaken in consequence of doubt as to the correctness of the information rendered, if the enquiry and survey made shew the information rendered to have been incorrect.

Landholders required to furnish information.

8. An appeal from the order of any officer appointed under section six to assess or collect a rate shall lie to the Chief Commissioner, or to such person as the Chief Commissioner may appoint in this behalf.

Appeals.

The order passed on any such appeal by the Chief Commissioner, or the person so appointed, shall be final.

Limitation of such appeals.

9. The period of limitation for an appeal under section eight shall be thirty days from the date of the order appealed against.

In computing such period, and in all respects not herein specified, the limitation of such appeals shall be governed by the Indian Limitation Act, 1871.

10. When in the course of any assessment under this Regulation any landholder claims to have the annual value of any land held by him limited in the manner prescribed by the provisos to sub-clauses *c* and *d* of the third clause of section two, the costs of any measurement or local enquiry necessary for the determination of such claim shall be borne by such landholder, and the amount thereof may be recovered from him as if it were an arrear of revenue due in respect of such land.

Costs of assessment recoverable from landholders in certain cases.

11. The proceeds of all rates levied under this Regulation shall be carried to the credit of a General Provincial Fund.

Rates to be carried to General Fund.

12. The Chief Commissioner shall from time to time assign from such fund an amount to be applied in, or for the benefit of, each district to all or any of the following purposes; that is to say:—

Assignment from General Fund

- (1) the construction, repair, and maintenance of roads and other communications, and the improvement of river-channels,
- (2) the maintenance of the rural police and district-post;
- (3) the construction and repair of school-houses, the maintenance and inspection of schools, the training of teachers, and the establishment of scholarships,
- (4) the construction and repair of hospitals, dispensaries, lunatic asylums, markets, wells, tanks, and rest-houses for travellers, the payment of all charges connected with the purposes for which such buildings or works have been constructed, and any other local works likely to promote the public health, comfort, or convenience;
- (5) the payment of expenses incurred in carrying out the provisions of this Regulation.

The aggregate of such assignments in any year beginning on the first day of April shall not be less than the nett sum left after deducting from the

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total sum levied under this Regulation in such district in such year the cost (if any) of assessing and collecting such total sum.

13. Any portion of an assignment made under section twelve remaining unexpended at the end of the year in which such assignment was made may, at the discretion of the Chief Commissioner, be re-assigned for expenditure in the same district, or may be applied for the benefit of the Province of Assam in such manner as the Chief Commissioner from time to time directs.

14. The Chief Commissioner shall establish in each district a District Committee, consisting of not less than six persons, for the purpose of determining how the amount assigned for such district under section twelve shall be applied, and of supervising and controlling the expenditure of the same, and may from time to time define the functions, authority, and mode of proceeding of any Committee so established.

15. The Chief Commissioner shall from time to time prescribe the manner in which the members of such Committees shall be appointed or removed: Provided that not less than one-third of the members of any such Committee shall be persons residing in the district, and not in the service of the Government.

16. Accounts of the receipts in respect of all rates levied under this Regulation in any district, and of the assignments made to such district under section twelve, shall be kept in such district.

Such accounts shall at all reasonable times be open to the inspection of the members of the District Committee.

An abstract of such accounts shall be prepared annually in English and in the vernacular language of the district, and shall be open at all reasonable times to public inspection at suitable places within the district without the payment of any fee.

The English abstract of such accounts shall also be published in the *Assam Gazette*.

17. When a rate is levied under this Regulation from a landholder in respect of permanently-settled land held by a tenant of such landholder at a rent less than the annual value of such land, such landholder may realize from such tenant—

- (a) if such rent does not exceed the land-revenue, the whole rate;
- (b) if such rent exceeds the land-revenue, the amount at which the rate falls per rupee of annual value for each rupee of the difference between the annual value and such rent.

In calculating the land-revenue of any land for the purposes of this section, the land revenue paid by the landholder for the estate in which such land is comprised, divided by the acreage on which such land-revenue is assessed, shall be deemed to be the land-revenue assessed on an acre.

18. When a rate is levied under this Regulation from a landholder in respect of land other than permanently-settled land held by his tenant at a rent less than double the annual value of such land, such landholder may realize from such tenant—

- (a) when such rent does not exceed such annual value, the whole of such rate; and
- (b) when such rent exceeds such annual value, a share of such rate bearing the same ratio to the whole rate as the excess of double the annual value over the rent paid by such tenant bears to the annual value.

19. Suits for the recovery from co-sharers, tenants, or others, of any sum on account of a rate imposed on any land under this Regulation, and suits on account of illegal exaction of such rate, or for the settlement of accounts of such rate, shall be cognizable by the Courts which, under the law for the time being in force, have cognizance of suits for rent due on such land, and by no other Courts.

No. 1536, dated 11th July, 1878.

No. 91.] *From*—E. J. SINKINSON, Esq., *Offg. Under-Secy. to the Govt. of India,*

FINANCIAL DEPT.,

*To*—*The Chief Commissioner of Assam.*

In continuation of letter No. 382, dated 21st June 1878, from the Department of Revenue, Agriculture and Commerce, and with reference to your letter No. 1077, dated 8th April 1878, I am desired to say that if on further consideration you think it desirable to introduce the License Act into Assam, the Government of India will be prepared to consider favourably proposals to this effect as soon as details are furnished.

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1878, No. 270.

No. 2942, dated 31st December, 1877.

No. 92.] *From*—C. BERNARD, Esq., *Additional Secy. to the Govt. of India, FINANCIAL DEPT.,*

*To*—*The Chief Commissioner, Central Provinces.*

At part V of the *Gazette of India* of the 29th December is published a Bill for the levy of additional rates on land in the Central Provinces. The statements made before the Council on the 27th idem, by His Excellency the Viceroy and Sir John Strachey, sufficiently explain the grounds on which this Bill has, after confidential communication with yourself, been introduced.

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2. I am now directed to ask that, in anticipation of a requisition from the Legislative Department of the Government of India, you will be good enough to prepare materials for making a report on the Bill with as little delay as may be possible. Your report should reach the Government of India not later than the 1st February at furthest.

3. It was mentioned in Sir John Strachey's statement that, "for the Central Provinces, however, legislation is only necessary in regard to the land. The new burden to be imposed on the commercial classes can be levied under the existing law by an addition, which the executive Government is empowered to make, to the Pandhari tax." I am directed to request that you will, with reference to this remark, submit, at as early a date as you may find convenient, a full statement of your proposals for giving effect to the enhancement of the Pandhari. The Government of India will be ready to sanction proposals, if you see fit to make them, for enhancing the rate of Pandhari assessments from one to two per cent. in some or in all of the Pandhari classes, and to lower the limit of exemption from Pandhari. But His Excellency the Governor General in Council would not be prepared to propose fresh legislation for raising the maximum Pandhari tax payable by the richer assessee.

Dated 14th January, 1878.

No. 93.] *Telegram from*—LINDSAY NEILL, Esq., *Offg. Secy. to the Chief Commissioner,*

*Central Provinces,*

*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Your letter No. 2942, dated 31st December, and telegrams of 5th, 9th, and 11th, asking for report on new Taxation Bills. In Central Provinces Bill, for section 2, I propose the following:—Annual value means, in the case of lands devoted to agriculture, gross rental; but the Chief Commissioner may, with the sanction of the Governor General in Council, prescribe rules for determining the annual value of estates (1) in which the settlement of the land revenue is liable to revision at an amount bearing a fixed proportion to the land revenue assessed thereon, and (2) in which the settlement of the land revenue is not liable to revision, or in which the land revenue has been wholly or in part released, compounded for, redeemed or assigned, at an amount bearing a fixed proportion to the land revenue, which, if an assessment at full rates were made, would be assessable as land revenue thereon. I beg to explain that this provision is on the model of the Income Tax Act of 1871, and is proposed for reasons noted in paragraph 4 of Financial Resolution No. 2068, dated 5th April 1871. The same principle should apply, whether the form of taxation be a tax on incomes or a rate or cess—the difference being one of name only. The assessment of land revenue is unequal in different parts of the Central Provinces, and the portion of the gross rental taken as land revenue greatly varies in the Nerbudda Valley and Nagpur Province. The acceptance of double the

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assessed land revenue as the annual value for all estates alike, would be unfair both to Government and landholders, and it would aggravate existing inequalities. Report which will follow brings this out in greater detail, and will also contain my proposals regarding Pandhari payers, which are, briefly, levy of the maximum two per cent. on incomes over one thousand rupees per annum, and lowering limit for exemption to persons with incomes below one hundred and fifty rupees per annum.

No. 205—7, dated 16th January, 1878.

No. 94. ] *From*—LINDSAY NEILL, Esq., *Offg. Secy to the Chief Commr., Central Provinces,*  
*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

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I am directed to acknowledge your letter No 2942, dated 31st December, asking for a report on the Bill published at Part V of the *Gazette of India*, dated 29th December, and for proposals regarding that part of Sir John Strachey's speech in which he says that "the new burden to be imposed on the commercial classes (in the Central Provinces) can be levied under the existing law by an addition which the executive Government is empowered to make to the Pandhari."

In accordance with your telegrams, dated 5th and 11th, and with one received from Sir John Strachey on the 9th, the Chief Commissioner telegraphed to you and to Sir John Strachey yesterday, at considerable length, his views regarding the Bill, and his proposals in respect to the enhancement of the Pandhari tax, and it only remains now to state, in somewhat greater detail, the reasons which led Mr. Morris to the views expressed in his telegram, and to note the extra income which the Bill, if passed into law, and the proposals regarding Pandhari, if accepted and acted on, will enable him to raise.

2. In his telegram of the 14th the Chief Commissioner proposed that section 2 of the Central Provinces Bill should run thus:—

"Annual value means, in the case of lands devoted to agriculture, gross rental; but the Chief Commissioner may, with the sanction of the Governor General in Council, prescribe rules for determining the annual value of estates (1) in which the settlement of the land revenue is liable to revision at an amount bearing a fixed proportion to the land revenue assessed thereon, and (2) in which the settlement of the land revenue is not liable to revision, or in which the land revenue has been wholly or in part released, compounded for, redeemed or assigned, at an amount bearing a fixed proportion to the land revenue, which, if an assessment at full rates were made, would be assessable as land revenue thereon."

3. In explanation of this amendment, I am to ask a reference to a letter (No. 227-32, dated 6th February 1871), which, nearly seven years ago, the Chief Commissioner submitted regarding the working in these provinces of the income tax, under Acts IX and XXIII of 1869. In that letter the Chief Commissioner submitted the following table showing the percentages of agriculturists assessed to the proprietary body as recorded at the settlement—

Table VIII.

District	Percentage.	District.	Percentage.
1. Betal	.. 54.96	11 Nagpur	.. 4.08
2. Hoshangabad	.. 50.42	12 Warilha	.. 4.08
3. Balaghat	... 40.73	13. Nuzar	.. 3.89
4. Narsinghpur	.. 20.79	14. Bilaspur	.. 3.5
5. Chandwara	.. 15.42	15. Jubbalpur	.. 3.13
6. Raipur	.. 13.28	16. Damoh	.. 2.1
7. Seoni	.. 7.36	17. Chanda	.. 65
8. Mandla	.. 6.01	18. Upper Godavery	.. 04
9. Sanger	.. 4.05	19. Sambalpur.	
10. Bhandara	.. 4.31		

and the Chief Commissioner's general remarks on the assessment in each district were contained in paragraph 27, much of which relating to the taxation of agriculturists I am here, for facility of reference, to reproduce. Referring first to the Nagpur Division, it was said, in the Balaghat District, the non-agricultural population is not only scanty but also poor. The assessment has mainly fallen on landholders, and is evidently far too heavy. The other four districts of this division exhibit strikingly the comparatively heavy assessment of land revenue made in them at the settlement. The smaller profit derived by landholders in these districts, as compared with Hoshangabad, Narsinghpur, &c., has

sunk them, notwithstanding their rich soil and other advantages, to very low places in table VIII. Sep Rev Pro., July 1878, No. 302.

Taking them separately, Nagpur shows a full and fairly searching assessment; but it seems as if some agriculturists must have escaped the tax. In Bhandara fewer landholders have been assessed, and the rate per head is less. The non agricultural population pays the same amount per head, but the assessment has not embraced as many persons in the lower classes as it may be expected to do in future years. Agriculturists in Chanda pay on an average Rs. 20-1-11 per head, but very few of the class pay anything. From the somewhat high average demand it would appear that persons in the lower class of agriculturists, who in other districts would be assessed, and so reduce the average, in Chanda escape altogether. Wardha shows a result to some extent the opposite of Chanda; almost every land-owner who could be brought under the tax has been assessed, but in the lowest classes only, the result being that, Nimar excepted, the average per head in Wardha is lower than any other district of equal wealth in the province.

Then respecting the Jubbulpore and Nerbudda Divisions, it was remarked in two of the three tahsils of the Jubbulpore District, the proprietary classes are lightly assessed and well-to-do. They have been very lightly dealt with. Their average assessment, it is true, is almost the highest in the province, and thus may deserve consideration, but the chief reason for a high average per head seems to be the small number assessed. Searching assessments and low averages run together.

While in Saugor agriculturists were considered fully assessed there appeared room for increase in the districts of Seoni, Damoh, and Mandla. In the Nerbudda Division the average assessments were high in Hoshangabad, which was, however, known to be, in respect of agricultural wealth, superior to any district in the province. In Narsinghpur and Nimar the assessments were fair, and in Chhindwara and Betul they were thought to press somewhat hardly on agriculturists. Lastly, in the Chhattisgarh division, the agriculturists seemed fully assessed in Raipur, moderately in Sambalpur, and lightly in Bilaspur.

4. On these remarks on the assessments being circulated, Mr. Bernard, then Commissioner of the Nagpur Division, submitted some very valuable and suggestive remarks regarding Table VIII, exhibiting the agricultural incomes assessable and the general incidence of the Nagpur Province revenue assessments, as compared with the Nerbudda Valley assessments. He said:—

\* \* \* \* \*

"2. As I have been connected with the Nagpur province settlement department for eight or nine years, I would solicit leave to urge, that the table in question does not in reality throw light on the incidence of the land revenue. The true explanation of the phenomena alluded to is, that in the Nerbudda Valley the bulk of the profits of land goes to the superior proprietor (or malguzar); while in the Nagpur province the bulk goes to the occupier (or ryot). It may be unnecessary to enter here into the past fiscal history of the Nagpur province, or to explain how it is that the same Settlement Code produced a half-asset settlement in the Nerbudda Valley and a three-quarter-asset (or three-quarter rental) settlement in the Nagpur country.

"3. Now the explanation of the facts in the income tax tables jumps precisely with what Settlement Officers have already told us. The Narsinghpur assessments fell at about 12 annas per cultivated acre, while the rents came to 24 annas per acre. In parts of the Hoshangabad district, the rental at the end of the settlement was 215 per cent. on the jama. In Wardha, on the other hand, the revenue rate was 9½\* annas on the cultivated acre, while the rents were about 12 annas per acre. Paragraph 14 of the Settlement Review published in 1865, distinctly avers that the Wardha rental was only

\* Paragraph 21 of Settlement Commissioner's Review of 1865.

125 per cent. on the jama.

"4. I do not mean to say that the land revenue in the Nagpur province may not be somewhat heavier than in the Northern districts. But I am sure that the assessments are not so much heavier as the figures in Table VIII might be held to indicate. No one who knows the districts of Narsinghpur and Wardha, will consider that a revenue rate of 9½† annas per acre of cultivated land is much heavier for Wardha than a rate of 12½ annas is for Narsinghpur.

"5. The real fact is, that the Wardha assessments relatively to the productive power of the land, are only a little (perhaps only a very little) heavier per acre than they are in Narsinghpur. But then in Wardha the profits of farming go mainly to the ryots, while in Narsinghpur they go mainly to the landholder (malguzar).

† I here take the rates as they appear from the settlement reviews and reports. The rates given at page 528 of the Gazetteer, viz., 10½ annas for Wardha, 14 5-6th annas for Narsinghpur make my argument even stronger.

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"Narsinghpur and Wardha are, so far as physical characteristics go, similarly circumstanced districts, and for this reason I compare them together. Each is small in area, a considerable proportion of each is highly cultivated, a railway passes through each; each possesses rich black soil, one produces first-rate wheat, while the other excels in its cotton staple.

"6. If Hoshangabad (a district where the assessment was higher than anywhere else) be left out of the comparison, the revenue rates of the other districts of this division fairly correspond with those of similarly circumstanced districts in the north. Thus, quoting from page 523 of the Gazetteer, I find—

	As. P.			
The Nagpur revenue rate is	—	—	—	13 9
The Sagar	—	—	—	11 9
The Jubbulpur	—	—	—	10 1

"As explained in a note to my letter No. 1071 of the 29th March 1871, the true revenue rate of Nagpur is, according to the Settlement Officer's tables, 12 annas 4 pie. And further, Nagpur has no jungle tracts to reduce its revenue rate, such as Jubbulpur has. So, again, the Bhandara and the Chanda revenue rates are not higher than those of Damoh and Seoni.

"7. When the bulk of the profits of farming go to the occupiers (ryots), and the average of ryot's holding is small (only 27 or 28 acres in the Nagpur country), few\* agricultural incomes will reach Rs. 500 a year. But this of itself would by no means prove that the land revenue was heavy. It was recently stated that in British Burmah, where the occupying classes are extremely well-off, and the land is wonderfully fertile, barely a single person was returned as enjoying Rs 500 a year from agricultural profits. Probably in the ryotwary country of Kandeish and the Deccan similar results will have accrued; yet the land revenue is not very heavy in any part of Khandeish or the Deccan, though the profits of land are divided among a great many occupiers

"8. It was in view of the admitted fact that malguzars (landholders) of the Nagpur country did not, as a rule, enjoy one-half of the rents of their villages, it was in view of this fact that your office (in July† 1869) agreed to our assessing landholders in this division, at an income of one-third the jama of their villages.

"9 I hope I may be pardoned for thus submitting my opinion on one of the deductions your Income Tax Review has drawn. But possibly there may be risk of the opinion, that the land revenue of the Nagpur division is heavy, crystallising itself into some permanent shape. So far as I know the districts of this division, the land revenue is nowhere heavy, except in those parts of Bhandara where Mr. Lawrence raised the jama two years after the assessments had been announced. Occasional cases of over-assessed villages, or of villages breaking down, may turn up in any district. But, as a rule, the Nagpur divisional assessments are moderate in proportion to the productive power of the land and to the accessibility of markets

"10. It seems right that opinions on this point should be made clear: and that, if my view of the matter be wrong, perhaps it should be challenged and controverted. A recent number of the *Gazette* has shown how general is the opinion that landed profits in all provinces can bear extra taxation for purposes of local improvement. And I should be sorry that this division should lose much-needed improvements from any mistake (if it be a mistake) as to the possibility of such undertakings being paid for by persons who have a beneficial interest in the land."

† See Madras Local Fund Bill.  
Oudh do.  
Punjab do.  
N W P do.  
Bengal Local cess correspondence  
Honourable G Campbell's speech  
Honourable John Strachey's speech.

5. It is needless in the present letter, especially as its submission at an early date is desired, for the Chief Commissioner to follow Mr. Bernard's remarks at length. It suffices that it is admitted that what produced a half-asset settlement in the Nerbudda Valley produced a three-quarter asset (or three-quarter rental) settlement in the Nagpur country, and it would consequently, in the Chief Commissioner's opinion, be unfair, alike to Government and to landholders, to accept double the assessed land revenue as the annual value for all estates. On this point the Chief Commissioner entirely concurs in the remarks made in paragraph 4 of Financial Department letter No 2068, dated 5th April 1871, which referred in the following terms to rules which might be framed under Section 22 of the Indian Income Tax Act of 1871, regarding the assessment of incomes derived from land:—

"It should be distinctly laid down in the rules so framed, that the plan of estimating income upon the basis of assessment to land revenue is not to be regarded as an absolute rule, but only as a convenient method of making a fair estimate in ordinary cases without the necessities for detailed enquiries. The local Government will of course not apply any system

of assessment such as proposed, to districts where it would not, as a general rule, operate fairly to Government and to the assessed. But even in the districts where such rules are applied, the Collectors should understand that they should not apply a rule of calculation intended only for ordinary cases, to cases where they have reason to believe that for special reasons the calculations would give a result wide of the truth."

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It is thus admitted that circumstances are not the same in the Nagpur Division and in the Nerbudda Valley and elsewhere. The Chief Commissioner will not question the remarks made by Mr. Bernard to the effect that, in the Nagpur country ryots absorb part of what might be considered rent, though he is inclined to think that recent years have made a change in this respect. All that he urges now is, that if 10 or 11 years ago a half-asset settlement was made in Hoshangabad and Narsinghpur, it is not a half-asset settlement now, and for years past there has been a tendency on the part of landholders in the richer and more advanced districts to enormously raise rents and to oust tenants who resisted enhancement.

As, then, such are the circumstances, it is desirable that the Bill should leave the Chief Commissioner unfettered to frame rules for estimating "annual value," or taking, if it be desirable, and can be readily ascertained, the actual rental.

The foregoing remarks do not deal with the further consideration of general rise in value of land and the increased rental arising therefrom, and the Chief Commissioner cannot but think that it would be unwise for Government, when imposing a cess on land, to take as basis circumstances of many years ago. Such action might be regarded as if Government were altering the settlement, whereas the levy of a new cess on the basis of existing circumstances, wherewith to meet famine expenditure, would be explicable to, and readily intelligible to all.

6. In one paragraph of Mr. Bernard's remarks he refers to "accessibility of markets," and in this very important matter the Jubbulpur and Nerbudda Divisions have much advantage over the Nagpur and Chhatisgarh Divisions. The line of railway runs right through three important districts of the Nerbudda Valley and through the Jubbulpur district. Convenient trade centres have sprung up, and produce, whether going westwards to Bombay or eastwards to the North-Western Provinces, has a shorter journey, and consequently less freight to pay than produce which leaves from Nagpur and traverses the length of Berar. The acreage under cotton is extending in the Nerbudda Valley, and the growing wheat trade has caused a very rapid advance in agricultural prosperity and wealth.

7. Coming now to the matter of Pandhari assessments, there are additional reasons why some discrimination should be exercised in dealing with the additional rates on land. If the Pandhari Act be referred to (Act XIV of 1867) it will be seen that Pandhari collections were originally confined to the Nagpur Province and to the Chhatisgarh Division, and it has consequently come to pass that Pandhari assessments have generally been more strict in these localities. An enhancement to the maximum rate of 2 per cent. on incomes over Rs. 1,000 per annum, and lowering the limit of exemption to persons with incomes of Rs. 150 per annum—measures which the Chief Commissioner proposes—will therefore press more heavily on the Nagpur province than elsewhere; and the incidence on it of the additional rates and of the enhanced Pandhari would therefore be greater than elsewhere. In respect to the enhanced rate of 2 per cent. on annual incomes exceeding Rs. 1,000 per annum, I am to note that at present there are 2,794 incomes, paying in all nearly Rs. 70,000 of Pandhari. When the 2 per cent. comes to be imposed there will doubtless be applications, a portion of which will be successful, to the removal of certain payers from the highest to the next class below, and those who already pay the highest assessments under the Act, of Rs. 500, will of course, not be affected by the maximum rate; but allowing for both these circumstances, the levy of the maximum rate will yield an extra amount of Rs. 60,000. This will be paid by the well-to-do classes whose profits have of late years been considerable, and on whom an increased demand is quite justifiable. In the next place by lowering the limit of exemption to incomes of Rs. 150 per annum, additional persons to the number of some twenty-five thousand will be assessed to Pandhari who will contribute an extra

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amount of Rs. 50,000 to that already raised. The total extra revenue raised by Pandhari will therefore be Rs. 1,10,000, of which the Chief Commissioner hopes that Government, on the view that a larger sum would not have been raised by the License Bill had it been extended to the Central Provinces, will only demand a sum of Rs. 80,000 as a general contribution to a famine fund, and allow the remainder of Rs. 30,000 to go to provincial services.

In respect to the additional rate on land, it is not quite possible to frame any accurate estimate until the exact wording of section 2 is settled; but though the definition of "annual value" may alter the assessment in districts, it will not materially affect the total extra income, which may, in round figures, be stated as ranging between a lakh and a quarter, to a lakh and thirty thousand rupees.

No. 958, dated 14th February, 1878.

No. 95 ] From—C. BERNARD, Esq., Additional Secy. to the Govt. of India, FINANCIAL DEPT.,  
To—The Chief Commissioner, Central Provinces.

Sep. Rev. Pro., July  
1878, No. 303

With reference to the Bill (now before the Legislature) for the levy of additional rates on land in the Central Provinces, and with reference to your suggestions for altering the definition of annual value, I am directed to convey the following remarks.

2. In all temporarily settled provinces of the empire, the local rates have been, and are still, under the most recent enactments, computed on the land revenue. In the Central Provinces the road cess and the school cess are, under the terms of the settlement agreements, and will be under the Central Provinces Revenue Laws (now before the Legislature), computed at a percentage on the land revenue. Such computation is simple, and is understood by the people. It would be desirable, if possible, to avoid departure from a rule universally observed.

3. The suggestions received with your Secretary's letter No. 205-7, dated 18th January, recommend that the annual value of the land be taken to be the actual rental as ascertained by the Collector. And it is urged that such an arrangement will be fairer to the people, because the relation between the rental and the land revenue differs very widely in different parts of the Central Provinces. But passages in your Secretary's letter under acknowledgment would seem to show that, though the share of rental enjoyed by the zemindar is much larger in the northern than in the southern districts, yet the difference may be due, not so much to severity of the assessments in the south as to the fact that in the Nagpur country a larger share of the profits of the land is left with ryots, and a smaller share goes to the zemindar or malguzar. The description of the several ryotee tenures given in the settlement reports and in the Central Provinces Revenue Bills, would show that there are in the southern districts several grades of occupiers who enjoy strong beneficial interest in their holdings, while in respect of such holdings the malguzar enjoys only a moderate percentage on the land revenue.

4. If the facts be as stated in the next foregoing paragraph, then it would seem possible to meet the necessities of the case by retaining the present definition of annual value, and so computing the new rates on the same principle as the old rates; and by providing under section 6 of the Bill that the Chief Commissioner may "decide in what proportions the several classes of landholders and occupiers of each district shall contribute their shares of such rate." Under such a provision you would be able to direct that in districts where the margin between revenue and rental was very large, the superior proprietors should pay the whole of the new rates; in cases where there were superior and inferior proprietors, you could decide what proportion of the rate each class of proprietor should pay; and you could settle how much of the rate should be contributed by plot proprietors and by occupancy ryots with fixed rents. In this way each party would pay the famine rate according to his beneficial interest in the land; and there would be no risk of undue diminution of the total rates by reason of the small margin of profit enjoyed by zemindars in the southern districts.

5. I am to ask that the Government of India may be favoured with an



early expression of your views on this point, in order that the Bill may be passed into law without avoidable delay. Sep Rev Pro, July 1878, No 303

6. The only other point on which I am to ask your opinion is, whether you would wish to adopt section 12 of the Punjab Local Rates Act, 1878, which provides for a lumbar recovering from his co-sharers their share of the rates; or whether you would leave this requirement to be met, as in the case of the road cess and the school cess, by the Central Provinces Revenue Bills when they become law.

Copy forwarded to the Honourable B. Colvin for information.

No. 980, dated 15th February, 1878.

No 96.] *From*—R. B. CHAPMAN, Esq., *Secy. to the Govt. of India*, FINANCIAL DEPT.,  
*To*—*The Chief Commissioner, Central Provinces.*

I am directed to acknowledge the receipt of your Secretary's letter No. 205-7, dated 18th January, reporting upon the Central Provinces Land Rates Bill, and upon your proposals for raising an enhanced income from the Pandhari tax. Sep Rev Pro, July 1878, No. 304

2. The Select Committee of His Excellency the Governor General in Council for making Laws and Regulations are considering paragraphs 2—6 of your Secretary's letter, and, if necessary, a further communication will be made to you on the subject of the rate on land.

3. With reference to paragraph 7 of Mr. Lindsay Neill's letter, I am to state that the Governor General in Council approves generally of your plans for dealing with the Pandhari tax. But before assenting to your proposals in detail, it is necessary to consider your estimate of the revenue which the proposed changes would yield. In the forecast prepared by the Government of India, it has been estimated that the new license tax to be imposed in the Central Provinces would yield 1½ lakhs of rupees to the Famine Insurance Fund. And this contribution is by no means excessive, compared with the contributions expected from other provinces. The estimate furnished in the letter under acknowledgment, however, takes Rs. 1,10,000 as the probable yield of the proposed alterations in the Pandhari tax; and it is suggested that Rs. 80,000 only out of that sum should be contributed by the Central Provinces to the Imperial Government.

4. His Excellency the Governor General in Council fears that the obligations on the Famine Insurance Fund, and the objects for which it was constituted, do not permit of any substantial reduction being made in the contribution expected from the Central Provinces. I am therefore to request that you will cause draft rules under the Pandhari Act to be submitted for the confirmation of the Government of India, with a view to carrying your proposed reforms in the assessments so far as to secure from the enhanced Pandhari income, a contribution of, if possible, not less than 1½ lakhs a year to the Famine Insurance Fund.

5. The Government of India does not wish in any way to curtail the resources of the Central Provinces by the present arrangements. If, therefore, the gross yield of the Pandhari tax, after the extension of its scope, should exceed the average yield of the last three years by any less sum than 1½ lakhs, then the contribution of the Central Provinces to the Famine Insurance Fund would be proportionately reduced. For the purposes of this calculation the average Pandhari collections in previous years will, unless you should see cause to the contrary, be taken at Rs. 1,50,000. If the total yield of the enhanced Pandhari should be Rs. 2,75,000, or any larger sum, then the Pandhari contribution to the Imperial treasury will be 1½ lakhs a year. If the total yield falls short of Rs. 2,75,000 a year, the contribution will be proportionately reduced. This arrangement will be subject to revision after it has been tried for two years.

No. 125, dated 27<sup>th</sup> February, 1878.

No 97.] *From*—LINDSAY NEILL, Esq., *Offg Secy. to the Chief Commr, Central Provinces,*  
*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep Rev Pro, July  
1878, No 306

I am directed to acknowledge your letter No. 958, dated 14th February, conveying the remarks of the Government of India on the subject of the definition of "annual value" in the Central Provinces Additional Rates on Land Bill.

2. Because in all temporarily settled provinces of the empire the local rates have been computed on the land revenue, and because such computation is simple and is understood by the people, the Government of India prefers to avoid departure from this universal rule, and is averse to the Chief Commissioner's recommendation that the annual value of the land be taken to be the annual rental as ascertained by the Collector. The Chief Commissioner is quite willing to accept this decision of the Government of India, the more especially as these Additional Rates Bills are really of an imperial and not a provincial nature. His own recommendation he considered fairer alike to the people and to Government, and he may perhaps add that it seemed to him that the people generally would more clearly understand a rate which was fixed according to the rents (wardas) they paid than to the Government demand. Moreover, he thought that his proposal had an advantage, in that it did not lead the people up to the idea that an addition was made to the land revenue demand, which was fixed for a term of years, but that owing to the recurrence of famines, Government found it necessary to levy a new cess from them on the basis of existing circumstances.

3. Having thus expressed the Chief Commissioner's views, it is hardly necessary to follow the arguments in paragraph 3 of your letter under reply, which deals with the question as to whether privileged tenants in the southern districts of these provinces have stronger beneficial interests in their holdings than tenants in the northern districts. It might, of course, be possible to ascertain by an examination of the nikāsi in some half-dozen at random selected villages in the Nagpur, Jubbulpur, and Hoshangabad districts, and by a classification of different kinds of tenants, the amount of beneficial interests enjoyed by malguzars and tenants. This would, however, take a little time; and as such an enquiry might not be deemed sufficiently wide, as the Chief Commissioner's proposals, as already made, have received careful consideration from the Government of India, and as it is desirable that the Bill should become law at an early date, there seems to be little use in making it.

4. Your suggestion that section 6 of the Bill might provide that the Chief Commissioner may "decide in what proportions the several classes of landholders and occupiers of each district shall contribute their shares of such rate," may be adopted, although it is probable that some difficulty will be found in framing rules on this point. This, however, would be a point for after consideration.

5. Lastly, I am to say that the Chief Commissioner thinks it better not to adopt section 12 of the Punjab Rules Act (V of 1878), the matter therein provided for being dealt with by the Central Provinces Revenue Bills when they become law.

No. 1638, dated 6th March, 1878.

No. 98.] *Endorsed by the FINANCIAL DEPARTMENT.*

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Copy of this letter, and of the one to which it is a reply, forwarded to the Legislative Department, with a request that the correspondence may be circulated in the usual way.

No. 2 C., dated 5th March, 1878.

No. 99.] *From*—LINDSAY NEILL, Esq., *Offg. Secy to the Chief Commr., Central Provinces,*  
*To*—*The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Sep Rev Pro, July  
1878, No. 307

I am directed to acknowledge your letter No. 980, dated 15th February, in which you say that His Excellency the Governor General in Council approves generally of the Chief Commissioner's plans for dealing with the Pandhari Tax,

but that before assenting to the proposals in detail, it is necessary to consider the estimate of the revenue which the proposed changes would yield.

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2. For some years past the Pandhari tax-payers have been divided into eight classes and the number in each; their assessment and the amount paid in 1876-77 are as follow:—

<i>Class 1.</i> —Rs. 3 on incomes ranging from Rs. 250 to Rs. 350.	10,132 persons were assessed to Rs. 30,396
<i>Class 2.</i> —Rs. 4 on incomes ranging from Rs. 350 to Rs. 450.	2,890 persons were assessed to Rs. 11,560.
<i>Class 3.</i> —Rs. 5 on incomes ranging from Rs. 450 to Rs. 550.	2,532 persons were assessed to Rs. 12,660.
<i>Class 4.</i> —Rs. 6 on incomes ranging from Rs. 550 to Rs. 650.	1,191 persons were assessed to Rs. 7,086
<i>Class 5.</i> —Rs. 7 on incomes ranging from Rs. 650 to Rs. 750.	679 persons were assessed to Rs. 4,753.
<i>Class 6.</i> —Rs. 8 on incomes ranging from Rs. 750 to Rs. 850.	608 persons were assessed to Rs. 4,864.
<i>Class 7.</i> —Rs. 9 on incomes ranging from Rs. 850 to Rs. 1,000.	393 persons were assessed to Rs. 6,537.
<i>Class 8.</i> —One per cent. on incomes of Rs. 1,000 and more.	2,794 persons were assessed to Rs. 69,839.

Thus the total number of persons assessed to Pandhari was 21,209, and the amount assessed in 1876-77 was Rs. 1,44,695.

3. The measures which in my letter No. 205-7, dated 18th January last, the Chief Commissioner proposed, and which have received general approval are—(1) a lowering of the limit of exemption to persons with incomes of Rs. 150 per annum, (2) and an enhancement to the maximum rate of 2 per cent. on incomes of Rs. 1,000 and more per annum.

By the first measure all the present classes will be moved up, class 1 comprising persons paying Rs. 2 on incomes from Rs. 150 to Rs. 250.

From the Pandhari returns of 1872, it has been ascertained that there then were 23,030 persons with incomes ranging from Rs. 175 to Rs. 250. The present proposed limit being Rs. 150, will secure some additional contributors to Pandhari, and the figures which may safely be accepted are that in class 1 there will not be less than 26,000 persons assessed to Rs. 2 each.

4. By raising the tax to the maximum of 2 per cent. on the present class 8 (future 9), it may be assumed that payers under this class instead of contributing Rs. 69,839, will contribute some Rs. 1,30,000. The amount of present contributions will not be doubled by a doubling of the percentage, (1) because some of the present payers will doubtless succeed in escaping into the class next below, and (2) those who are already assessed to the maximum under the Act (Rs. 500) will not be affected by a doubling of the percentage.

5. The estimated figures of the present proposals stand therefore as under—

Class 1 paying	Rs.
2	52,000
3	30,396
4	11,560
5	12,660
6	7,186
7	4,753
8	4,864*
9	6,537
	1,30,000
TOTAL	2,56,856

These figures show that the proposals now under consideration will give an increased Pandhari yield of one lakh and twelve thousand rupees. This estimate is based upon past actuals, and falls short of the sum (1½ lakh) which the Government of India desires to take for the Famine Insurance Fund.

6. The Chief Commissioner has therefore had to consider whether he would still further propose an extension of the scope of the Pandhari, so as *certainly* to secure the sum required by the Government of India. After mature consideration he would not propose this step, for he thinks (a) that more than 26,000 payers may fall under class 1, and (b) that the Pandhari will in the

\* *N.B.*—This class will receive an accession by those who escape into it from class 9, but the extent of accession cannot at present be accurately calculated.

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present year be generally more profitable and show expansion. In the past year profits were large, and though in the present year the crops have not turned out so well as at one time was anticipated, yet the high prices at which cotton and till sold, and the high prices which wheat (a coming crop) will command, make it probable that assessing officers can, without hardship to the traders, generally increase assessments. There has also been considerable difference in assessment in the several districts of the province, to which, in the latter part of last year, the Chief Commissioner drew attention, and assessments which he has lately seen have been somewhat fuller.

7. A draft notification to give effect to the Chief Commissioner's present proposals is submitted for the approval of His Excellency the Governor General in Council. If it is approved, it will be published in the *Central Provinces Gazette*.

No 100.]

*Draft Notification.*

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1878, No 308

In exercise of the powers conferred on him by section 2 of Act XIV of 1867 (the Pandhari Act), the Chief Commissioner, with the sanction of the Governor General in Council, is pleased to notify that the rates and classes of assessment under the Act shall be those mentioned below, with effect from the 1st April 1878 :—

Class	Persons whose income or profits are not less than—	And less than—		Per annum.
		Rs.	Rs.	
1	150	250	2	
2	250	350	3	
3	350	450	4	
4	450	550	5	
5	550	650	6	
6	650	750	7	
7	750	850	8	
8	850	1,000	9	

Persons whose income or profits, as estimated by the Deputy Commissioner, are or exceed Rs. 1,000 per annum, will be assessed at 2 per cent. on such estimated income or profits, provided that no person shall be assessable at a sum exceeding Rs. 500.

No. 1874, dated 16th March, 1878.

No 101.] *From*—C. BERNARD, Esq., *Additional Secy. to the Govt. of India, FINANCIAL DEPT., To—The Chief Commissioner, Central Provinces.*

Sep Rev Pro, July  
878 No 309

With reference to the correspondence ending with your letter No. 2 C., dated 5th March 1878, I am directed to say that the Governor General in Council is pleased to approve the proposed modifications in the classes and rates of assessment under the Pandhari Tax Act XIV of 1867, and to sanction the draft rule received with your letter.

2 The last clause of the draft notification prepared by you should, perhaps, be issued as follows :—

“Persons whose income or profits, as estimated by the Deputy Commissioner, are or exceed Rs. 1,000 per annum, will be assessed at 2 per cent. on such estimated income or profits, provided that no person shall be assessable at a sum exceeding Rs. 500.”

3. The Pandhari contribution towards the Famine Insurance Fund will, under these arrangements, be  $1\frac{1}{2}$  lakhs of rupees.

No. 1103—108, dated 17th November, 1876

No 102.] *From*—MAJOR C. W. STREET, M.S.C., *Offy Secy to the Chief Commr., British Burmah, To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

Accounts Pro., June  
1879, No 877.

I am directed by the Chief Commissioner to submit, for the consideration of the Government of India, the accompanying copy of a letter\* from the Accountant General, forwarding a statement showing the actuals of the Provincial

\* No 2371, dated 21st September 1876, with enclosure.

Services of British Burmah for 1875-76, a comparison between the actuals and the regular estimate, and the budget figures of 1876-77.

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2. The practical point to which attention is prominently drawn is that under the estimates of the year there is an anticipated deficit balance of Rs. 1,79,851, due, as stated, to the excess expenditure in 1875-76 on Public Works. The original allotment for Public Works under Provincial Services amounted to something over 11 lakhs; but the expenditure under the same head during the past five years has averaged more than 13 lakhs covered by the special assignments, which, in every year since 1872-73, have been made to British Burmah, through the favour of the Imperial Government, on the recognition of the needs of a growing province.

3. To show the extent to which provincial demands have extended, the Chief Commissioner would call attention to the following statements:—

In the Provincial Service scheme in 1871-72, the year of its commencement, the allotment to British Burmah amounted to £283,391, including a special grant for the Oyster Reef Light-house of £10,000. The allotment for the current year (1876-77) is £274,886.

In 1871-72 the distribution of the allotment was as follows:—

Civil Department	...	...	...	£ 161,536
Public Works	...	...	...	121,855
				283,391

In 1876-77 the distribution of expenditure is as follows:—

Civil Department	...	...	...	£ 249,100
Public Works	...	...	...	110,500

The following comparative statement exhibits the allotments of 1871-72 and the budget grants of 1876-77 under the several heads of the Civil Department as distinguished from Public Works:—

	1871-72.	1876-77.
	£	£
Jails	32,777	58,000
Education	10,948	27,300
Medical	7,205	11,300
Printing	3,000	11,400
Police	*107,366	136,200
Miscellaneous	200	4,200
Refunds	...	300
Registration	...	400

Accepting these returns which have been received from the Accountant General, it may be stated that in 1871-72 the scale of expenditure in the Civil Departments, as measured by the allotments, was £161,536. The estimate of the current year raises the expenditure to £249,100 which, with the allotment to Public Works, makes a total of £359,600 as against a provincial allotment of £274,886. The difference of £84,714 will be met by increased receipts, and the cash balance in hand, with the exception of the anticipated deficit of £17,985, to which reference has been made.

4. In view of the financial embarrassments which press upon the Government of India as recorded in their Resolution No. 1967, dated 31st July 1876, the Chief Commissioner has had under his consideration the measures necessary to meet what in this province threatens to be an addition to the Imperial difficulties in the impending deficit under its Provincial Services. Setting aside the question of increased local taxation, which, under any circumstances, would require a greater time to mature than the present exigencies permit, and to which all local authorities seem to be strongly and not unreasonably opposed, in the absence of an additional assignment from the Government of India for the current year to the extent of at least 1½ lakhs of rupees, the alternatives before the Chief Commissioner are to temporarily relieve the Provincial Funds at the cost of the Local Funds this year, or to effect retrenchments. In com-

\* Exclusive of Municipal and Village Police, for which £17,547 was obtained by contributions from Local Funds and other sources, and shown as a receipt of Provincial Funds.

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munication with the heads of Departments, the Chief Commissioner has resolved to attempt to meet the deficiency by partial resort to each expedient.

Thus, it has been arranged that, at some sacrifice of efficiency, and with a prospect of a possible reduction in the amount of estimated receipts, a sum of Rs. 20,000 may be saved in the Jail Department. This can be carried over.

Under Education, a sum of Rs. 21,600 will be transferred from Provincial to the Local Cess Funds, which—at some risk to local resources, which will thus be reduced to a very low point—may be able this year to pay for the salaries of the inspecting officers.

A sum of Rs. 15,000 will be repaid from the Henzada Municipality in the current year as part repayment of a loan of Rs. 27,400 advanced to it in former years from Provincial Funds, and, as the Accountant General points out, there will be reduction in the cost of lock-hospitals, which will effect a small saving. The total of these efforts will not come to more than Rs. 60,000, and, beyond this, it is difficult to see where reductions of expenditure can be looked for. On the other hand, provision may be made, and, notwithstanding the Accountant General's objections, which are right in principle, the arrangement is feasible, that a sum of (say) one lakh of rupees should be transferred from the Local Funds to the Provincial Services. As far as is practicable, the works to be undertaken will be for the benefit of those districts from which the local funds are appropriated, and thus as nearly as possible an equilibrium will be established.

5. In making these proposals I am desired by the Chief Commissioner to submit the following observations on the general financial position of the province. It will be understood that the growth of the expenditure in the several Departments, as shown in the comparative statement under paragraph 3, is only commensurate with the development of the country, which in the twenty years since its acquisition has shown perhaps a more rapid progress in material prosperity than any portion of Her Majesty's dominions. With increase of population and increase in revenues there is, as might be expected, increase in every branch of expenditure. Further, the increase which the current year requires is not the result of any sudden and spasmodic efforts for particular results, but the natural outcome of progressive advancement. To take the case of education as an example—and it applies with scarcely any reservation to every other Department—the following extract, quoted from the letter of the Director of Public Instruction, will show the circumstances which the Administration here has to meet. In 1871-72 the calls upon the Administration for educational purposes were satisfied by an expenditure of £10,988. In the present year, after refusals to consider several reasonable applications for pecuniary aid, and after transfers from Provincial to Local Funds, the money required will not be less than £27,300. The subject in this, as in every other Department, has not been without very serious consideration in view of the urgency of the Imperial necessities, and it was submitted to the Director of Public Instruction to show in what directions any possible reductions could be effected. The following is an extract from his reply:—

The Education Department is one which can never repay its cost in the form of money paid into the treasury, and if the receipts from fees and other minor sources increase, as they have done, in reasonable proportion to the increased expenditure, this is all that can be asked, the solid return for the expenditure by Government must be looked for in the form of increase, intelligence, usefulness, and loyalty in the population, and, inasmuch as all such operations in a new field must be experimental, it is for the Government to determine the limits which shall be set to educational enterprise.

I gladly acknowledge that, during the interval of which Mr. Chapman treats, the Education Department has been furnished with a machinery by means of which there is every prospect of ensuring an adequate return for the outlay incurred, but it is no less certain that, without such outlay, the machinery could not have been provided, that without the machinery no adequate return was possible, and that the machinery is not yet so complete that it is possible to contemplate any reduction of expenditure.

So far from being prepared to recommend any such reduction, it is my duty to say that the tendency of the active operations which now are being carried on must be, for some time to come, to cause a further increase in the estimates from year to year.

To take a single example, the Government has most strongly urged the importance of preparing a supply of trained teachers, and special classes have been organised for this purpose; but the very object of this measure is, not only to improve the staff of existing schools, but to extend the sphere of our operation.

Doubtless, a time will come when a limit must be assigned to the yearly cost of education, but the statement of the Accountant General is sufficient to show that the Government has decided, in the most practical manner, that that time has not yet arrived. Accounts Pro, June 1879, No. 377

Looking to the surface results of past expenditure, it will be seen that the increase of charges from Rs. 1,10,000 to Rs. 2,70,000 has been accompanied by an increase in the number of schools under inspection from 81 to 1,206; of pupils from 2,418 to 38,437; and, lastly, of the receipts of the Department (of which the Accountant General has taken no account in making his proposal) from Rs. 4,898 to Rs. 32,306.

How far these results are considered, satisfactory, and to what extent it appears worth while to prosecute the work of education in the province, it is for higher authorities to pronounce. For myself, I can only say that if I have rightly understood the educational policy of the Government the present is not the time for any such retrenchment in this Department as is suggested in the letter which has been referred to me for consideration.

6. It is impossible for the Chief Commissioner to controvert such statements. The work of education, which in the early years of the province was administered in each district by executive officers, has now assumed the full form of a separate Department, under the immediate supervision of a Director of Public Instruction, aided by a regularly-constituted inspecting staff. Besides this agency of control, and as a consequence, probably, of its creation, a high school has been established with some 400 students, to meet the very rapidly-increasing demands for at English education; middle class and cess schools have been opened in every part of the province; and a general course of primary education, based upon the indigenous system of lay and monastic schools obtaining in Burmah, has been gradually extended throughout the country.

7. In the other large Departments—Jails, Medical, Police—the same details with similar results can be supplied if it is required. The Central Jail in Rangoon is, perhaps, the largest institution of the kind in British India, and the system for some time had been to bring all long-termed convicts from the districts for imprisonment in Rangoon. As the number of the criminal population increased, it was found impossible to maintain this system, and jails have had to be established at out-lying stations; and it may be accepted as certain that the demand for greater accommodation will not cease. As regards Police, in which the expenditure has advanced in the quinquennial period from £107,366 to £136,200, it is only necessary to point out that, apart from the necessity for greater protection as population increases, the extension of our administrative frontiers in the Aracan Hill Tracts on the west, and the establishment of the Karen hills division, and of the Salween division on the Siamese frontier on the east, impose responsibilities upon the Administration which can only be met by larger calls upon the Provincial allotment. Independently of this, any attempt at the introduction of reform in the Department has, to the Chief Commissioner's regret, been obliged to be postponed from the want of funds, though the fact remains that the rural police exists on the same footing as it did in the days of our earliest acquisition of the country, and is now quite unequal to its requirements. Generally throughout the province the ministerial establishments of our offices are weak and under-paid. The fact has been brought prominently to the Chief Commissioner's notice by the Judicial Commissioner, who submitted a scheme of additional officers, with increased pay, involving an annual augmented expenditure of some Rs. 30,000. Like other absolutely necessary reforms, this has to remain in abeyance till better times, though it is unmistakably apparent that if the province is to enjoy the advantages of efficient administration directed by Judicial Commissioners, Sanitary Commissioners, and Registrars General, and to supply returns as other provinces of India in all these departments, its subordinate ministerial establishment—the same now as in 1868, when such things were unknown—must be materially strengthened.

8. But, perhaps, it is in the Department of Public Works that the strain upon the Administration in want of money is most severely felt. According to the figures received from the Accountant General, while in 1871-72 the Civil Departmental expenditure amounted to £161,536 and Public Works to £121,855, the allotment for the current year is thus distributed:—Civil Department, £249,100; Public Works Department, £110,500. Practically under the revision of the Public Works' grants which has been made in the presence of the anticipated deficit, the approbation for the year amounts to only £108,000; and the Chief Commissioner is assured by the Chief Engineer

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(Colonel Trevor) that the sum now available, after paying for establishments and the charges for maintenance of existing works, leaves an almost inappreciable balance for new projects. The result, though unavoidable in the present financial troubles, is very disheartening, for, as has been frequently pressed upon the Government of India, the whole well-being and progress of the province depend altogether on the measures undertaken for the extension of its roads, canals, embankments, and schemes of reclamation of waste lands. In 1870 Mr. Eden wrote:—"There never was a province so much in want of a little judicious expenditure as Burmah: every rupee spent on roads means an immediate increase of many rupees of land revenue and rice-duty brought in by fresh cultivation, which invariably opens out along with the side of roads, even while they are still under construction." If this was true in 1870, it applies much more forcibly now. The opening of the first railway in the province, eventually, it is hoped, to lead into China, will be inaugurated in March or April 1877. It will connect the seaboard and the capital of the province with 170 miles of the interior of the country. Running as the line does along its whole length in competition with the river, the traffic on which its success will mainly depend has to come from large villages and fertile tracts of rice-growing land between it and the Yoma range. Every endeavour has been, and is still being, made to establish feeder roads throughout these parts; a separate division has been organised for the purpose, funds have been, at much inconvenience, transferred from other works scarcely less important, and, as far as our means go, the construction of feeder roads is being pushed on. But the demand is an entirely new one upon the province, and other works have to be starved or abandoned to meet their paramount claims; but judging from past experience the result will be only that, while the wealth and material prosperity of the country and its Imperial revenue will be largely increased, the provincial allotment will remain stationary, with annual additional calls upon it for the maintenance and repair of works constructed. It is impossible that a country like British Burmah can progress in the face of such obstacles.

9. In 1870 it was estimated that British Burmah, after paying all charges, including Military, Postal, and Telegraph, which are debited to the Imperial Exchequer, yielded an annual surplus of about £350,000. It is ascertained from the Accountant General that, in 1875-76, British Burmah had a clear surplus in the Civil Department of £1,112,019, and that after paying Public Works and Military charges there was a balance of £618,498; that Burmah remitted in cash to India in the same year a net sum of £606,300, besides defraying the expenditure on the State Railway under construction, amounting to £163,000. The Chief Commissioner is not in a position to compare these results with those of other provinces, but it seems to him not unreasonable to press that, having regard to its size, population, position, and wants, British Burmah deserves a more favourable consideration in the allotment for its public services. The subject is one which leading members of the mercantile firms and the press in the province discuss very often in resentful terms.

10 In conclusion, I am to say that, under the arrangements proposed, the anticipated deficit of Rs. 1,79,851 can be reduced by Rs. 1,60,000, leaving still a balance against the Provincial Services of Rs. 19,851. The result will very deeply impoverish the Local Funds, and there will be no opening balance under any provincial head for the following year. Even if a special extra assignment to the extent of 1½ or 2 lakhs of rupees were available from the Government of India to meet this year's deficiency, there is every probability that, unless everything is to be thrown backwards, or local taxation, now pressing heavily, is to be increased, similar results will occur again. The fact does not admit of doubt that the present needs of the country are greater than the Provincial allotment of 1871-72 can possibly supply.

No. 282, dated 12th January, 1878

No. 103.] From—R. B. CHAPMAN, Esq., Secretary to the Govt. of India, FINANCIAL DEPT.,  
To—The Chief Commissioner of British Burmah.

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I am directed to invite your attention to the Proceedings of the Legislative Council of the Governor General, published in the *Gazette of India* of



the 27th December, regarding the new taxation required to meet the cost of famine relief in the past and in the future. The principle adopted by the Government of India is that the landed classes and the trading classes should all pay their share towards the Famine Insurance Fund. To this end a Famine Cess on the land, at the rate of two per cent. on the land revenue, has been proposed, and also a license tax on the trading and industrial classes.

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2. It may, perhaps, be urged that British Burmah is less liable to famines than some other parts of the Empire. But, on the other hand, the producers and traders of Burmah profit greatly by the high prices which an Indian famine causes at the Burmah rice ports. The people of Burmah pay, it is true, a heavy taxation per head in comparison with the people of some other provinces. But the soil, the rainfall, the river highways, and the sea-ports of Burmah, are so excellent and so convenient that the burden of taxation rests as lightly on its people, and their standard of comfort is at least as high, as in most provinces of India. These considerations alone, therefore, would not warrant the exemption of British Burmah from the liability to bear a share of the famine burdens of the Empire.

3. But, on the other hand, British Burmah needs for its development larger funds than the financial needs of the Empire permit the Government to grant. Under these circumstances His Excellency the Governor General in Council has decided that, for the present, no demand shall be made upon British Burmah for a contribution to the Famine Insurance Fund. At the same time arrangements can be made for permitting British Burmah to raise, for purposes of provincial development, additional taxation, analogous to that which is now being raised for Famine Insurance Funds in other parts of the Empire.

4. I am accordingly to ask you to consider the matter and to report what additional taxation, if any, you would propose for British Burmah on the lines laid down in the Legislative Council Proceedings of the 27th December last.

No. 480—46, dated 30th March, 1878.

No. 104.] From—MAJOR C. W. STREET, M.S.C., Secy, to the Chief Commr., British Burmah,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

With reference to paragraph 4 of your letter No. 282, dated the 12th January last, I am directed to forward herewith, for the information and consideration of the Government of India, a *confidential* Minute prepared by Mr. Rivers Thompson on the subject of additional taxation required, in so far as British Burmah is concerned, to meet the cost of famine relief and to develop the resources of the country.

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No. 105.] Minute by the Chief Commissioner of British Burmah, on the letter from the Government of India, No. 282, dated 12th January 1878, regarding the taxation necessary to meet the cost of famine relief in the past and for the future.

I am asked by the Government of India to report, in connection with the Proceedings of the Legislative Council of the Governor General on the 27th December last, what taxation, if any, I would propose for British Burmah, to meet the cost of famine relief in the past and for the future. In the arrangements which have been made in India for the establishment of a famine insurance fund, as detailed in the speeches of His Excellency the Viceroy and the Finance Minister, this province has, for the present, been excepted, on the grounds that Burmah is less liable to famines than other parts of the Empire, and that the people of Burmah pay already a heavy taxation per head in comparison with the people of some other provinces. It is maintained, however, that these considerations would not warrant the exemption of British Burmah from the liability to bear a share of the famine burden of the Empire; and that, under any circumstances, larger funds are needed than can at present be spared for the proper development of the resources of this province.

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2. The measures which it has been found necessary to apply in India with a view to the establishment of a famine insurance fund are a cess upon the land at the rate of two per cent. on the land revenues and a license tax on the trading and industrial classes. I had an opportunity in reviewing the financial position of the province last year (see Minute dated 21st February 1877) of explaining the difficulties under which we laboured in meeting demands for

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additional taxation, and I endeavoured to show that, though the revenues of the country were growing rapidly and our contributions to the Imperial Exchequer advanced with each year's progress, the provincial allotment for particular inelastic services remained the same as it was in the first year of the arrangement. I am not insensible of the liberality which in each year of my administration has placed at my disposal an additional grant of two and a half lakhs to meet actual liabilities; but I would press at the same time that, while these concessions at the end of each year came rather as a favour, and not as a right, they lost a great deal of their value; and that, though they indicated, I may assume, the recognition by the Government of India of the insufficiency of the original assignment to the present requirements of British Burmah, nothing has yet been done to give to this Administration what has been conceded to others, *viz.*, an expansion of the Provincial Service system. I venture to repeat what I myself, and previous Chief Commissioners, have on frequent occasions stated, that there is no province under the Empire which better deserves a liberal treatment in this respect from its past history, and none that would better repay it if its future is considered.

3. This, however, is a distinct question. I understand from the present reference that, whatever be the decision as to the expansion of the system of provincial assignments in British Burmah, regarding which my recommendations have already been submitted to the Government of India, it is now desirable to examine in what form additional taxation can be imposed to meet the claims of the Government of India as regards a famine insurance fund and to promote the works which Burmah needs for its development. I may say, at once that I do not think that the license tax on trades and dealings would be just to Burmah; and as regards the extra cess upon the land revenue, an impost of the kind already obtains in the province and cannot possibly be increased. To speak upon this first, it will be sufficient to represent that, since the year 1865, a five per cent. cess, levied in excess of the land revenue, has been realised from all holders of land and has been applied in each district for roads, education, rural police, and the local postal services. It seems to me that it is a legitimate argument to urge that, if the agricultural classes in British Burmah have all along given what holders of land in older provinces have only recently been called upon to give, this is not the direction in which the additional taxation should be pressed in British Burmah. A sparse population, almost entirely dependent upon agriculture, already makes a fair contribution to the demands of the State, and if the fact be admitted that the progress of this province depends mainly on the lightness of the charges upon the land, we may accept the conclusion that all restraints upon the occupation and clearance of its 20 millions of acres of culturable soil will only retard the real development of its prosperity.

4. As regards the licensing of trades, I have already had an opportunity of explaining to Sir John Strachey that the extension of the Bill to British Burmah would be inexpedient. Practically, such a tax is already realised throughout Burmah, for, except at the principal towns of Rangoon, Moulmein, and Akyab where European shops are established, all the trading and dealing is done in central markets constructed at the cost of local and municipal funds, in which the right to sell is paid for by fees. To all intents and purposes this is very much the same as the law recently passed in India demands, and if these are omitted, the realisations from those who fall under class I of the Bill would scarcely compensate for the cost of collection.

5. Without any desire, therefore, to evade the common burden which is imposed upon other parts of India, and knowing that our own interests are intimately bound up with the question at issue, I think it will be accepted that the circumstances of this province make it very difficult to devise any new source of taxation outside of those which immediately contribute to our revenues. The land revenue under an assessment which is not heavy, and capable, possibly, under proper adjustment and settlement, of giving a good deal more even on the present rates, is supplemented by a customs duty on the export of rice which is supposed here to fall entirely upon the producer. The capitation tax which is peculiar to Burmah and grows with the growth of its population yields 26 lakhs annually, and the revenue from fisheries, which is also a speciality, amounts to nearly 8 lakhs a year. Excise and

stamps give a yearly increasing income; an extra cess of five per cent. on the land revenue has always been enforced, and within the last three years the introduction of Municipalities has added fresh taxes of a local character. The revenue from all sources comes now to a total of two millions sterling in the year, and after every expense has been paid, the Imperial Exchequer receives from Burmah an annual contribution of not less than £700,000. I cannot conceal the fact that, considering the circumstances of Burmah, its comparatively recent acquisition, the difficulties it has to struggle against from its small population, and the position which it holds as an estate directly under Government, there is a strong feeling of almost resentment both among the official and non-official community, which finds public expression in the press, that so large a portion of its revenues should be regularly abstracted from the country.

6. Meanwhile the needs of British Burmah are very great, and if its material prosperity to the full has to be secured, it is hopeless to imagine that the provincial allotments will meet the necessity. Upon this subject I append a paper prepared by Lieutenant-Colonel Trevor, V.C., the Secretary in the Public Works Department, showing the projects which demand attention. It refers exclusively to railways, because, as I believe, it will be generally admitted, that it is to the construction of railways we must look for the principal means of developing the resources of the country and of supplying the famine wants of other places or, it may be, some day of our own. We have a completed line of railway to Promé constructed at a cost of about 125 lakhs, and nine months' experience of its working has shown very marvellous results, not only in the traffic it has created, but in the stimulus it has given to industrial enterprise. The estimates for the extension of this line to the frontier, needed both for its administration and commercial advantages, have been submitted to the Government of India and await sanction. The cost is calculated to amount to 37½ lakhs, but a further sum of 10 lakhs would probably be required for the improvement and branches on the Irrawaddy valley line, and for suburban extensions in Rangoon. Surveys have been made, though in places subject to revision, for a line of railway from Rangoon to Tounghoo at an estimated outlay of about 103 lakhs. All these lines are urgently wanted for the connection of our military frontier stations with the capital; and there is no reason to doubt that, in the settlement of the country, and in the reclamation of wastes and expansion of agricultural operations, their construction will conduce as materially to the prosperity of the tracts which they traverse as the single line, which is now so rapidly changing the condition of the country between Rangoon and Promé. Indeed, as regards the line to Tounghoo, it may safely be said that there can scarcely be a limit to the area of production which such a railway would open out. The resources of the Tounghoo, and Shwe-gyeen districts, rich in their soil and immense capabilities, have hitherto been absolutely locked up from the absence of ready and regular facilities of communication with ports of export; and though the canal which connects the Pegu and Sittang rivers will partially remedy this evil, I venture to affirm that, with the completion of the project which Colonel Trevor's note foreshadows, neither the canal nor a single line of railway will suffice in ten years to carry the produce and timber, which will come in from beyond our frontiers and from our own districts on our north-eastern borders.

7. To finish these works an expenditure of 30 lakhs a year for five years is required. I understand that the Government of India will give the money to the province on the guarantee of 4½ per cent. yearly interest on the money advanced if derived from additional taxation in British Burmah; and Colonel Trevor's calculations show that "an annual payment of 5 lakhs of rupees for ten years from provincial revenues would redeem the line already made and cover all charges for borrowed capital for those projected till they become self-supporting." The question for us is whether the province can supply this not immoderate charge in addition to its present liabilities to the Supreme Government.

8. It seems to me there are three sources of revenue from which this result may be attained, *viz.*, a slight increase in the export duty on rice, a levy of a duty on the paddy exported to Upper Burmah, or by an enhanced customs duty on salt.

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9. In approaching the discussion of a higher rate of duty on the export of rice from British Burmah by sea, it will be of value to record in a succinct form some particulars of the trade in this province. I cannot do so in any better way than by extracting from the annual report for last year (1876-77) on the Trade and Navigation of British Burmah the paragraphs which bear upon this subject. They present in a compendious form a great deal of statistical information regarding the trade, and may guide to a decision upon the point immediately under consideration :—

"19. It may not be uninteresting to note here a few particulars regarding the rice trade of the province for some years past. In the following statement will be found exports of this grain during each of the last thirteen official years which show that the minimum shipments in any one year during that period was 248,101 tons and the maximum 811,106 tons, the latter being due to the famine which existed in Bengal towards the end of 1873 and during the early part of 1874. The average annual shipments of the first six years of the term amounted to 374,300 tons, while the average per annum for the second six years was 641,676 tons, an increase equal to 71 per cent. The exports during the year under review—710,783 tons—were considerably in excess of the latter average, and have been exceeded in three years only, *viz.*, in 1872-73, when large quantities of rice which rightly belonged to the preceding year were shipped, in 1873-74, when the demand was so great for Bengal, and slightly in 1875-76 :—

YEARS	Arakan	Bangoon.	Basseln	Tenasserim	Total British Burmah
	Tons.	Tons	Tons.	Tons	Tons
1864 65	121,277	259,290	64,295	25,046	468,838
1865 66	120,472	202,125	62,849	40,951	426,197
1866 67	81,891	107,858	28,690	32,162	248,101
1867 68	97,876	163,142	37,180	27,735	325,913
1868 69	111,192	244,510	60,549	29,858	446,109
1869 70	69,185	181,964	51,063	27,429	329,641
1870 71	133,571	220,101	44,291	42,038	440,000.
1871 72	105,894	265,613	55,274	60,881	487,162
1872 73	173,252	415,028	74,927	57,143	720,350
1873 74	162,788	482,479	88,495	77,844	811,106
1874 75	141,416	389,897	89,743	49,169	670,225
1875 76	136,274	389,821	113,957	81,157	721,209
Average per annum	121,216	276,819	64,085	45,868	507,988
1876 77	143,185	408,136	104,516	59,946	710,783

"21. The exports during each calendar year are the actual quantities of the preceding year's crops available after providing food for the people. Ordinarily, on account of the pressure of competitions in the market, the stocks retained in the country are very little in excess of its requirements for the year. The undernoted statement gives the shipments for the last twelve calendar years, together with a portion of the current year—1877—to foreign countries, to India and to Upper Burmah, Pegu being the granary from which the people beyond the frontier supply their wants when their own rice crops are short :—

YEARS	DUTY PAYING EXPORTS OF RICE.			Non-dutiable exports of rice	Total	To Upper Burmah.	GRAND TOTAL
	To Europe	To Straits, China, &c	Total				
	Tons.	Tons	Tons.	Tons.	Tons	Tons	Tons
1865	158,700	198,707	355,407	24,602	380,009	33,844	413,853
1866	170,652	77,227	247,979	98,898	346,877	17,010	363,887
1867	261,420	231,63	290,483	170,170	460,653	93,437	554,090
1868	319,474	10,634	330,108	14,077	344,185	78,016	422,201
1869	285,537	22,870	308,207	80,622	388,829	66,026	454,855
1870	300,244	36,167	336,411	47,741	384,152	100,283	484,435
1871	369,726	85,753	455,479	16,414	470,893	64,828	535,721
1872	623,179	105,141	628,320	19,065	647,385	28,676	676,061
1873	499,647	71,175	570,822	30,565	601,387	26,362	627,749
1874	471,698	29,732	501,430	296,938	798,368	13,048	811,416
1875	695,090	69,212	664,302	34,903	699,205	67,412	766,617
1876	484,859	64,070	548,929	44,609	593,538	72,762	666,300
1877 up to 30th September.	482,785	23,865	506,650	122,621	629,271	66,810	696,081

The annual average of the first six years, 1865—1870, is 448,887 tons; of the second term, 1871—1876, 640,644 tons, a difference of 52 per cent against 71 on the statistics of the

financial years. The latter quantity has been exceeded during 1877, up to the 30th September, since which date there have been further shipments both to the Madras coast and to Upper Burmah. The largest export in any one year during the first six named above was in 1867, when a demand existed for grain for the Orissa coast: and during the second six, in 1874, when about 280,000 tons were sent to Calcutta for the famine districts in Behar and Bengal. The decrease of about 100,000 tons shown in the exports during 1876 as compared with 1875 was due mainly to the great inundations in the Bassein and Henzada districts in the latter year, caused by the extraordinary rise of the River Irrawaddy, which breached and overtopped the embankments in several places, and destroyed large areas of crops. Unfortunately, this great rise has been surpassed in 1877, and similar results have followed in the same districts. During the current year (1877) there has been a large demand for the Madras famine

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"22. British Burmah is a granary from which any large and unexpected demand for the continent of India can be at once supplied, because a considerable increase in price, consequent on scarcity in this great staple-food of the people of the East will stop shipments to Europe, and divert the grain to the local markets. This was the case in 1867, 1874, and again in the current year. A great impulse will probably be given to the extension of rice cultivation from the large demand and high prices of the present season; and the successful completion of the Irrawaddy Valley State Railway will certainly lead to wider developments of the cultivation and trade. The province needs, however, very much more assistance from imperial resources for the reclamation of its wastes and the opening out of its communications in the interior, both by land and water.

"23. The consumption of cleaned white rice from the East in Europe, both for home use and export to other parts of the globe, has been estimated at 518,100 tons in 1876, 468,200 in 1875, and 440,600 tons in 1874. These quantities, calculated at 1,000 kilos. to the ton, were, it is said, distributed as follows:—

	1876.	1875.	1874.
	Tons	Tons	Tons
Sweden and Norway	6,966	7,360	7,428
Denmark	5,060	4,426	3,300
Russia	7,476	8,349	10,817
Germany	93,904	18,949	76,403
Holland	41,465	36,082	42,826
Belgium	36,352	34,067	16,733
Switzerland	109	54	106
France	28,254	30,325	25,097
Austria	16,049	13,702	23,834
Spain and Portugal	15,236	18,902	12,220
England	123,785	103,659	63,730
Turkey	6,537	5,181	6,984
Other countries in Europe	35,334	23,486	40,700
Africa	5,463	6,726	6,264
North America	12,303	23,128	24,393
South America	20,644	24,934	21,419
West Indies	63,847	38,193	43,966
Australia	961	1,080	1,143
Other countries out of Europe	8,355	7,496	13,427
<b>TOTAL</b>	<b>518,100</b>	<b>468,200</b>	<b>440,600</b>
European Consumption	416,527	366,741	329,988
Exports out of Europe	101,573	101,459	110,612
<b>GRAND TOTAL AS ABOVE</b>	<b>518,100</b>	<b>468,200</b>	<b>440,600</b>

"24. The rice imported from eastern countries into Europe is, as a rule, partially cleaned only; and the quantities required during the last three calendar years are said to have been contributed as follows:—

From.	1876.	1875.	1874.
	Tons.	Tons.	Tons.
Calcutta	32,053	25,202	30,567
Madras	16,556	9,443	22,494
Akyab	90,095	111,910	110,346
Rangoon	290,131	311,612	286,442
Bassein	80,934	97,200	62,387
Moulmein	25,753	33,894	16,649
Java	3,680	9,635	7,660
Saigon	3,212	2,523	23,486
Bangkok	19,341	5,093	3,901
Japan	11,027	—	25,408
<b>TOTAL</b>	<b>672,612</b>	<b>606,712</b>	<b>589,340</b>

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The receipts from Burmah were, of the whole 85 per cent in 1876, 91 per cent in 1875, and 81 per cent in 1874, while Bangkok and Saigon, which were thought likely some years ago to become dangerous competitors with this province in the European markets, supplied but 4, 1½, and 4½ per cent respectively.

" 25. In the report for 1871-72 some particulars of the exports of rice from Saigon were given, and the undernoted statement brings the information regarding the shipments up to the beginning of August last.—

*Exports of Rice from Saigon.*

Years	China.	Japan	Europe	Mauritius and Bourbon.	Singapore.	Sundry places	Total.
	Tons	Tons	Tons	Tons	Tons.	Tons	Tons
For whole of 1868	52,292	2,625	37,804	17,139	17,593	5,990	133,389
" 1869	29,166	59,918	31,260	20,592	17,496	626	158,957
" 1870	76,722	122,193	8,326	7,587	9,913	833	225,574
" 1871	242,259	29,738	2,384	2,584	12,816	3,594	293,645
" 1872	205,740	...	...	...	11,271	14,238	231,249
" 1873	159,126	...	5,024	4,043	33,129	73,594	274,916
" 1874	64,890	1,226	19,278	4,097	30,765	67,491	177,747
" 1875	217,895	...	3,147	333	26,646	83,807	331,828
" 1876	267,389	...	2,960	4,260	16,827	47,846	339,271
Up to 8th August 1877.	209,609	Java 15,974	.....	Philippines 13,188	7,214	10,964	256,949

The rice trade of Saigon has increased much during the last three years, but almost the whole of its produce is shipped to China and the countries to the east of it. It will be seen that very little finds its way to the west of the Straits of Malacca. The trade is said to be in the hands of the Chinese to a great extent. Prices range nearly as high as in Burmah, although the grain is inferior in quality. In 1875 rates were from 4s. 4d. to 5s. 2½d., in 1876 4s. 6d. to 5s. 8d., and in 1877, 5s. 1d. to 6s. 5d. per cwt free on board. In 1876 there were complaints of the inferior quality and bad condition of the grain, and although prices were not particularly high in that year, it is stated that hardly any one benefited by the large business transacted, and that some of the Chinese *honges* sustained severe losses. There were two steam rice-mills at work in Saigon in the year under notice, when 238 steamers, of 313,699 tons, and sailing vessels, with a tonnage of 41,724, visited the place. Most of the trade seems to be carried on by steamers, the voyages to the consuming ports being, as a rule, short. The crop in Cochin-China is reaped earlier than that in Burmah, for considerable supplies are brought to market in December; the bulk of the shipments are, as with us, made by the end of June. A competitor to Saigon and Bangkok arose in June 1876, when the Annamite Government authorised the export of rice from Tonquin."

10 If the returns above given may be accepted,—and they have been prepared with attention to all available information—we may deduce first, that of all the rice exported from eastern countries to Europe, British Burmah, from its four principal ports, supplies about 86 per cent. of the total, taking the average of the last three years; and secondly, that the competition from Siam and Saigon in this direction is very small, being represented by only 3½ per cent. of the European demand. At the same time the actual rice trade of Saigon alone is by no means inconsiderable, amounting to 339,271 tons in 1876, and shows an export which is increasing, though the direction which it takes is to the west of the Straits of Malacca and chiefly to China and Japan. As regards Europe, I think we may not unfairly assume that Burmah holds at present a monopoly of the trade, and, personally, I do not believe that a moderate addition to our export duty would at all imperil or affect this position. The quality of the Burmah rice is superior to that of Saigon or Siam; the local trade here is not only permanently established, but is yearly increasing, and notwithstanding the enormous rise in the price of the staple, affected by the demand in India and possibly by the war in Europe, the competition for supplies of grain among the local merchants is of the keenest character. Their operations are at present limited by the comparative smallness of the supply from the interior; and the milling season practically lasts only for four or five months after the harvest is reaped in December. But, as the consumption is extending in England, on the Continent and in America, and the opening out of communications in Burmah will certainly lead to wider cultivation and increased produce, there is no reason why the work in the mills should not be a continuous one throughout the year.

11. The second suggestion which proposes an export duty on the rice which Upper Burmah takes from British Burmah, has the merit of exempting

our own people from the burden of the additional taxation which is necessary. From the tabular statement under paragraph 21 of the Trade and Navigation Report for the year, it will be seen that the exports from British to Upper Burmah have fluctuated considerably during the last twelve years. In 1866 it was as low as 17,010 tons; in 1870, under exceptional circumstances, it reached the highest amount of 100,283 tons. During the last three years the increase in the export of paddy has been regular, and it was expected to reach by the end of 1877 to at least 80,000 tons. Ten years ago, in the interests of trade, we surrendered a customs duty, which was yielding then an annual revenue of six lakhs of rupees, by the abolition of our frontier duties; and by the treaty of the 29th November 1867, the British Government stipulated that it would adhere to the non-enforcement of this frontier customs duty "during such times as the Burmese Government shall collect five per cent. *ad valorem* duties or a lesser rate on all goods and merchandize (save the King's monopolies) passing between the British and Burmese territory." The period of ten years for which this treaty was made has expired, and though it remains in force till a fresh one is contracted, it is, I conclude, in the option of either Government to claim a revision of its terms and conditions. During the last two years the interference of the King of Burmah with the trade in his dominions has called forth very serious remonstrances and memorials to Government from the merchants in British Burmah. We allow sea-imported goods, declared for Upper Burmah, to be forwarded to Mandalay under a duty of only one per cent. The people in our own jurisdiction have to pay five per cent. No exception need be taken to this in the interest of our home manufacturers. But when it comes to the free export of our local produce, and we find the King every year extending his demands upon our food resources, the results are injurious to us financially, and to the King as a matter of general administration. The trade in the first place is retained almost exclusively in the King's own hands, contrary to the express terms of the treaty. It diminishes the quantity which would be available for export by sea from Rangoon, and so affects our customs revenue; and it has the disastrous effect of throwing the lands in Upper Burmah out of cultivation, in the assurance that the supply of food required for the population there will always be forthcoming from British territory, without liability to customs charge. If there was no other market for this paddy, it might be reasonable to allow a freedom of export to the territory beyond our frontier, in the benefits which it secured to our cultivators. But, as matters stand, the cultivator would get a ready sale for his produce for transhipment to any of our own ports; and, while our revenue would be increased, the state of things in Upper Burmah would be placed on a sounder footing. I can see no reasonable justification for the continuance of this particular privilege to the King; and assuming 80,000 tons as the quantity taken in each year for Upper Burmah, the duty assessed at the same rate as on our sea-exported rice (*viz.*, 3 annas per maund, or Rs. 5-1-10 per ton) would yield an income of something more than four lakhs per annum. This alone may not suffice for our full requirements, and the tendency of such a measure would probably be to reduce the exports up-country. But I am given to understand that the figures I have taken (80,000 tons), though officially correct, do not represent the total exports, and that much crosses our frontier in boats and small vessels which escapes registration. If this, however, did not suffice, it might be supplemented by a moderate enhancement of the salt duty.

12. As regards this last proposition, which refers to an increase in the salt duty, I am aware that it is a subject which has many difficulties, and the consideration of which raises strong opposition both in India and England; but the facts of the case should, I think, be laid before the Government, and will help to a decision upon the question at issue. I append a statement which I have received from the Collector of Customs showing the quantities of foreign salt passed into consumption, with the duty levied thereon, during each of the last six years. These imports were almost exclusively into the Pegu division (*viz.*, at the ports of Rangoon and Bassein), no foreign salt having been yet brought into Arakan, and but little into Moulmein. Both the Arakan and Tenasserim divisions are supplied by local manufacture from sea water. Of the total quantity of foreign salt passed into consumption, 56 per cent. has been taken for use in British Burmah, and 44 per cent. for Upper Burmah;

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the former yielded 97 per cent. of the duty realised, at the rate of 3 annas per maund, the latter only 3 per cent., the rate being one per cent. *ad valorem*. A second statement shows the amount of excise duty collected on salt manufactured locally in each of the three divisions during the years named. There are no accurate statistics of the quantities of salt so manufactured, for the transactions in each salt-producing district vary according to the size of the pot or cauldron in use in each. Under the new revenue rules, which will immediately be enforced, it has been proposed that the excise duty on the local manufacture shall be always at the same rate as the customs duty imposed on the sea-ported article.

13. The total revenue derived from salt in British Burmah is as follows:—

	Customs	Excise	Total
	Rs.	Rs.	Rs.
1871-72 ... ..	67,078	55,045	1,22,123
1872-73 ... ..	82,016	44,662	1,26,678
1873-74 ... ..	65,817	65,701	1,31,618
1874-75 ... ..	85,795	51,642	1,37,437
1875-76 ... ..	1,09,716	45,569	1,55,285
18:6:77 ... ..	96,175	49,482	1,45,657
TOTAL	4,06,597	3,12,101	8,18,698

The average annual income from salt in the six years has thus been Rs. 1,36,450, a very small revenue; and in consideration of the following facts it might, I think, bear augmentation.

14 The price of foreign salt in the Rangoon market is about Rs. 4 per 100 viss (365 lb, or nearly  $4\frac{1}{2}$  maunds), for consumption in our own territory, that is, with the duty of 3 annas per maund paid; and at the present time a large cargo has been sold for Mandalay to be taken from alongside the ship at Rs. 2-10 per 100 viss. This gives the wholesale price at 14 annas per maund for local use, and a little over 9 annas per maund for Upper Burmah. The average declared value for a year, exclusive of duty, is between 10 and 11 annas a maund; though, lately, owing to non-arrival of cargoes and the exhaustion of stocks, the price has temporarily been slightly raised to Rs. 4-8 per 100 viss for local consumption, and Rs. 3 per 100 viss for Upper Burmah. English salt finds a ready sale in Burmah. It is brought out at a nominal freight (about 10s. a ton) by ships which are engaged for the "round" and return with rice. Italian salt, which is very coarse, is sold at a lower price than that from England, and the highest price realised has not exceeded Rs. 2-4 per 100 viss of  $4\frac{1}{2}$  maunds. Taking the average annual quantity of foreign salt passed into consumption for British Burmah during the last three years at 5,05,849 maunds, every anna per maund yields Rs. 31,615. The annual average realised as excise during the three years is Rs. 48,898. But little increase can be expected in the duty on salt sent to Upper Burmah, as the rate, one per cent. *ad valorem*, is but nominal.

15. Leaving apart the consideration of our arrangements with the King of Burmah, which are regulated by treaty, and are, for the present at least, irreversible, the question arises whether, if the salt duties in India are to be equalised at Rs. 2-8 a maund, and measures are to be taken gradually to bring about this equilibrium, the time has not come for introducing a similar process in British Burmah. I am not ignorant of the fact that, since our acquisition of the province, our dealings in this respect have been moderated by consideration of the capitation tax which applies to Burmah only; and that in common opinion the enhancement of the salt duty is a question which must be approached with tenderness and caution, as affecting especially the poorer classes. I have only to suggest, in answer, that the condition of the people now differs widely from the condition in which we found them when we took the country, and that the three last years have witnessed such an increase in the prices they have realised from their produce—the result immediately of the want in India—that they are in a position to contribute something more in the indirect form of taxation which a salt duty supplies. It is no figure of speech to say that in the time referred to the rates of paddy have more than doubled, and in most places the profits thus indicated have gone directly into the pockets of the cultivators; and, under any circumstances, if



it is a question between the abandonment of the projects which we are contemplating—which will immensely benefit these classes—and the imposition of an enhanced duty upon their salt, we should adopt the latter course. The duty in Burmah on salt imported by sea is 3 annas a maund. Contrasted with the import duty on this article in any part of India, the disproportion is very striking, and as regards the present condition of the province is capable of enhancement. The article is cheap enough to bear a heavier duty, and at 8 annas per maund in place of the present rate of duty, on the quantity now consumed in British Burmah the revenue would be increased by about Rs. 1,58,000 a year. The excise duty on the local manufacture at the same rate might add something more under this head; but every year shows that the imported salt is taking the place of the local article, the production of which is falling off.

16. On the whole I am inclined to say that the enhancement of the duty on rice exported by sea from British Burmah provides the simplest and readiest means of supplying the money which is claimed from the province. The increase from 3 annas to  $3\frac{1}{2}$  annas per maund would cover our requirements, and would not injure the trade. This, if the local theory is correct, would fall upon our own subjects; and if, on this account, it is deemed right to abandon the idea, I would press that the King of Burmah has no claim upon us to feed his subjects free at our expense; and that all grain, produced in British Burmah and exported across our frontier, should be charged at the same rate as the customs duty levied at our ports. At 3 annas per maund the 80,000 tons now carried to Upper Burmah would give us, from a foreign source, something over 4 lakhs in the year, with a probability of an annual increase if the exports to the King's territory continue to advance at the rate they have done recently. The adoption of either of these measures would set aside the consideration of an increased Salt duty, which is, perhaps, the least defensible of the three courses to which I have called attention.

17. My sudden departure from the province must be my excuse for this hurried paper. It will devolve upon my successor to give effect to any measures which the Government of India may be prepared to sanction; and it is quite possible that after a perusal of what I have written he may be in a position to elaborate some better scheme to secure the capital now necessary for the proposed undertakings.

RANGOON;  
March 28th, 1878. }

RIVERS THOMPSON,  
Chief Commissioner, British Burmah.

*Legislative Council, Thursday, the 27th December 1877.*

No. 106.] NORTHERN INDIA LICENSE BILL.

The Honourable SIR J. STRACHEY moved for leave to introduce a Bill for the licensing of trades and dealings in the Punjab, the North-Western Provinces and Oudh. He said—

Leg. Coun., Dec. 27,  
1877  
Sir J. Strachey

MY LORD,—“ In the Financial Statement for 1877-78, which I had the honour to present to Your Excellency and this Council on the 15th of March last, I dwelt at some length upon the necessity imposed upon the Government of India of bringing the public Revenues and Expenditure into a condition of proper equilibrium, and I indicated that it would be our duty, at some future time, to propose further measures for accomplishing this object. The events that have occurred since that time will have prepared every one for the conclusion that the urgency of the case has become greater with each succeeding month of the prolonged crisis through which the country has been passing. The Government fully recognises the fact that the community at large is not less interested in the measures that it has been deemed expedient to adopt than are the Members of the Government on whom devolves the responsibility for framing those measures, and Your Excellency has, and I may be allowed to say, wisely determined, therefore, to lose no time in introducing before the Council the Bills which are necessary for obtaining the requisite Legislative authority for carrying out its

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policy. This course will give ample time for that full consideration of our measures, which it might have been difficult to secure if we had waited till a later part of the season.

"I reminded the Council, at the time to which I have referred, that after the famine of 1874 in Northern Bengal, the Government of Lord Northbrook declared that such calamities could no longer be treated as abnormal or exceptional, and that sound financial principles required that the grave obligations entailed by famine upon the Government should be explicitly recognised and provided for among the ordinary charges of the State. Within the previous ten years, three serious famines had occurred. The drought of 1866 led to famine in Behar and Orissa. The failure of the rainy season in 1868 and 1869 caused severe distress over a great tract of country in Northern India; and in 1874 came the famine in Bengal. As it could not be doubted that India was liable to the periodical and not unfrequent occurrence of such calamities, Lord Northbrook most justly concluded that to attempt to meet them merely by borrowing without a simultaneous increase of income would be financially ruinous; it was out of the question to think of meeting with borrowed money the charges which we should have to incur in future on their account. Whatever means, he said, we may take to obviate or mitigate them, it must, under present circumstances, be looked upon as inevitable that famines will from time to time occur.

"He therefore determined that, to enable the State to meet the serious obligation of preventing and relieving famine, it was necessary to secure, in prosperous times, a substantial surplus of Revenue over Expenditure in addition to that necessary margin which a prudent administration demands for the ordinary requirements of the State. Due provision would thus be made for meeting occasional expenditure upon famine. He argued that, if this surplus were devoted to the reduction of debt or to preventing the increase of debt for the construction of reproductive public works in years of ordinary prosperity, there would be no objection to the Public Expenditure exceeding the Public Revenue in occasional years of adversity, so that we might then without objection meet the charges on account of famine from borrowed funds, to the full extent to which our surplus had permitted the discharge of debt or prevented its increase.

"The Secretary of State agreed with Lord Northbrook's Government that the periodical occurrence of famine ought to enter into the calculation of the Government of India when making provision for its ordinary wants from year to year, and that such a surplus should be provided in each year as would make a sensible impression on the debt incurred in times of famine. Her Majesty's Government have recently re-affirmed this principle.

"I was authorised, in making my Financial Statement, to declare the entire concurrence of Your Excellency's Government in this policy, the wisdom of which had again been painfully enforced upon us by the famine in Southern India, but which no sufficient steps had till then been taken to carry out. A careful examination of the accounts of the seven years ending on the 31st March 1876, a period long enough to illustrate fairly the state of our Finances, made it plain not only that we had, when I spoke, made no proper provision for the cost of famines, but that we possessed no true surplus of Revenue over Expenditure to cover the many contingencies to which a great country is exposed. As I then said, the financial administration of our predecessors had been most careful and economical. They acted in accordance with the facts which their experience appeared to supply, and with that reluctance to add to the public burdens which has always most properly characterized the action of the Indian Government. But our fuller information had made it manifest, beyond the possibility of dispute, that, whether by retrenchment of expenditure, or development of the existing sources of revenue, or fresh taxation, or by a combination of these means, a substantial improvement of our financial position was indispensable; and we only postponed the adoption of vigorous measures to this end until returning prosperity should enable the country to undertake fresh burdens with less difficulty, and allow the Local Governments more leisure to afford us their counsel and co-operation. Subsequent events have only served to show more clearly the urgency of our need. The year 1877 has been a year of gloom and difficulty to multitudes of the people, and of deep anxiety to the Government.

In consequence of the delay in the coming of the summer rains, the distress in Southern India was prolonged much beyond the period which, it had been hoped, would terminate it. We had estimated the cost of the famine at five and a quarter millions, but this sum had subsequently to be raised to our present estimate of nine and a quarter millions. In addition to the scarcity in the south, a fresh danger arose in the north, from the very insufficient rainfall in that quarter. The autumn crops over a great part of Upper India were almost wholly lost, no such complete failure having occurred, in the North-Western Provinces, since 1837-38. The drought extended into Rajputana and Central India; and there are few Provinces in India which did not suffer more or less loss. At one time there were imminent apprehensions that it would be impossible to sow the winter crops of Upper India, and that another famine of great severity was there impending. Happily, the rain in the beginning of October saved India from this peril; abundant falls have already almost obliterated famine in our Southern Provinces, and the timely rainfall of the present month of December has removed our remaining anxiety for Northern India. We may reasonably hope that our long-continued adversity will now be succeeded by a season of national prosperity.

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"I must not turn aside now to speak of the lessons for our future guidance which, I hope, will be derived from the dearly-bought experience of the recent famine. But I hope that, upon a retrospect of the famine campaign of 1876-77, it will be found that former experience was not thrown away; that there has been a better application of national resources; and that better fruits may be expected from the famine-expenditure than on former occasions. Doubtless, we are far from having completely learnt the most economical, or the most efficient, method of dealing with these calamities. However, it is not my present object to discuss these matters. What I have to do is, now that we are in a condition to face the question, to redeem the pledge I before gave, and to propose the measures which seem to the Government necessary in order to place the finances in a proper condition.

"To enable the Council and the country fully to understand the true position of affairs, it is necessary for me to state, with such precision as is possible, the actual cost of recent famines, in order that an estimate may be made of the amount of financial relief which must be obtained before the Treasury can permanently undertake this burden. The task is not so easy as might at first sight appear.

"I am not able to compute with certainty the cost of the famine of 1866 in Orissa; but it has been estimated at £1,700,000. From various causes, however, the measures of relief then taken fell so far short of what would now be deemed necessary, that we could not base upon them any calculations for the future. Even as regards the Bengal famine of 1874, and the famine in Southern India in 1876 and 1877, it will be obvious, on reflection, that it must be long before the accounts of the receipts and disbursements can be completed, and that, to the last, many of the component items must be estimates rather than facts. The main expenditure is, or ought to be, for the wages of labour upon public works: it must be always a matter of estimate how much of this expenditure is infructuous and a dead-weight famine-charge, and how much may be fairly reproductive. The extra expenditure in consequence of the famine upon the several services, Military and Civil, may be more precisely ascertained. On the other side, the Revenue lost under many Heads of Account, and the net Revenue gained upon the Railways, although real and important elements in the accounts of a famine, can never be exactly known: the Railway gains operate more or less as a set-off against the charges, but all the amounts will to the last be open to much doubt. Then we have loans or advances made to other Governments, public bodies, or individuals, which may or may not be repaid; and such large items as the provision of additional rolling-stock for Railways and the like, which may long be a cause of additional charge.

"Without troubling the Council with further details, I have said enough to show that the actual cost of a famine must, to the end, be the subject of estimate rather than account.

"The Bengal famine of 1874 is, in this way, estimated to have cost £6,750,000, and the famine in Southern India, which in March last was expected

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to cost £5,250,000, is now estimated to cost £9,250,000, making a charge of £16,000,000 for famine relief in the five years from 1873 to 1878.

“The serious character of such a fact can hardly be exaggerated; its gravity becomes more apparent when it is understood that, by the end of the current year, the public debt of India will be larger by at least £16,000,000, and the annual charge for interest by £640,000, than they would have been if there had been no famine in these five years. I make no attempt to estimate the vast waste of private capital due to the same causes.

“Happily, there are grounds for believing that this has been a period of exceptional disaster. Famines are, indeed, so far from being uncommon occurrences in India, that scarcely a year passes without distress in some part of the country; but their frequency, severity and extent during the last few years have exceeded what past experience would lead us to expect hereafter. Moreover, we trust that we are constantly learning more of the best and most economical way of dealing with these calamities; that every famine wisely administered will leave behind it works which will tend to make similar future difficulties less serious and less costly; that the material improvements we otherwise continue to make will enable the country to bear the effects of drought more and more easily, and we may hope that the cost of famine relief will hence be less in the future than it has been in the past.

“Making all allowances for these considerations, I cannot now venture to estimate the yearly average cost of famines in loss of Revenue and actual expenditure at less than £1,500,000. This amount has necessarily been arrived at in a somewhat arbitrary manner, and it will be seen to correspond approximately with the sum that would be requisite to distribute the charges of the last five years over a period of ten years. It will remain for the Government in the future to reconsider, from time to time, the practical result of the assumption which we are now constrained to make on what are necessarily imperfect grounds, and to take all requisite steps in the way of correcting any error into which further experience may indicate that we have fallen, either in the one direction or the other.

“What, then, we have now to do is to improve our financial condition as it was at the beginning of the present year, by £1,500,000 a year on account of famine alone. This, however, is not all.

“Successive Secretaries of State have urged the Government of India to provide a margin on our annual estimates of from half-a-million to a million sterling, some such moderate surplus on the ordinary account being obviously necessary to enable us to meet those contingencies to which every great Government is always liable, and which cannot be foreseen, and to provide the means of carrying out administrative and other improvements. The latest injunction upon this subject was given in a Despatch of October 1877, reviewing the financial arrangements of the present year, which contained also the renewed recognition by Her Majesty's Government of the duty of making definite provision for the cost of famine. Inasmuch, therefore, as at the time when the present famine began, our income did little more than suffice to meet the charges, even if that was secured, I consider that our Revenues were on the whole about £2,000,000 a year short of what was necessary. We required £1,500,000 for famine, and, at the very least, £500,000 of ordinary surplus.

“In considering how to discharge its weighty responsibility for securing financial equilibrium in such circumstances, the Government of India first turned its attention to the possibility of effecting reductions in the Public Expenditure.

“Excluding famine relief and Public Works treated as Extraordinary, the yearly gross cost of the administration of British India is now between £48,000,000 and £49,000,000, and the net cost, after subtracting from those sums the amounts that may be more properly treated as deductions from charge than receipts of income, is between £37,000,000 and £38,000,000. These are large sums in themselves; but if we consider the vastness of the Empire, which includes a territory little less than the whole of Europe excluding Russia, the costliness of a foreign administration, especially of a foreign military equipment, in an uncongenial climate, and, what is more pleasant to contemplate, the growing intelligence, the growing civilisation, and therefore the growing wants

of the people, I do not think that the cost of the administration can be deemed extravagant.

"In the Minute attached to my Financial Statement, I calculated the true net expenditure upon the Army in each of the years 1876-77 and 1877-78 to be upwards of £17,000,000, or nearly 45 per cent. of the whole net expenditure of the Empire, excluding famine and Reproductive Works. Of the remaining £21,000,000, about £6,750,000 is for net interest on the public debt and on the capital of the Guaranteed Railways after setting off their net traffic earnings; and £3,750,000 is the net grant for ordinary Public Works. There remains net £10,500,000 for the general civil administration and government of our vast population, which amounts to 185 millions, excluding the people of our feudatory States. No great saving can be expected in this part of the Public Expenditure.

"Nevertheless, as is well known to the Council, efforts to reduce the Civil charges have never been wanting. On the contrary, they have been made persistently again and again, and will certainly not now be abandoned. I had the satisfaction of showing, in March last, that excluding famine relief and Loss by Exchange—an element practically beyond our control—a reduction of the net Civil Expenditure had been effected in the seven years from 1869 to 1876, amounting to no less than £1,500,000 a year. This fact justifies me in asking the Council and the public to trust in the determination of the Government of India to spare no pains to keep down the demands upon the Public Treasury for the Civil Services.

"In giving effect to this policy in the past, the Government of India has found a powerful instrument in the system of Provincial Finance introduced by the Earl of Mayo in 1870, under which the Government of India renounced interference in the detailed administration of many services, granting the Local Governments a permanent but fixed income to cover their cost. The saving to the Imperial Treasury effected upon the first introduction of this scheme was £330,000 a year. Its further development this year has already produced an additional saving of £169,000. Thus, a positive saving to the tax-payer of nearly £500,000 has already resulted from this policy, and this will certainly be increased hereafter. Moreover, the demands from the Local Governments on account of these services as I showed in March, had, till the change of system was adopted, been constantly growing; the cost of the services transferred in 1870 had risen from £5,100,000 in 1863-64 to upwards of £8,000,000 in 1869-70. All further increase of such demands has been stopped, if not for ever, at least to a great extent and for a long time to come.

"The public may very well be financially content with the arrangements thus made. Under them the greater part of the Civil Services proper, costing, as I have estimated, with ordinary Public Works, £14,250,000, either have already been, or will shortly be, entrusted, with fixed grants, to the Provincial Governments. In this branch of the public outlay, it is, I am satisfied, visionary to think of obtaining any important reduction. It is true that irresponsible persons find it easy to declaim as to the possibility of enforcing large economies. But I fearlessly challenge any one having a sufficient knowledge of the real requirements of the administration to indicate any branch of the Civil Services of which it would not be far easier to give substantial proofs that more money is required for it than the converse. No one, I think, can doubt that I personally should feel my task rendered infinitely lighter and more agreeable if I could see relief in this direction, or that I should have hesitated to seek it there, if it had been really practicable.

"As to that part of the Expenditure which arises from the payment of interest on ordinary debt, and on capital laid out on productive Public Works, as well as that which is required for the current demands for Public Works, a little consideration will show that, at all events, no reduction of charge can be looked for. The heavy burden of the recent famine has added not far from £400,000 to the charges on account of our ordinary debt. Further, so long as a policy prevails which requires of us the prosecution of works of internal improvement on a scale commensurate with the growing wants of the agriculture and commerce of the country,—a policy which we strongly hold,—we cannot, for the present at least, safely look for any diminution of charge for interest on this account. The charge for the Guaranteed Railways, at one

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time so onerous, has of late years, it is true, diminished rapidly, so that we have a good hope that in the current year it may disappear altogether. This last result, if it occurs, will no doubt be to some extent rather apparent than real, being attributable largely to the famine traffic, which is calculated to have added altogether about £600,000 to the Government share of the Net Traffic Earnings of the Railways, £300,000 of which falls into the current year. It would be too much, however, to expect that we shall be, as yet, finally emancipated from all burdens on account of these great undertakings; but we may confidently hope that the charge will continue to diminish and will eventually disappear altogether. the fact is full of hope for India. At the same time, it must be remembered that we are constantly undertaking fresh and heavy burdens of this character, so that it is only prudent to reserve any margin which we may obtain from the income of our existing Public Works as security for the outturn of future works, which, however carefully devised, may sometimes disappoint expectations. Neither can any diminution be hoped for in the Ordinary Public Works charges, which include the necessarily increasing burdens due to meeting the constantly increasing wants of our administration and demands for works of internal communication and irrigation, any falling off in the efficacy of which would instantly re-act on the public security and prosperity. The transfer of the bulk of this class of objects to provincial management provides the best, indeed the only possible, safeguard against the undue increase of charge on their account, while it gives due protection to the interests they are designed to subserve.

“Turning to the military expenditure, I examined in some detail in my Minute laid before the Council on the 15th March, the accounts of the Army. I showed that it now costs upwards of £17,000,000 a year; that its cost has increased by upwards of £1,000,000 since 1875-76; and that a large share of this increase is in the expenditure recorded in the Home Accounts.

“I need not recapitulate the details thus reviewed, but I will repeat the conclusion which I then stated as follows:—

“ ‘The Government of India must certainly endeavour to find the means of meeting the increased Military charges, some of which are apparently inevitable, by economies in other departments of the Military Service; this endeavour must be largely dependent for success upon the support of Her Majesty’s Government. I do not assert that the whole of the additional expenditure on the Army has not been incurred for excellent objects, or that it could have been avoided, but that the Indian Revenues are liable to have great charges thrown upon them without the Government of India being consulted, and almost without any power of remonstrance, is a fact, the gravity of which can hardly be exaggerated.’

“ We have not neglected this matter during the year; it has been the subject of elaborate enquiry, the results of which have still to be considered. Whether we shall be able to carry out reductions which some high authorities have advocated, depends upon considerations, the effect of which on the ultimate conclusions of the Government I cannot now foresee. Judging from the past, we may esteem ourselves fortunate if further additions to the Home Military charges are not thrown upon us; but what is possible on our part to prevent such a result shall certainly be done. We know that we may rely upon the support of the Secretary of State in securing this object, and we may hope that some reconsideration of the burden thrown upon us on account of this branch of charge may be found possible, which shall lead to an arrangement more consistent with our own views of what is equitable to India. Meanwhile, for its immediate need, the Government of India can plainly not count upon any material saving in our military charges.

“ Present reduction of expenditure thus appearing impracticable, we next examined carefully the prospects of our present sources of Revenue, but found no grounds for reckoning upon any certain material increase in their yield. The Revenue from Customs Duties, both on inland and sea-borne trade, so far from increasing, must rather be expected to diminish. How soon, and to what extent, we shall be able to carry out the important, and in my own opinion most necessary, reform in regard to the Cotton Duties which has now been enjoined upon us by Her Majesty’s Government, supported by a unanimous vote of the House of Commons, and other reforms less disputed and not less urgent, I am now unable to foresee; but at least it is unlikely that the Government of India will be able to increase its Customs Revenues. The imposition of an

Excise Duty on Indian cotton manufactures has not appeared to us to call for serious attention. For though I might recognise the force of arguments in favour of such taxation if the Import duties on foreign cotton goods were to be maintained as a permanent part of our fiscal system, yet in the face of the repeated and plainly expressed views of Her Majesty's Government and Parliament, the matter presents itself in a totally different aspect.

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"The measures which I shall presently propose for the equalisation and better collection of the Salt Tax will, if sanctioned by the Council, doubtless yield us, for the time, an increase of Revenue, but, as I shall explain further on, this increase cannot be looked on as permanent, and I must decline to reckon it among the permanent assets to be set against the liabilities for which we have now to provide. The eventual object of our policy as regards Salt is rather the reduction, than the enhancement, of the duty, and to enable the people to procure a full supply of salt at the cheapest rate consistent with our financial necessities.

"The greater part of the increase which is to be anticipated during the next few years from the normal growth of the Revenues under the Heads of Excise and Stamps, we have discounted in the arrangements for the administration by the Provincial Governments of these branches of the Revenue; and, though some further improvement in the Revenue from Stamps is expected to follow upon the consolidation and revision of the Law now under the consideration of this Council, the amount is uncertain, and not likely to be important.

"The increased Revenues which the Local Governments have undertaken to provide with effect from the beginning of this year amount already to £78,000 a year.

"The recent measures for extending the interests and responsibilities of the Provincial Governments in respect to the financial administration, will doubtless give considerable relief to the Imperial Exchequer. This great reform is not yet complete, and its precise results cannot yet be stated, but it may be expected in all to improve the balance sheet by a sum not far from £400,000, and no portion of this sum is derived from fresh taxation. This is irrespective of the £330,000 which was the first-fruit of Lord Mayo's original measure; and thus we shall have gained, without imposing any fresh burdens on the country, a virtual addition of about three-quarters of a million to our annual resources. Your Lordship and the Council will agree with me in thinking it highly satisfactory that such important financial advantages should have been produced by a policy from which we anticipate a great increase of administrative efficiency.

"Before proceeding further, I wish to refer to suggestions which have been made in England, that, upon occasions of urgent need, assistance should be given to British India from the public resources of the United Kingdom.

"When the humanity of our countrymen at home prompts them to offer charitable assistance to their suffering fellow-subjects here in the time of their distress, we welcome the generous impulse, because such liberality must tend to unite the people of India to those of Great Britain by the bonds of gratitude. It will be interesting to the Council to know that, besides large charities distributed through private channels, the Madras Famine Committee has already received, in this way, no less a sum than £700,000, which is expected ultimately to be increased to nearly £750,000. Of the sum already received, £600,000 came from the United Kingdom, and £80,000 from British Colonies. The Indian subscriptions have amounted to £23,000. As Englishmen, we are proud of such splendid national generosity.

"But for my own part, I am not prepared to say that I should welcome as enthusiastically a grant from the British Exchequer in support of our burdened revenues. I appreciate the kindly spirit which prompted the thought, but shall not be sorry if Her Majesty's Government do not see their way to propose any such assignment.

"I believe that India is well able to bear her own burdens, and we should not be wise so far to sacrifice her financial independence as to accept assistance even from England. National self-reliance is essential for national self-respect, and whatever differences of opinion there may be as to the best way of meeting our difficulties, there will, I am confident, be perfect unanimity that they must be borne by ourselves, and not by our neighbours. I concur, then, with those friends of India who, at home, have deprecated the grant of such assistance; and

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would rather urge that, in dealing with questions which arise when the separate pecuniary interests of the two countries come into apparent conflict, as, for instance, in apportioning the cost of the British Army between England and India, England should be strictly just, may I not even say that she should be generous, to this comparatively poor country. India may claim such generous justice without sacrificing her national self-respect; and I venture to believe that she will not claim it in vain.

"I will not detain the Council by detailing the several methods of taxation which we have considered in our present need only to reject them. We have thought of taxes on tobacco, of succession duties, of taxes on marriage expenses, and of other taxes which I will not now enumerate. Some of these appear to me to be in themselves open to little objection, but none of them would give us the increased revenue which we require, and the Government has felt that a time when we are proposing to place fresh burdens on the people is not opportune for trying new experiments in taxation.

"One tax remains of which I must necessarily speak. I refer to the Income Tax.

"I said last March that when the Income Tax disappeared, I regretted its loss, but that the Government of India had entertained no thought of restoring it. In spite of all the rumours that we have heard, this is still true. I anticipate no great dissatisfaction at the announcement I now make of the decision of the Government, that the re-imposition of the Income Tax shall not now be proposed. It will not be necessary, I think, for me to enter at any length on the grounds for this decision. Although an Income Tax has been advocated in many quarters, the Government has not had any idea of adopting such advice. And for myself I will add, that though I was a supporter of that Tax while it remained in force, and though I am far from saying that circumstances may not hereafter arise which will justify or compel its restoration, yet I have not failed to recognise the fact that at the present time such a course would neither be politic nor just. I think, however, that it should be remembered, that if the measures which I am about to propose to the Council be not approved, an Income Tax is the sole alternative that remains. I at least can see no other. Much more than the sum which we now require has been raised before by an Income Tax, and there can be no question that this could be done again.

"I have already briefly stated to the Council the reasons which have led the Government to the opinion that at the beginning of the present famine we required an improvement of about £2,000,000 a year in our financial position—£1,500,000 on account of famine, and £500,000 as a margin to meet ordinary contingencies. A few more words of explanation may, perhaps, usefully be added.

"The accounts of the actual Revenue and Expenditure of the Empire during the seven years ending with 1875-76 show that, excluding the cost of famine relief, we had just managed to pay our way. These results, having been based on the actual accounts of seven years, are far more valuable than any which we could draw from an examination of the figures for any particular year; but the estimates for the current year, which I laid before the Council last March, illustrate the same fact, that before the commencement of the present famine, our finances might be considered to be nearly in a condition of equilibrium. The estimates showed that, putting aside expenditure on famine, we expected to end the year with a surplus of about £900,000. But of this sum, £520,000 was provided by the measures taken at the beginning of the year for increasing our income, so that if there had been no such measures, there would have been an apparent surplus of only about £400,000. The famine, however, will probably lead to a permanent addition of nearly £400,000 a year to our annual charges on account of interest on debt, so that the apparent surplus of £400,000 vanishes. This result, however, has still to be further modified if we seek to arrive at the balance between the present normal or average annual income and charge from the estimates of this single year. Correcting the figures by making allowances for receipts which do not constitute such normal income and payments not having a character of normal charge, we should arrive at a deficit of about a quarter of a million for the current year, instead of any surplus. These figures, based on the estimates of a single year,



are not worth very much; but I think they serve usefully to illustrate the fact which I desire to make plain to the Council, that, apart from the measures taken in March last, our annual receipts were hardly sufficient to cover our expenditure.

"I will now explain what we have done already towards providing the £1,500,000 for famine, and what we propose to do hereafter.

"The measures of financial decentralisation taken during the present year will, as I have stated to the Council, give, when they are complete, a relief of some £400,000 a year without any addition to the burdens of the people. Thus, out of the £1,500,000, we have already provided £400,000 in the most satisfactory way possible, and we have only to provide the remaining sum of £1,100,000. It being, in our judgment, impossible to obtain any substantial portion of this amount by other means, it had to be raised by fresh taxation. There has, however, already been imposed in the current year, by the measures taken last March, additional taxation to the extent of £300,000 in the Bengal Presidency. This was the only part of India with which we then could deal, because famine was raging in Madras and Bombay. Thus, there now only remains for us to provide on account of famine about £800,000 by new taxation, I will now tell the Council how it is proposed to obtain this money, first speaking of the measures contemplated for the Bengal Presidency.

"When I endeavoured to explain to the Council, nine months ago, the measures taken by the Government at the beginning of the present financial year, I pointed out that the essential principles underlying the whole of the changes of system then made were these: we asserted the necessity of enforcing, so far as this was practicable, the responsibility of every great Province of the Empire for meeting its own local wants; we gave to the Local Governments largely increased powers; we gave them, for the first time, a direct interest in the development of the Revenues, and we gave them, at the same time, strong incentives to economy. And among the responsibilities thus transferred to the Local Governments, we included one, perhaps, the greatest and the most important of all, that of providing the means of protecting the people of their own Provinces against famine, and of meeting, to the full extent of what was possible, the cost of relief when famine actually occurred. To this policy we firmly adhere. It has received the cordial approval of Her Majesty's Government in its main outlines, and through its extension and development it is that we propose to apply the measures we now contemplate.

"The measures and the changes of system which the adoption of such a policy involved were too large and too numerous to be carried out all at once, and with famine over a great portion of Southern and Western India, very much have to be left undone which might otherwise have been undertaken. A great step, however, was made. Irrigation works and railways are the principal material means by which famine can be prevented and relieved. The Government of India declared that each Province must, to the utmost of its power, pay for works of this kind, undertaken for its own protection, and we have made fair progress in the actual enforcement of this rule.

"In Bengal and in the North-Western Provinces, the whole responsibility for the cost incurred in the past and to be incurred in the future, on the construction of canals and railways of provincial utility, was imposed on the Local Governments and accepted by them with thorough and loyal approval. In those Provinces, our measures, so far as they relate to the provision of means for meeting the cost of public works, have been already carried out, and the time is not distant when they will be everywhere in operation.

"To prevent or to mitigate the worst effects of drought and so to remove within certain limits the risk of famine, by the construction of canals and railways, is a comparatively easy task. It is, mainly a question of money. To relieve famines when they have actually come upon us (and in the present condition of India their occurrence from time to time is inevitable) is far more difficult and far more costly. How difficult and costly it is we have unfortunately had of late years ample experience.

"The necessity of localising, so far as may be practicable, the responsibility of the people in every part of India for providing the means of their own support in time of scarcity has, as the Council is aware, been repeatedly urged by the Secretary of State and acknowledged by the Government of India. To use the

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words of a despatch from Lord Salisbury relating to the Bengal famine,—  
'While we fully admit the obligation which rests upon the State of preserving the lives of the people, it cannot be doubted that the primary responsibility for providing for their own support ought to rest upon the people themselves. The duty of the State does not extend further than to see that the needful means are supplied for giving effect to this principle, and for distributing the local burdens arising from its practical application in the manner which shall be most equitable, and least onerous to those who have to bear them.'

"This question of how local resources can best be made to meet local wants in time of famine is obviously one of extreme difficulty. When I made my last Financial Statement, I said that the Government did not pretend to have solved it, and that we had, at best, only taken a step in the right direction by throwing upon each Province the responsibility for meeting the charges necessary for providing the public works required for the protection against famine of its own people. I said that we had thus given practical recognition to the principle on which the Secretary of State had insisted, and had obtained to a certain extent, though far from completely, that safeguard for the Imperial Revenues which is so necessary. The Government has continued to give to this subject its anxious attention. The problem is still far from being fully solved, but I will now explain to the Council the further measures which we propose to take, by which, while re-affirming the principle of local responsibility, we hope, by degrees, to place the country in the best possible position to avert the extreme consequences of aggravated seasons of drought, while we obtain that safeguard for the Imperial Revenues of which I have just been speaking.

"If we were simply to lay down a rule that every Province shall meet, hereafter, from its own separate resources the cost of each particular famine by which it has been attacked, the rule would be one which it would be often impossible to enforce. What is necessary, therefore, is to establish some system of mutual assurance, as I may term it, under which all parts of the country, while primarily responsible for supplying the wants which arise within their own area, will contribute towards the relief of other parts on which famine may actually fall. In this spirit our present proposals are framed. Resources will be created from which the central authority will draw whatever sum is found to be requisite to discharge the obligations arising from what I may term the dead-weight of famine expenditure. We can hardly now anticipate that when this has been done our exigencies will be found to have left much margin; yet, so far as it may be obtained, the Provincial Governments will derive from it increased means for carrying out the new duties thrown upon them, of making financial provision for the works of improvement best suited to ward off the direct effects of scarcity, and dangers of ensuing famine.

"There is certainly no class in the whole community which might not equitably be made to contribute for such a purpose as this, and, if I were now advocating the imposition of a wide-spread Income Tax, from which no sort of property or income should escape, it would not be difficult to find excellent reasons for the proposal. The expediency or in expediency of an Income Tax is, however, a question which, as I have already said, I do not now think it necessary to discuss. It cannot, I think, be denied, even by the warmest supporters of such a tax, that there are, at the present time, special causes which would render its imposition undesirable, and the Government believes that the money which we want may be obtained with less objection in another way.

"When, in March last, the Government proposed to improve our financial position, it showed, by the measures which it introduced and which have since become law, that there were in its opinion two great classes of the community on which the duty of contributing for the prevention of famine more especially fell. The mere fact that the agricultural classes constitute by far the greater portion of the population, and, when famine occurs, form the great majority of those who require relief, is alone sufficient to show that these classes ought to pay their quota of the sum required for their own protection. To say that the people (to quote again the words of the Secretary of State) ought 'themselves to provide for their own support and well-being,' and then to say that the agricultural classes shall be exempted from payment, would be equivalent

to saying that the principle laid down was to remain a dead letter. It would have really no meaning at all.

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"The next very numerous class, although of course a small class compared to that of the agriculturists, is the class of traders and artisans. Although prosperous in ordinary times, this is a class on which, when famine occurs, pressure is the first to fall, and it ought to contribute for its own protection. Not only does it now contribute nothing for this purpose, but it is notorious that, throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a share of the expenses of the State. Nor I think can we avoid the conclusion that there is hardly any part of India which does not in one shape or other, or at some time, either feel directly the pressure of the severe droughts to which the country as a whole is liable, or, by indirectly deriving benefits from the rise of prices consequent on local scarcity, does not render itself justly subject to contributing to the common insurance fund.

"The justice of imposing new burdens on the agricultural classes will possibly be more questioned than that of imposing them on the traders. I do not deny that there may be some parts of India where the land revenue is so high that it would be unwise to make fresh demands upon the land; but I confidently assert that this is not the case in those Provinces with which we are now proposing to deal. There is no greater, though no commoner, mistake than to suppose that, because the land in India yields two-fifths of the entire Revenues of the State, the part of the community that derives its support from agriculture contributes an unfairly large proportion of the public burdens. The ordinary misconceptions on this point arise from forgetfulness of the fact that the greater part of our land revenue is not taxation, but rent paid to the State as proprietor of the land, rent which, in European countries, would be absorbed by landlords with exclusive private rights of property, but which, in India, by immemorial custom, is enjoyed by the State as the sole proprietor, or as a joint proprietor with others. There are great differences of opinion among high economic authorities as to whether this state of things is good or bad; but such differences rather refer to its secondary results than to any question of the ultimate rights of property involved, which, like all other such rights, are essentially based on established custom. In my own belief, however, India is fortunate in deriving so large a portion of her Public Revenues from such a source. It spares her the necessity of heavy taxation, and provided of course that we do not rack-rent the land, and provided that we give to private proprietors and tenants security of tenure and an ample and assured margin of profit, India will, I think, never regret the conditions under which her landed property is held.

"I am sure that there is no one in this Council who doubts the great and increasing prosperity of the agricultural classes in nearly all parts of Northern India, which I may speak of as the Bengal Presidency. I need not speak of the permanently-settled districts of Bengal Proper, where the land revenue is so small that it has often become, I may say, without exaggeration, a hardly appreciable burden. In the temporarily-settled provinces of Upper India the revenue assessments were, even when they were originally made, almost everywhere moderate; and they have been made with an earnest and scrupulous desire to strengthen and preserve the rights of private property, to create a valuable property in the soil where none before existed, and to give to the agricultural classes, generally, security in their tenures and moderation in their rents.

"The demand of the State, which was originally light, has become far lighter since the settlements were made; pressure goes on diminishing as the country increases in prosperity. No class has benefited so immensely as the agricultural class from the great expenditure on the roads, railways, and canals which have brought about a complete revolution in the condition of the country. As the Government of India wrote not long ago, communications of all kinds have been multiplied; markets have been created, enlarged, and rendered permanent; irrigation has ensured the produce and well-being of the people of wide tracts which in old times were periodically desolated by drought; prices at the same time have been continually rising, and, under our permanent or long settlements, the greater portion of the enhanced value of agricultural produce

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accrues to those who have an interest in the soil. There is certainly no reason, in the condition of the agricultural classes, why they should not bear their share of any necessary fresh taxation for the purpose of protecting themselves and the country against famine.

"It is quite certain, I may add—and this is practically one of the most important facts of all—that we could not raise the sum of money required unless we make the agricultural classes contribute. We might of course levy our taxation upon them in a different form. We might, for instance, make a general increase to the salt tax. But this is a measure which I do not propose to discuss, and the Government considers it altogether out of the question. Or we might, as I before said, impose an Income Tax to which agricultural, like all other incomes, would be liable. Anyhow, there can, in my opinion, be no doubt that, in some shape or other, the land ought to pay a portion of the new burdens.

"I am quite aware of the objections which have been, and will no doubt continue to be, urged against the imposition of fresh taxation on the class interested in the land. In respect to the permanently-settled districts of Bengal, as well as to the temporarily-settled districts of Northern India, we have, for many years past, been familiar with the claims which have been made to the effect that the settlement of the land revenue has debarred the State from imposing any additional burdens on the land. It was on this ground that the zamindars of Bengal objected to the application of the Income Tax to their profits; it was on similar grounds that they objected to the local road cess which was imposed a few years ago, and to the new cess which has lately been introduced in furtherance of the policy of localising the responsibility for meeting the cost of works required for the protection of the country against famine.

"There is certainly no question which has been more completely argued out than this, and I am sure that the Council will not wish me to enter again into any long discussion regarding it. These questions have not only been completely and repeatedly settled by the Government of India, but they have been finally closed by the distinct and positive decision of Her Majesty's Government. That decision has been declared to the effect that the State has an undoubted right to impose on persons in possession of incomes derived from land, taxation separate and distinct from the ordinary land revenue, in order to meet the natural growth of the public requirements, local or otherwise. 'The levying of such rates,' the Secretary of State wrote, 'upon the holders of land irrespective of the amount of their land assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures.' I may add that, in the present case, the essential conditions which were laid down by Her Majesty's Government when the Duke of Argyll was Secretary of State, regarding the circumstances in which such rates as these may properly be levied, are completely fulfilled, and it would be difficult to suggest any purpose for which they could be more equitably imposed.

"One of the main conditions laid down by Her Majesty's Government was this, that when rates of this kind are levied at all, they ought, as far as possible, to be levied not only on the agricultural but on other classes also.

"If time allowed I should like to read to the Council some remarks on this subject which were made by my distinguished predecessor, Sir William Muir, when he was Lieutenant-Governor of the North-Western Provinces, in the debate in 1871, when the existing Local Rates Act became law. He was then justifying the imposition of local rates on the proprietors of land in the Benares districts, which are permanently settled, and he showed that this course was just, whether the revenue settlement was permanent or for a term of years, because other property than land was already taxed for similar purposes. He said that there were in the North-Western Provinces municipalities in all the large towns, and that they raised between them an income of some 17 lakhs of rupees a year. These municipalities defray the cost of their police, their roads, their drainage, and their sanitation, and they contribute for education, dispensaries, vaccination, poor-houses, &c. These obligations are precisely similar to those for which, under the existing law, rates are levied on the land, and Sir William Muir justly maintained that the condition laid down by the Secretary of State was thus substantially fulfilled, that such taxation as

this, when levied at all, should be imposed 'upon all holders of property equally, without distinction and without exemption;' and 'for the future,' Sir William Muir said, 'no further taxation on the land would be justified unless some corresponding additional burden were placed on other property likewise.'

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"While Sir William Muir urged very strongly and wisely the necessity of maintaining the inviolability of our Revenue settlements, and declared that it would be a breach of the engagements of the State to step in and say to the landholders, 'Because,' to use his words, 'your profits are greater than they need be, you shall pay an extra cess,' he no less distinctly affirmed the liability of the land to future additional taxation, provided that such taxation were imposed in just proportion to additional burdens upon other property.

"This is the principle we are now affirming by the Bills which I shall lay before the Council. We hold with Sir William Muir (and exactly the same may be said in regard to the other provinces of Northern India) that the previously existing rates on the land in the North-Western Provinces are compensated and made equitable by a corresponding rate levied upon other classes of property. And when, therefore, we now impose additional taxation upon the country, acting on this just principle, we propose to place upon the land an obligation equivalent, so far as may be, to that which other kinds of property will have to bear. The same rule will be applied to Bengal by the measures which my honourable friend the Lieutenant-Governor proposes to take. They will impose upon the non-agricultural classes, so far as this is practicable, rates which will correspond with the rates already levied from the land.

"The form of our proposed new taxation on the land in Northern India will be similar in principle to that lately adopted in Bengal. We shall simply make an addition to the local rates already levied.

"In the case of the taxation which we propose to levy on the commercial and industrial classes, the assumption, as I shall presently explain, is that, under no circumstances, can the burden imposed fall at a heavier rate than 2 per cent. on a man's profits. In the Bills which I am about to lay before the Council, we apply a corresponding rate to the agricultural classes; but following the precedent of the old Income Tax, we do this in a manner which will really be, as a general rule, favourable to them. The settlements of the land revenue throughout Northern India are based on the assumption that the State is entitled to one-half of the rental of the land; but the proportion which the Government actually takes has notoriously, in the majority of cases, become smaller than this. The existing local rates in Northern India do not vary very greatly in the different Provinces. In the North-Western Provinces, which may be taken as representing the general case, the total amount of the rates levied for local purposes was 5 per cent. on the gross annual rental of the land, and to this amount we now propose to make an addition of 1 per cent. Thus, under the assumption which I have just stated, that one-half of the rental goes to the State, the maximum rate at which the new tax will fall upon net annual profits will be 2 per cent. The burden on the two great sections of the community will then be approximately equalized, and we shall maintain the principle on which so much stress has justly been laid by the Secretary of State.

"In considering the equity of levying fresh taxation from the agricultural and commercial classes for the special purpose of meeting expenditure on account of famine, there are other points which ought not to be left out of sight. The late famine in Madras and Bombay has given us an admirable illustration of the fact that, with our present excellent system of communications, which goes on improving almost from day to day, serious and widespread famine in one portion of the Empire brings wealth and prosperity to a very large section of the agricultural and commercial communities in other Provinces.

"India is so vast, and the physical characteristics of its Provinces are so diverse, that famine has never visited, and, we may reasonably hope, never will visit, the whole country at once. If famine prevails in Bengal and Behar, there are bountiful harvests in Burma, Madras, and the Punjab. If crops fail in Madras and the Dekkhan, the surplus food of Bengal and Central India, and the North-West is at once poured into the afflicted country. Even in a famine-stricken Province the irrigated lands furnish surplus food which the owners sell at a great profit.

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"It has, I trust, now been accepted as one of the most certain and fundamental maxims of our policy in dealing with famine, that, except under circumstances the occurrence of which on a large scale is to the last degree improbable, the Government must abstain absolutely from all interference with trade, and that this is the only way in which we can feel confident that everything which it is possible to do to bring food to the starving population will be done. The Government of India has acted consistently upon this principle throughout the late famine. The result has been that, as the demand arose for an additional supply of food from without, the agriculturists and the traders of the most distant parts of the Empire, prompted by the hope of gain, hastened to pour their surplus stocks into the distressed Provinces of the south. Never in the history of India has such a spectacle been presented as that which we have seen during the last few months; railway stations in districts 2,000 miles away encumbered with grain awaiting the means of transport, and our ports filled with ships destined to bear to the starving millions the plenty of happier regions. My friend the Lieutenant-Governor will, I think, bear me out when I say that never has the Ganges or the port of Calcutta been the scene of such an active trade as it was during August and September last, when the grain traffic to Madras was at its height.

"There could hardly be a better illustration of the immense activity in the trade in grain during the late famine than that which is afforded by a comparison of the receipts on our Indian Railways during what I may call the famine year and the year which preceded it.

"The receipts on the whole of our Guaranteed and State Railways from 1st October 1875 to 30th September 1876 amounted to £8,700,000. In the corresponding period for 1876-77, they amounted to £12,000,000 and the increase has been spread over every one of the Lines without exception. I do not propose to dilate on the immense advantages which these Railways have conferred upon India during the late great calamity. This would be foreign to my present purpose. But having mentioned these Railways, I will ask you not to forget that at least four-fifths of the food imported into the famine country travelled over them, and I believe that the average journey made by each bag of grain was hardly less than 500 miles. When it is remembered that barely one quarter of this food could have reached the Famine Districts at all without the Railways, some idea may be formed of the millions of lives they have saved, and of the priceless boon they have conferred upon the country. A great Engineer, for whose services to India no one can have a higher esteem than I have, asserted, a short time ago, that the Railways were causing to India a loss of 3 millions a year. The facts that I have just given are a sufficient comment on such a statement, but it leads me to repeat, what I before mentioned, that we now have good grounds for hoping that the nett earnings of our Railways during the year 1877 (including the receipts from the famine traffic) will suffice to pay the whole of the interest on the capital which has been expended on all the Guaranteed Railways, and that no burden on their account will be imposed on our Treasury.

"During the past year, more than a million-and-a-half tons of food have been carried into the famine districts from other parts of India. The profits on this great trade, after paying all expenses of carriage, have been estimated on what appear to be fair grounds at not less than 40 rupees a ton, and I believe that I am understating the fact if I estimate that the producing and trading classes have made a clear profit of 6 millions sterling on this business of supplying grain to the famine districts.

"Before leaving this part of my subject, I must add that, when the dark shadow of famine hung over the North-Western Provinces and the Punjab in September last—a shadow which has been happily dispelled—there were many signs that all classes had learnt an important lesson from the history of 1877, and that they trusted the Government to act up to its avowed principles and leave the trade in grain unfettered. Not only traders, but people of all classes, rushed into the grain market and bought up food for future need or for future sale. In this way prices went up very suddenly, it is true; but high prices are, at such times, the salvation of a country. Consumption not essential is sternly checked, and the reduction of stocks is lessened, until the rise of prices, with the accompanying prospect of profits to producers and traders

leads to importations from without. Such were the effects at the time to which I refer, and they supplied by a perfectly natural process the first precautions which were called for. I know how difficult and tedious a work it is to eradicate from the minds of men and of Governments, which, after all, consist of men, false economical beliefs, and I will venture on no prophecies in regard to the future. But I can, for my part, conceive no stronger evidence than that which the late famine has given us of the ruinous impolicy, at such times, of interference by Government with the operations of private trade. Happily for India, all proposals to depart from this principle were rejected, and the event has shown that the supply of food has never failed.

"It is true that, in one instance, the Government somewhat departed from its resolution to leave trade absolutely free. It gave the traffic in grain consigned to the famine districts preference over all other traffic on the Railways, and complaint has been made that injury was thus caused to the export trade of the port of Bombay. I do not think it necessary to defend this decision, and I think that all disinterested persons will say that, so long as there appeared imminent risk of multitudes of people starving if food were not sent to them, the Government was right in saying that consignments of grain should take precedence of consignments of other commodities. But I cannot doubt that the temporary falling off during the late famine in the export trade of Bombay was mainly, if not entirely, due to general, rather than to any special causes. It was inevitable that an almost complete failure of crops throughout a great portion of the Dekkhan and Mahratha country which usually sends its surplus produce to Bombay should have its effect in reducing the exports from that port. The trade reports received from Bombay entirely corroborate this view, and indicate that the same causes had a very general operation; so that, speaking for myself, on the information at my command, which is possibly imperfect, I am forced to the conclusion that if the Government had not interfered at all, the ultimate results would not have been materially different from those that actually happened. And I see in this a complete confirmation of the wisdom of the principle of non-interference we have adopted, and an encouragement for the future to leave it on all similar occasions to its fullest operation.

"Let me add that the export of wheat from India to Europe was, during the famine year, larger than ever. During the year ending 30th September 1876, 198,000 tons of wheat were exported, while, in the year ending 30th September 1877, the quantity amounted to 394,000 tons. In Southern India the great mass of the people never eat wheat at all. This explains why, notwithstanding the demand for food in the famine country, the export of wheat from India to Europe could, during the year just passed, become, without difficulty, twice as large as it ever was before. The export of rice to Europe, on the other hand, has decreased, for rice is one of the staple foods of the population of Southern India.

"I will not apologise for this long digression. I have thought it necessary to refer prominently to the question of non-interference with private trade in time of famine, because it has an intimate connection with my argument in favour of throwing upon the agricultural and commercial classes the chief responsibility for meeting the charges required for the protection of the country against famine, and because the wisdom of the policy of non-interference has, during the past year, been proved by facts which are absolutely irrefutable.

"I am told, on the highest authority, that never perhaps within the memory of man has there been seen in Bengal anything like the general prosperity which now prevails among almost all classes; and this prosperity has been immensely stimulated by the influx of money, and the great demands on the produce and industry of the Province which have arisen from the famine in Madras. Agriculture, trade, and the industrial arts have alike benefited. But it is not to be overlooked that there is one class which does not share in this general prosperity, or which shares very little in it, the class which depends on fixed incomes for its support, or whose incomes are little affected by competition. The small officials and others subsisting on wages, the amount of which they are powerless to regulate, suffer in particular from the high prices which prevail, and which serve to enrich the producing and trading classes. There are, I think, other reasons which make it equitable that the obligation of providing for the relief of famine should fall as lightly as possible on the class

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of which I have just been speaking, and indeed on the professional classes generally. In times of serious famine no large proportion of these come upon the relief which the Government has to administer. The poorer field labourers in the villages, and the poorer members of the trading and industrial classes in the towns, are the first section of the population which suffers, and, even when famine is at its height, the mass of the people receiving relief are field labourers, petty ryots, and artisans. Very few priests and lawyers, and schoolmasters, and people with fixed incomes actually demand Government relief, although they may feel sorely the pressure of famine prices. This class with more or less fixed incomes, then, although we cannot relieve it, will have no fresh burdens imposed upon it by the measures which we now desire to take.

"The principle that it was on the agricultural and commercial and industrial classes that the main burden of providing for their own protection against famine must fall, was recognised and partially enforced by the legislative measures adopted at the beginning of the present financial year. So far as the agricultural classes are concerned, it was carried into effect in Bengal by the imposition of a cess upon land in order to enable the Government to meet the charges incurred on account of the Canals and Railways required for the protection of the Province against famine, and by making the demand in addition to the local rates it was shown clearly that the Government desired to enforce, and to bring home to the minds of the people, the special objects with which the new demand was made. The agricultural classes of Bengal are now paying about £280,000 a year for their protection against famine. The same principle was affirmed, although I can hardly say that practical effect has been given to it, in the North-Western Provinces, by the Act which was passed in March last (No. 7 of 1877) for enabling the Local Government to appropriate, on account of provincial Railways and Canals, a portion of the existing local rates upon land. That Act recognised the principle that the land throughout the whole Province ought to be made to contribute towards the prevention of famine. The liability of the commercial classes to contribute for this purpose was, at the same time, declared in the North-Western Provinces by the License Tax upon trades which was imposed by Act 8 of 1877. In Bengal no similar law was enacted; but my Honourable friend the Lieutenant-Governor, when the land cess was under discussion in the Bengal Legislative Council, stated very plainly the probability that this measure would soon be followed up by a tax on the trading classes.

"We now propose to supplement the measures of March last. In Bengal we have got already our tax upon the land; we now desire to impose a corresponding tax on the commercial classes. In the North-Western Provinces we have got already a tax on the commercial classes; we propose to develop it and supplement it by a tax on the land. In the Punjab, in Oudh, and in the other parts of India mentioned in the Bill which I am asking leave to introduce, there has been no fresh taxation; we now wish to impose similar new taxes in those Provinces, both on the commercial classes and on the land. The amount and incidence of these taxes must more or less vary according to the circumstances of different Provinces, but, if our measures receive the approval of the Council, the same principle will have been carried out in all parts of the Bengal Presidency.

"I shall not have to occupy much time in describing the details of the measures which we propose, for they are extremely simple. The License Tax introduced into the North-Western Provinces by Act 8 of 1877 has, so far as our short experience enables us to judge, worked very satisfactorily. It has given rise to no complaints of any importance, and, under the excellent administration of the Government of the North-Western Provinces and its officers, it promises, without the least pressure or harshness, to yield a good deal more revenue than was anticipated. We think, however, that the tax may be made more equitable, and at the same time more profitable, by a few changes, and those changes are moreover necessary to make the tax in the North-Western Provinces harmonise with the measures which we shall have to take elsewhere. Under the existing Act, a simple rate of license fee is fixed for each trade without any reference to the extent of the transactions which may be carried on. Thus every one called a Banker pays Rs. 16 a year, whether he deals with millions or carries on the business of a petty money-lender. We now propose



to revert to the form of the Licensing Bill originally introduced for the North-Western Provinces, and to adopt a graduated scale of assessment. Thus, for instance, traders in the first class of the schedule will, as the Council will see, be divided into grades, the highest grade paying Rs 200 a year, and the lowest grade one rupee. The sums levied will, in all cases, be so moderate that, even when mistakes are made in the assessment, no great hardship can occur. The Collector will usually have little difficulty, in practice, in making a classification of the traders in each class. There must of course be a good deal of inequality in all taxes of this kind, and they are always open to the objection that they press relatively less heavily on the richer than on the poorer classes. This is one of the penalties to which we have to submit as the price of our desire to avoid all inquisitorial proceedings, and of the determination to have no Income Tax. I need not describe the details of the fees proposed for each class. The Council will find them in the Schedule of the Bill. The highest amount which under any circumstances any individual or company can ever be called upon to pay annually will be Rs 200. The lowest fee of all is one rupee. These will be the maximum and minimum rates in every Province; but the details of classification will necessarily vary. The Schedule of the Bill has been prepared in communication with the Local Governments, but it is possible that alterations may be suggested before the Council is asked to pass the Bill into law.

“There is a provision in the Bill similar to that contained in the existing Licensing Act, to the effect that any person dissatisfied with the amount of the fee charged against him may claim to be placed in a lower grade, or be exempted from payment altogether, if he is able to produce evidence to satisfy the Collector that the amount demanded will fall at a rate exceeding 2 per cent. on his annual profits. This provision is a useful safeguard, although I do not suppose that it will be very often applied. Notwithstanding our determination to have no enquiries which would make the tax resemble an Income Tax, it is obviously necessary to have some test to which an appeal can be made if a dispute arises regarding the grade in which a man ought to be included. This test, however we may disguise the fact, must depend, in the last resort, on the amount of his estimated profits, and provided that we confine the application of the test to those cases only in which a person considering himself aggrieved chooses to demand its application, and we leave to him the choice of the evidence by which his claim is to be supported, we reduce to a minimum the difficulties which we cannot avoid altogether. It will be the duty of the Local Governments, subject to the approval of the Government of India, to lay down rules for the guidance of the Collectors in regard to this matter. Subject to the same approval, it is proposed that the Local Governments shall define, according to the circumstances of each Province, the conditions under which persons shall be exempted altogether from the tax, on account of their poverty and presumed inability to pay, without hardship, even the lower rate of license.

“The Bills which I am about to ask leave to introduce are designed to carry out the plans which I have described, throughout the North-Western Provinces, Oudh, the Punjab, and the Central Provinces. For the Central Provinces, however, legislation is only necessary in regard to the land. The new burden to be imposed on the commercial classes can be levied under the existing law by an addition which the Executive Government is empowered to make to the Pandhari Tax. This being an impost which has existed from time immemorial, it will be much better to make a moderate addition to it, and not introduce similar taxation in another form unfamiliar to the people. There are some other parts of India, and especially British Burma, in regard to which I cannot now make any announcement, because we have not been able to consult the local authorities as fully as we desire.

“In regard to the measures proposed for introducing the License Tax into Bengal, I will not speak in any detail, because those measures will be carried out by the Local Government. The Government of India has been in communication with the Lieutenant-Governor; and the two Governments are in complete accord. As, however, the public in this great Province will naturally be anxious to know something more on the subject, I will, with Your Excellency's permission, ask His Honour to give to the Council a sketch of the plans

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which it is his intention to propose. I will only say, myself, that the measures taken in Bengal will be the same in principle as those described in the Bills for Northern India which I am now asking leave to introduce, and the maximum and minimum fees will also be the same.

"Thus far I have spoken only of the Provinces of the Bengal Presidency. Passing now to Madras and Bombay, I have to remark that it appears to the Government that, so far as the commercial classes are concerned, there are no reasons for applying to them a different rule to that which will be applied to the rest of India. We propose, therefore, that a License Tax, similar in principle and in amount to that which I have described, shall also be levied in those Presidencies. I am not now able to say anything of the details of the plans to be adopted, because our communications with the Local Governments on the subject are incomplete. It will probably be the wish of those Governments that the necessary measures should be taken by the Local Legislatures, and not by this Council.

"We do not, however, propose to levy in Madras and Bombay any new direct taxation on the agricultural community, similar to that which has been proposed, and to a great extent already carried out, in the Bengal Presidency. I will state to the Council the reasons for this determination.

"But before I do this, it will be convenient if I indicate the financial results of the measures which I have been explaining. I am not able at the present time to give an estimate which would show in detail, with any accuracy, the amount which our new taxes will yield. I have, however, endeavoured, by a careful examination of all accessible facts, and especially of the statistics of the old License, and Certificate, and Income Taxes imposed at various times, to form as correct a judgment on this point as possible. My conclusion is that the new taxes may be expected to yield for the whole of India something short of £800,000 a year.

"I have already shown to the Council that at the beginning of the present year new taxes to the amount of about £325,000 were imposed. Thus the total addition made to our Revenue by new taxation since the commencement of the year will be about £1,100,000.

"I have also shown that the new arrangements under which the responsibilities of the Local Governments have been extended will give, without imposing any new burdens on the country, financial relief to the extent of nearly £400,000 a year. We shall thus provide the whole sum of £1,500,000 by which our position has to be improved, to enable us to make due provision for the prevention and relief of famine.

"After, however, all this has been done, there will not remain that margin of income over expenditure which, as I reminded the Council, is necessary to enable us to meet those contingencies which cannot be foreseen, but which are certain to occur. Independently of famine charges on the one hand, and of the improvement in our Revenue lately made, or now proposed, on the other hand, my conclusion was that our income, at the time which I have taken as our starting point, could not be regarded as supplying any surplus, and that there was reason to think that the balance was rather in the other direction. I said, following the views expressed by the Secretary of State, that the very smallest sum which we ought to provide in our estimates on this account as a surplus was £500,000 a year. We have still, therefore, at least this sum to make good. I will now explain the manner in which we think that this should be done, and in so doing I shall complete what has to be said regarding Madras and Bombay.

"When I made my Financial Statement, I spoke at some length on the urgent necessity for carrying into effect, with the least possible delay, a great measure of fiscal and administrative reform; perhaps the greatest reform of the kind that remains to be accomplished in India. I mean the equalisation of the Salt Duties, and the abolition of the Inland Customs line, and with it of the transit duties on Sugar, the produce of our own territories. I will not dilate on these barbarous imposts. '*Non ragionam di lor, ma guarda e passa.*' In order to bring under taxation the salt imported from Rajputana into Northern India, and to shut out salt taxed at a lower rate, this vast system of Inland Customs Lines 'stretches its length, accursed of gods and men,' some two thousand miles across the whole breadth of India. Committing, as I

afterwards found, an unconscious plagiarism from Mr. Grant Duff, I described to the Council this huge barrier, which would reach from London to Constantinople, as comparable to nothing that can be named in the world except the great wall of China; a great impenetrable hedge of thorny trees, and evil plants, and stone walls, and ditches through which no man or beast can pass without being stopped and searched. Eight thousand men guard this unspeakable barrier. I have poured forth in times past such constant indignation against this abominable system that it is difficult for me to find new terms of opprobrium. I now see, I think, the time at hand when we shall strive to banish from our recollection this anachronism and disgrace to British rule, and, if I may come back to my poet, say of all these things '*Fama de loro il mondo esseron lassa.*'

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"To get rid of these Inland Customs Lines, two things are necessary. We have to enter into arrangements with the Native States of Rajputana, which will enable us to levy our duties at the places of production, and we have to remove the great inequalities in the rates at which salt is taxed in different parts of India. Our negotiations with the Native States of Rajputana are not completed, but they are in active progress, and there is no doubt that they will, before long, be brought to a satisfactory conclusion. There will then remain the equalisation of the duties, which now vary from 1 rupee 13 annas a maund (82lbs.) in Madras and Bombay, to 3 rupees a maund in Northern India, and 3 rupees 4 annas a maund in Bengal. As I stated to the Council in March, the Government of India has, for many years past never lost sight of this question, and important and effectual measures were adopted by Lord Mayo and by Lord Northbrook towards the removal of the great evils which I have been describing. But for the steps which they took, the completion of our task would not now have been brought so nearly within our reach.

"Although the necessity for equalising the Salt duties has so long been recognised by the Government of India and by Her Majesty's Government, action has been till now in great degree prevented by the anxious desire that the object in view should be at least partially effected by a reduction of the Salt duties in the Bengal Presidency, and not only by an increase of those in Madras and Bombay. The state of our Finances has never in the past, permitted, still less does it now permit, the sacrifice of Revenue which a simple measure of reduction would have involved. I said in March last that if it had been possible we should have been glad to see the rates of duties on this side of India reduced immediately to those in force in Madras and Bombay, but that I feared it would be found financially impossible to bring about the equalisation in this manner, and that we must in the first instance, and at least temporarily, increase the lower duties without reducing the higher to the full extent ultimately desired. Unfortunately, our financial difficulties continue, and although I still look forward hopefully to the time when we shall be able to relieve the people of the Bengal Presidency from the high Salt Duties which they have now to pay, it is clear that under present circumstances we can do this only to a limited extent. The object at which we aim is, as I have said before, to give to the people throughout India the means of obtaining, with the least possible inconvenience and at the cheapest rate consistent with financial necessities, a supply of salt, a quantity of which shall be limited only by the capacity of the people for consumption.

"It is calculated that a general rate of about two rupees eight annas a maund throughout the whole of India would be necessary to produce an amount equal to the Salt Revenue which we now obtain, and whatever may be our anticipations for the future, we cannot now propose any measures which would reduce the total amount which the Salt Duties yield. For the present, therefore, what we aim at is such a general rate of two rupees eight annas a maund, or one anna a seer. This is something less than three farthings a pound, and it is not more than one-half of the duty levied on salt in France in 1876. The prospect of arriving at a lower rate than this is now too remote to be taken into practical consideration. The step we now propose, then, is an increase of the Salt Duties in Madras and Bombay to the extent I have named.

"A year ago the Government hoped to have soon carried out these measures for abolishing the Inland Customs line and equalising the Salt Duties; but the Famine made this impossible.

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"It is true that the increase of annual taxation involved by raising the Salt Duty in Southern India to two rupees eight annas a maund would only be about two pence a head, and for the poorer classes the annual additional charge would be even less. It is true, also, that payment of the tax is distributed over the year by almost daily instalments, each of them infinitesimally small. It is also true that in the years 1859, 1860, and 1861, the Salt Duty was raised in Bengal by twelve annas a maund, and in the Upper Provinces by one rupee a maund, not only without occasioning discontent or reducing consumption, but that these measures hardly even attracted attention. The Government felt, however, that the objections to increasing the price of salt at a time of serious famine were insuperable.

"We were therefore then obliged to postpone this great reform. But the question has now been again forced on the consideration of the Government, by the necessity of providing means for meeting the great expenditure incurred in the past, and to be incurred in the future, for the prevention and relief of famine. The Presidencies of Madras and Bombay must of course bear their share of the common burden. There are no reasons of principle why taxes similar to those which we are proposing to levy in the Bengal Presidency should not also be imposed in Madras and Bombay; and, if we were now to levy those taxes, both on the commercial and on the agricultural classes, in those Presidencies, and, having done this, we were to equalise the Salt duties, it could hardly be said that we were doing anything unjust. It might be urged that there is no reason why the people of Southern and Western India, who in ordinary times are at least as prosperous as those of Bengal, should pay a lower duty on their salt, and it might be said that the existing inequality is aggravated by the fact that owing to the greater proximity of its sources of supply, salt in Madras and Bombay would, if the duty were everywhere the same, be, as a rule, considerably cheaper than in Bengal. We might be told that the necessity of increasing the Salt Duties in Madras and Bombay had been admitted and virtually resolved upon by the Government of India and by Her Majesty's Government long before any of these Famine questions arose, and that we ought not now to take into consideration the equalization of these duties in determining what amount of new taxes Madras and Bombay ought to pay on account of famine expenditure. The Government of India has decided otherwise. While it admits the necessity of making the burden of taxation as equal as possible in the different Provinces of the Empire, it does not think that it would now be right to impose fresh direct taxation on the agricultural classes in Madras and Bombay, and then make an increased demand upon them for the purpose of equalizing the Salt Duties throughout India. It is on these classes that an increase in the tax on salt will mainly fall, and, considering that these also are the classes which have had to bear the severest pressure of famine, the Government does not think that it would be expedient to levy upon them, at any rate at the present time, additional taxes similar to those which we are proposing to levy in the Bengal Presidency. Nor can we neglect the consideration of the fact that, in some parts of the Bombay Presidency, the land revenue is already so high that it would be a measure of very doubtful expediency to impose new direct taxation affecting the classes interested in the land. The Government has therefore decided that the increase of Revenue which it will derive from raising the Salt Duties in Madras and Bombay shall be held to obviate the necessity of imposing new direct taxation on the land.

"We had feared that, while raising the Salt Duties in those Presidencies to two rupees eight annas per maund, and foregoing the fresh taxation which will be imposed in the Bengal Presidency, the state of our finances would not permit of any reduction being made in the Salt Duties of Bengal and Upper India. We find that we cannot safely estimate for a greater sum than £500,000 from the enhancement in Madras and Bombay. We are, however, most anxious to give an earnest of the sincerity of our determination to carry out the great policy which the Government of India and Her Majesty's Government have affirmed. That policy, as I have already said, aims at giving to the people throughout India an unlimited supply of salt at the cheapest possible cost. We desire to show that our main object in increasing the Madras and Bombay Salt tax is not the immediate profit to be derived from the measure. We have

therefore determined to devote £200,000 out of the £500,000 to the reduction of the Salt Duties in Bengal and the Upper Provinces. We propose to reduce the Bengal rate by two annas, and that of the Upper Provinces by four annas a maund, and thus, while enhancing the cost of salt to some 47 millions of our subjects, to do something towards cheapening it to some 130 millions.

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“With the small difference of four annas per maund duty in Bombay and the Central Provinces, we are enabled, without risk, to abolish the mileage rates now levied in all salt imported by the Great Indian Peninsula Railway to the Central Provinces and Berar. These mileage duties, while necessitating the entertainment of customs establishments on the Railway to supervise the weighing and loading of every pound of salt put into the wagons, have the economic fault of enhancing the duties on the salt in direct proportion, to the distance they are carried from the place of production, so that where salt is naturally dearest, it has to pay the highest duty. The effect of the abolition of this duty must be to stimulate the salt trade from Bombay by removing all restrictions and interference from it, while a sensible relief will be given to those of our subjects to whom salt is now dearer than anywhere in India.

“Notwithstanding its anxious desire to carry into effect this great measure of reform with the least possible delay, the Government of India felt that it still remained a serious question whether it was right, at the present time, when the distress which has fallen upon the people of Southern and Western India has hardly passed away, to adopt a measure which would increase, even in the smallest degree, the price of one of the first necessities of life.

“We felt that we exposed ourselves to the risk of misconception and misrepresentation; and that although it was true that the additional burden thrown on the peasant of Madras could not exceed more than a few pence a year for himself and his family, it would be thought that the time was not opportune for making any increase at all to the price of salt. The Government, however, considered that it would not be satisfactory, if it were compelled to confine the announcement of the measures which it proposed to take, to those only which were to be applied in the Bengal Presidency. It was obviously impossible to give any public notice beforehand of the intention of the Government to alter the rates of the duty upon Salt. Serious loss of Revenue and serious disturbance of trade would have been the inevitable result. When we alter duties like these it is essential that the necessary measures should be passed through the Council at a single sitting. We might of course have postponed giving any information regarding the new taxation in Madras and Bombay, but my Statement would then have been incomplete, and doubt and excitement would have continued to exist regarding the measures to be taken in those Presidencies. We thought it right to leave to the decision of the Government of Madras the question whether the necessary steps should be taken contemporaneously with those in other Provinces; and whether, the eventual increase of the Salt Duties in that Presidency being inevitable, it could give its approval and support to their immediate adoption, or whether that Government saw valid reasons for delaying action for a few months. The decision of the Government of Madras was communicated to the Government of India in these terms, that the eventual increase being decided on, they were of opinion that the change should be simultaneous, universal, and prompt, and that there was no sufficient reason for, nor any benefit from, a few months' delay. The Government of Bombay has given its cordial approval of the measures which the Government of India has proposed to apply to that Presidency, and has concurred in the opinion that the increase in the Salt Duties should take place at once. The Government of India feels no doubt that the Local Governments are right; and, fortified by the decided opinions which they have expressed, it has resolved to ask the Council to pass at once into law the Bill for increasing the Salt Duties in Madras and Bombay which the Honourable Mr. Hope is about on my behalf to ask leave to introduce.

“The objections felt to dealing with these duties at the beginning of the financial year would no doubt have been almost entirely sentimental, though they would not on that account have been less real or serious; and this is a truth of which we now have direct evidence of fact, in an ascertained large increase of consumption, both in Madras and Bombay, during the past eight months of very exceptional difficulty through which the population has had to

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pass. In no equal period of any previous year has the consumption of salt been so large in those Presidencies.

"In regard to the reduction of the duties proposed in the Bengal Presidency, the Government possesses, under the existing law, full power to do, by executive order, all that is required. If, therefore, the Council should approve the measures suggested for Madras and Bombay, no further legislative action will be necessary.

"From these explanations it will be seen that a sum of £300,000 will be provided from the increased Salt Duties, in aid of the addition to the Revenue I had shown to be still requisite to make it up to the amount that should furnish the surplus of £500,000 deemed necessary.

"But it will at the same time be perceived that, as the avowed policy of the Government is to equalize the Salt Duties by the reduction of these duties in the Bengal Presidency, this last named addition of £300,000 will not constitute a permanent item of Revenue. On the contrary, it is our intention, as soon as the improved position of the country will admit, to carry out the long deferred equalization of these duties, which will involve the sacrifice of the temporary increase of income which our present needs will not permit us to forego.

"It might thus appear that there still remains an uncovered deficiency for which no permanent provision has been made. The Council, however, will bear in mind that it has been established, I think beyond reasonable doubt, not only to my own satisfaction, but also to that of my predecessors in office, that we may rely on a steady increase to the general Revenues; and we have felt that it would not be right, when proposing fresh taxation, to neglect this aspect of the case. We have consequently determined to accept this normal growth of our income as a sufficient security for making good the £200,000 which would still be required to complete the desired surplus of £500,000, and as affording a probable means of accomplishing the complete equalization of the Salt duties, and other desirable fiscal reforms, at no distant future. We are strengthened in this hope by the circumstance that our estimates of the produce of our new taxes have been prudently framed; but after all we have only estimates on which to work, and we must not disguise the fact that should our anticipations of our position at the end of the present financial year be disappointed, we may again have to come to the Council to ask for further aid in completing the task we have in hand, a task than which no weightier one ever rested on the Government of India.

"I have now, my Lord, finished my special task, and I will add only a few words of a more general character. The objects of the Government, it will have been gathered, are twofold, first, to obtain that addition to the public income which experience shows to be required to meet the charges that arise, directly or indirectly, in a series of years, by reason of scarcity and famine; and second, to secure a proper margin of ordinary surplus to meet those unforeseen irregularities in the Revenue and Expenditure, which necessarily lead to differences between the estimates of the year and the actual accounts.

"As to the first of these objects, I desire to say that the recognition by the Government of this new obligation, implies no suggestion of diminished public wealth or a decaying revenue. Rather, the very contrary is true, and it is the stronger perception of the generally advancing condition of the community, and of its requirements and capacities, that has induced this movement. It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might of course happen which would render it impracticable even for us, who have designed these measures, to maintain our present resolutions.

"So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against Famine alone. In saying thus I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security.

Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

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"The second of our objects, the maintenance of a substantial surplus, not liable to be found imaginary when our year's transactions are completed, we regard as the means for securing that continued amelioration of our fiscal and administrative systems, without which no true progress or real economy is possible.

"I will only further detain the Council to say that, if one fact has been more certainly established by experience than another, it is this, that, in carrying out really effectual and satisfactory measures of relief in time of famine, sound principles and good administration are far more important and far more efficient agents than the lavish expenditure of money. It would be easy to show that, during the late famine, the districts in which we find false principles, bad supervision leading to every sort of dishonesty and speculation, and reckless waste of the public funds, are the very places where the extremity of suffering has been reached and lamentable loss of life has occurred. On the other hand, in districts where the failure of the crops was quite as complete, and the difficulty of saving the people from starvation was as great, it has been shown that sound principles and good administration can make wise economy compatible with the most efficient system of relief. It is a truth which cannot be too distinctly recognized by the Government and by the Public, that it is not only by the expenditure of money, or by merely material means by railways, roads, and works of irrigation, that we can protect the people against famine; but that much progress in their social condition and increase of wealth, as well as improvements in the every-day administration of the country, are also conditions which must be fulfilled before complete and permanent protection against famine can be obtained. To fulfil these conditions a thoroughly sound financial position is an essential preliminary, and it is this that we seek to establish."

His Honour THE LIEUTENANT-GOVERNOR said:—"My Lord,—I have been invited by my honourable friend Sir John Strachey, to explain the measures which it is proposed to adopt in Bengal with a view of carrying out the policy of the Government of India which he has just declared, and I will endeavour to do so as briefly as the circumstances will permit.

Hon A Eden.

"I think it must have been generally anticipated, even before my friend made his able and comprehensive exposition of the present financial position of Government, that it was quite impossible that the administration of the country could be carried on without some increase of taxation.

"If only the country could be secured for a few years from famine, war, or other calamity, the finances of India would evidently be in a most flourishing condition. But such extraordinary calls as have been made upon it in the last few years to meet the expenditure of recurring famines, have plunged the country into difficulties from which it can only be relieved by such measures as shall provide a very considerable increase of revenue to the Imperial Government.

"I may, I think, say for the people of Bengal, that they have for some time past been prepared for a demand to bear, in common with the other provinces of the Empire, their share of the cost of meeting these extraordinary charges; and I feel that they will cheerfully accept the requisition which I shall be compelled to make upon them. I am sure that the action of the Government of India, in determining to save the lives of the people at any cost which it is possible for the country to bear, has the entire concurrence of the people of Bengal. In the early stages of the famine at Madras, many influential and leading men of the country expressed a wish that everything which could be done with this object should be done, and that the cost should be subsequently raised from them by taxation fairly distributed.

"I have under these circumstances felt no hesitation in expressing my readiness to accept the burden which it is proposed to throw on Bengal as its contribution towards the expenses of famine-relief, and I feel that I shall have

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the support of the Local Council and the public in the measures which I shall be compelled to lay before that Council in a few days to meet the call which has been made upon me.

"I should not, however, be dealing frankly with Your Lordship if I did not say that the expressions which I have heard of the readiness of the people of Bengal to bear their share of the cost of famine have been qualified by a strong wish that, before imposing fresh taxation, the Government of India should thoroughly analyse the increasing charges of the army with a view of applying to that branch of the public service the same rigid economy that has been applied to other branches of the service. I am not in a position to say how far this wish is reasonable, or how far compliance with it is possible; but I feel it my duty to say that I know it is a subject which is very much occupying the mind of educated Native gentlemen in connection with the question of fresh taxation, and that considerable agitation of the subject is going on. And it is therefore with sincere pleasure that I have heard that the question is receiving full consideration from the Government

"I have much pleasure in saying that the general effect of the decentralisation-system, in respect to the facilities which it has given to provincial administration, has been thoroughly satisfactory. In making the Local Governments responsible for expenditure, and giving them a direct interest in the development of various branches of the revenue, it has secured a careful scrutiny over the expenditure of all departments and a deep interest in all improveable heads of revenue, which has extended to all grades of the service. District officers understand that the provincial Government cannot devote money to new works and schemes without an improving revenue, and they have cordially and loyally co-operated with the Government in suggesting such measures as appear likely to beneficially affect the revenue.

"The Local Government has been able, since the first introduction of the system in 1870-71, to carry out many measures of improvement on its own responsibility, which would, before the introduction of this system, have had to wait upon the requirements of other provinces. All friction with the Imperial Government has been obviated and much useless correspondence avoided.

"I think that, in adjusting taxation to the special circumstances of each province, and equalising as far as possible the relative incidence of taxation upon the various classes of the community, leaving the details to be settled by the Local Government, the Government has acted most wisely. The circumstances and condition of the various provinces are very different, and the incidence of present taxation is also very different in one part of the country to what it is in another. It is, as has just been explained, proposed to levy in the North-Western Provinces a cess upon the land, while last year the deficiency of revenue was there made up by a license-tax on trades. But in Bengal we have already, in the last few years, imposed upon the land a charge of £600,000, of which £300,000 has been assigned to the Imperial Government as a permanent contribution, while our trading community has been left perfectly free of taxation. Though, therefore, I admit it is just and reasonable that the landed interest should, as in the North-Western Provinces, be called upon to share with the trading classes the incidence of taxation, I feel that it is quite impossible at the present time to ask the landed interests and the agricultural population of Bengal to pay anything further; and feel, in common with nearly all the officials throughout the country who have been consulted on the subject, that the time has come when the trading and artizan classes should be called upon to bear their share of taxation from which they have hitherto been free.

"It may perhaps be considered right that I should take this opportunity of stating formally to the Council the measure which I propose to submit, under the sanction which I have received from Your Excellency's Government, for the consideration of the Bengal Legislative Council, in order that I may be in a position to comply with the requirements of the Imperial Government.

"Last year, when introducing the public works cess on land, I observed that there appeared to be a very general opinion that something should be done to throw a portion of the incidence of taxation upon the non-agricultural classes. Time did not then admit of the elaboration of any measure for the purpose, but I promised that I would consult with the Commissioners of Divisions in Bengal, and would watch the working of the new license-tax in the



North-Western Provinces with a view of considering whether we could not shift some portion of the burthen of fresh taxation upon classes not interested in the land.

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“The result of the reference to Commissioners and local officers was to show that there is a large preponderance of opinion in favour of the feasibility of introducing and working a license-tax of the kind proposed. The events of the past year have, however, made it clear that, so far from our being able to relieve the classes interested in land by transferring a portion of their burden to the classes engaged in trade and commerce, we shall require, not only all that we now draw from the provincial public works cess, but a very considerable additional income to enable us to meet the liabilities which the supreme Government is compelled to impose upon us. The amount that we are now required to find to enable the Imperial Government to meet famine-expenditure is thirty lakhs of rupees nett; and we must therefore raise a sum of money sufficient to cover all costs of collection and to save us all risk of inability to meet the unpaid demand.

“With the approval of the Government of India, it has been determined to raise a sum estimated on this basis by a tax upon trades, dealings and industries throughout the Lower Provinces. Looking to the sums paid by the landed classes and the cultivators under the Road Cess and Public Works Cess Acts, it is clear that this is not too large a demand to make upon the commercial and industrial wealth of this great province. During the last few years Bengal has advanced rapidly in wealth. Its trade has received large developments, having profited generally by the misfortunes of other provinces, and by the gradual improvement of the agricultural classes at home. Its people are, on the whole, the most lightly taxed in all India.

“It having, then, been determined to levy a tax of this amount upon trade and commerce and industries other than agriculture, the question remained what shape the tax should take—should the money required be raised by imposing substantial rates upon the wealthier members of the trading and industrial classes, or by imposing a light general tax upon every class of trade and industry, or by a combination of those measures? To enable us to decide this point, the records of former taxes upon trade and industries were carefully scrutinised.

“We have most carefully examined the statistics of the various license-taxes, certificate-taxes, and income-taxes passed or proposed and discussed since 1861, and have endeavoured to apply the facts thus gleaned in such a manner as to be able to form a very rough approximate estimate of the yield of the modified license-tax which we now propose. On the whole, the conclusion which we came to on a review of the foregoing and other available facts, was that, if we levied a license-tax upon trade and industrial incomes of Rs. 200 and upwards, at the rates adopted in the Certificate Tax Act of 1868, we could not hope to realize much more than fifteen lakhs of rupees in all Bengal. There was, moreover, this objection to any tax based on the model of the Certificate Act, that it was after all a tax regulated directly by reference to income, and that in the higher classes the rates were too high for a mere license-tax.

“The fact that India is, after all, a country where the number of wealthy men is very limited, must always be borne in mind when considering questions of taxation. Any tax, therefore, which is to be largely productive must be assessed on a very large number of people, and it is quite impossible to hope that we can raise all we want by a tax, however heavy, to be levied on only the wealthiest traders. We want to make all classes pay their fair share of taxation. We have, in respect to the land-cess, levied it from every class of raiyat, and the tax on trades and industries should follow the same lines as far as possible. The classes who suffer most when famine occurs should certainly contribute something in seasons of prosperity to funds raised for purposes of enabling the Government to meet famines.

“It was resolved, therefore, that the tax should take the shape of a license-tax, of which the maximum rate should be Rs. 200, and that maximum to be only leviable upon joint-stock companies and a few of the very largest traders and bankers. Substantial traders of a lower class will be taxed at the rates of Rs. 100, Rs. 50 and Rs. 10, while small traders and artisans will pay Rs. 4, Rs. 2 or Re. 1, according to their means.

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" In the town of Calcutta a license-tax is already imposed on 'Professions, Trades, and Callings' in manner set out in the third schedule of Act IV (B C) of 1876. Under that schedule Rs. 251,000 are annually collected for municipal purposes. It appeared that, with certain exceptions, the rates therein set forth would be suitable rates to impose for the purposes of a provincial license-tax in the town of Calcutta, so far as the classes specified in that schedule were concerned. It is obviously very desirable to extend existing forms of taxation where they exist, and are capable of adaptation, rather than impose new taxes; and though it may involve some loss of money, we have determined to apply to Calcutta its present form of municipal license-tax, rather than introduce a new tax, with a new assessment and a fresh collecting and assessing machinery. In Calcutta it is not proposed to exempt any of the classes mentioned in the schedule of the Municipal Act. Calcutta has specially benefited by the growth of trade, and its professional men have specially shared in the general prosperity of the place. The tax is so small that I am sure they will gladly accept it as a most beneficial substitute for the income-tax with which my honourable friend has just threatened us

" The only addition to the existing license-tax is that joint-stock companies and wholesale dealers shall pay a license-fee of Rs. 200, and that wholesale brokers shall pay a license-fee of Rs. 100 per annum: and, further, some of the classes of artisans and mechanics who will be subject to taxation in the interior will also be subject to the license-tax in Calcutta.

" It has been decided that, after an estimate has been made of the probable proceeds of a license-tax, such as that above described, within the municipal limits of Calcutta, the Municipality should be required to contract for the payment to Government of a fixed annual sum, such as would leave the town a fair margin for cost of collection and to cover all risks.

" For the interior of Bengal I propose to ask the Local Council to pass a License Tax Act under which the highest rate levied upon a joint-stock company or any wholesale dealer will be Rs. 200. The license-fee upon other classes will be graduated in a few clear and distinct grades down to one rupee. The rates, while we hope they will be very productive, will, it is believed, fall very lightly indeed upon any class; and the various grades will be capable of easy classification without any direct reference to income or any sort of inquisitorial proceeding on the part of assessors

" It has further been decided that the house-cess under Act X (B C.) of 1871 and Act II (B C.) of 1877 should be remitted in the case of those paying license-tax. The house-cess was made a part of the Road Cess Act in order to compel traders and professional persons in the interior, living outside municipal limits, to contribute, along with the cultivating classes, for the purposes of that Act. It brings in very little at present (only about 1½ lakhs for all Bengal), and is very unpopular with the officials and the public. Under the Provincial Public Works Act the house-cess is again levied on the same classes at maximum rates. The license-tax will fall on precisely the same class of persons as pay house-cess under the two Acts last mentioned, and it would be felt as a very great hardship if they had to pay tax three times over—first for local purposes, then for provincial purposes, and lastly for imperial purposes. It is best to remit the house-cess altogether, and to levy one tax only on trades and industries. The loss to district road committees will be comparatively trivial, and will, if necessary, be recouped to them, and the provincial finances will probably not suffer at all in the end.

" The Local Government is well aware that, in proposing to levy a direct tax of this kind upon such a large body of people, it is undertaking a task of great magnitude. But the circumstances of the country render the levy of this amount of taxation imperative, and I believe the necessary amount could not be raised in any less objectionable manner.

" I have heard with great satisfaction the announcement that it is the intention of the Government of India to take measures to equalise to some extent the duties on salt throughout India, and though I should not have advocated in itself a decrease in the salt-duty levied in Bengal, which is a very popular form of taxation, I am glad that the measure of equalisation should have resulted in a diminution of the rate of duty in Bengal, at a time when we are imposing such a heavy burthen on the people in other respects, though I

cannot help feeling that it is a sacrifice of revenue in concession to theory which would afford no real relief to the people."

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HIS EXCELLENCY THE PRESIDENT—"I am reluctant to prolong the proceedings of the Council at this comparatively late hour; but the general importance of those explanations with which I desire to accompany the questions now before me, will, I trust, be my sufficient justification for making a further appeal to the attention of Honourable Members.

"After the statements made to-day by my Honourable Colleague, Sir John Strachey, and my honourable friend, the Lieutenant-Governor of Bengal, I need not now refer in any detail to the principal measures which the Government of India, reviewing all the present circumstances and prospects of the Empire, has deemed necessary for giving to our financial position the additional strength it undoubtedly requires. But I desire to explain how we propose to employ the money now asked for, and also to add emphasis to the statements of my Honourable Colleague as to the fundamental idea which underlies the present financial policy of the Government. Guided by this idea, we are resolved to seek the support we require through an extension of the responsibilities and resources of the local Governments, rather than from any mere addition to the machinery or revenues of the central authority. We are convinced that the coherent development of this multiform Empire can only be secured by gradually enlarging those local foundations which sustain the widespread fabric of the State, and stimulating throughout all parts of its complex administrative structure the free play of a healthy spirit of self-reliance and mutual support.

"For this reason, the Government of India is determined not to deviate from the course on which it entered at the commencement of the present financial year. That course has been cordially encouraged by Her Majesty's Government; and we have the best reason to believe that it has approved itself to all the local Governments whose intelligent co-operation ensures the successful prosecution of it. The statement made by Sir John Strachey will, I trust, have satisfied the Council that the additional revenue now required by the Government, and the increased burdens which must consequently be borne by the people of India, are the inevitable consequences of famine, and of famine only. I will not abuse your sympathies by harrowing your feelings with any description of the ghastly scenes I have witnessed this year in Southern India; scenes which, horrible as they were, only partially revealed the mass of unseen, unuttered misery that lay behind them. I feel sure you will believe that no such sights were needed to impress me, and I am equally confident that no such descriptions are needed to impress this Council with a profound sense of the paramount obligation now resting on us all to spare no effort for preventing the recurrence, or mitigating the effects, of such calamities. But of one thing I am convinced. Our efforts must fail if they be merely the uneducated offspring of casual impulse, and indefinite sentiment. The primary condition of successful effort is the strictly systematic subordination of it in all directions, and in all details, to the verified results of experience, and the carefully ascertained conditions of what is practically possible. It is not by the indulgence of that morbid sensibility to the dramatic elements of horror which so unconsciously stimulates compassion, it is not even by exclamatory utterances of a generous impatience, or a genuine grief, under the painful contemplation of the sufferings of our fellow-creatures, that we can practically prevent or alleviate such national calamities as those through which Southern India has been passing during the last two years. We might as reasonably hope to solve the hideous problem of London pauperism by bestowing pence on street beggars, or pathetically depicting their raggedness in our illustrated journals for the encouragement of promiscuous almsgiving. I am profoundly persuaded that every rupee superfluously spent on famine relief only aggravates the evil effects of famine, and that in all such cases waste of money involves waste of life.

"The measures now before the Council have, for their principal object, the provision of that increase of the public income which experience has proved to be the first condition of any practical insurance against famine: and, therefore, it is only proper that the Council should know how we intend to employ the resources which its adoption of these measures will place at our disposal for that purpose.

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"The tasks bequeathed to the Government of India by the calamitous circumstances of the last two years have now, I am thankful to say, more direct reference to the future than to the immediate present. They are not, on that account, less imperative or less seriously recognised: but their comparatively prospective character is a fact which I cannot record without a deep sense of gratitude; gratitude to Providence for the reviving fertility of districts recently stricken barren by a prolonged and quite unprecedented disturbance of the atmospheric conditions to which they are subject; gratitude to those valuable public servants in, and from, all parts of this Empire, to whose devoted and indefatigable exertions the people of Southern India is indebted for the restriction and abbreviation of a terrible calamity; and gratitude, no less sincere, to the generous charity of the British Nation; which has, I truly believe, materially contributed,—not, indeed, to the preservation of life (for to that object it was not applied, and for that object it could not have been legitimately invoked)—but to the mitigation of much of the suffering and distress which such a calamity must inevitably bequeath to its impoverished survivors.

"Now, turning to the contemplation of the future, our first duty must be, I fear, to recognise and face, with all its consequences, the sad but certain fact that, in the present social condition of India, famines cannot, for many years (I might almost say for many generations) to come, be entirely prevented. The population of this country is still almost wholly dependent upon agriculture. It is a population which, in some parts of India, under those securities for life which are the general consequence of British rule, has a tendency to increase more rapidly than the food it raises from the soil. It is a population whose consumption, in many places, trenches too closely on the crops already provided by its industry; and which, therefore, runs great risk of having no accumulated produce to depend upon, whenever the earth has failed 'to bring forth her fruits in due season.' A people permanently living under such conditions; a people, that is to say, whose entire labour provides only just food enough for its own annual sustenance, is, it must be confessed, a people removed only a few degrees from a state of barbarism. Until the accumulated fruits of industry exceed the current requirements of the population for its own subsistence, there can be no growth in the wealth of the community: and, until the national wealth, that is to say, the exchangeable surplus produce of the country, has been increased up to a certain standard, there can be no adequate security against famine. To the attainment of this object, therefore, all our efforts, in every department of the administration, must be constantly directed. But, at the same time, it must also be always borne in mind that, until this object has been attained, no exertions, and no expenditure, on the part of the State can practically do more than provide for the restriction and mitigation of periodical scarcity. It is not yet in the power of human science to foresee, still less to control, the uncertainty of the seasons; and this uncertainty, which is so constant and violent in India, must always afflict with exceptional severity any population that is habitually living from hand to mouth. For, in that case, when the hand fails to raise a crop, there is nothing left for it to carry to the mouth. Fortunately, however, the material appliances which already exist, and only need to be prudently developed, in order to provide us with an effectual insurance against the worst consequences of famine, are also those which, if rightly employed, will most rapidly promote that general increase of the national wealth on which alone we can reckon for the permanent prevention of famine.

"Now, of the countless suggestions made from time to time, and more especially during the present year, for rendering less bitterly ironical than it still seems, when read by the sinister light of recent events, that famous inscription on the huge granary built at Patna for '*the perpetual prevention of famine in these provinces*,' there are only three which merit serious consideration. These are, *firstly*, EMIGRATION; *secondly*, RAILWAYS; and, *thirdly*, IRRIGATION WORKS. Unfortunately for India, however, the first of these three material factors in the practical solution of problems similar to those we are now dealing with, is inapplicable, or only very imperfectly applicable, to the actual conditions of this country. The first condition requisite to render emigration available as a precaution against famine, is a normal excess of the population as compared with the food-produce of the country: the second

condition is sufficient energy on the part of the surplus population to induce it to seek a higher standard of maternal comfort than that to which it is accustomed, and the third condition is a foreign field of labour in which this higher standard may be reached. Now, none of these conditions are sufficiently developed in India to justify reliance upon emigration as an efficient auxiliary in our struggles with famine. Of our whole population, only a small portion as yet exceeds its food-producing power. The possible increase of this proportion of the population will undoubtedly augment our future difficulties, if, in the meanwhile, no adequate correctives be applied to them. But in those parts of India which, during the last two years, have most suffered from scarcity, the population only averages at 250 inhabitants to every square mile: and, since those districts comprise large areas of uncultivated land, this average cannot be regarded as at all excessive. In the next place, there is no contesting the fact that, in spite of the inducements offered to emigration by this Government, in spite of the widespread organisation for the recruitment of it established by Colonial Governments, and in spite of the encouraging example furnished by that small number who, having tried the experiment of temporary emigration return, after a few years' absence, in possession of savings which they could not otherwise have stored by the labour of a lifetime,—in spite of all these things the people of India *will not* emigrate. The uncomplaining patience of the Indian raiyat has a profoundly pathetic claim upon our compassionate admiration. In no country of the western world could a national calamity so severe and prolonged as that which has now for more than twenty-four months afflicted one-half of this Empire, have lasted so long without provoking from the sufferings of an ignorant and starving population agrarian and social disturbances of the most formidable character. But for this very reason we cannot safely frame any plans for improving the condition of the Indian raiyat in exclusive reliance on his spurt of adventure. And, although the exportation to foreign countries of large numbers of the people, without reference to their feelings, and in opposition to their known inclination, is a policy which might possibly have been enforced by a Mogul Emperor, it is certainly not a policy which can be adopted by a British Government. It is a very significant fact that those of our native subjects who do occasionally emigrate belong to the least, rather than the most, densely populated parts of the country. Finally, it must be borne in mind that, if to-morrow all the native races of Hindustan were animated by a simultaneous impulse to emigrate, there is, at present, no field of foreign labour capable of absorbing a proportion of the enormous population of this continent sufficiently large to make any appreciable difference in the general condition of the remainder. Our Colonies take from India annually a few thousand labourers. Multiply that number by ten, or even twenty, and the percentage of Indian emigration would still bear but an insignificant relation to the number of the whole non-emigrant community. For all these reasons, although emigration unquestionably claims our fostering encouragement, I fear that, for many years to come, we must practically exclude this expedient from the list of those on which we mainly rely as a means of insuring the population of India against the calamities of periodical famine. The conclusion thus arrived at forcibly confines our immediate efforts to the most rapid development, by the cheapest methods, combined with the most appropriate and efficient application, of the only two remaining instruments for increasing the produce of the soil, facilitating its circulation, and thereby improving the general social condition, and augmenting the collective wealth, of the whole community. Those instruments are railroads and irrigation works.

“Now, the incalculable value to India of her present railways has been unmistakably demonstrated during the past year; and the Government is unquestionably bound to stimulate the extension of this class of works to the greatest extent, and with the greatest rapidity, consistent with the requirements of financial prudence. The capital expenditure on the guaranteed railways, during a period of 28 years, has amounted to not far from 95 millions sterling, with a result to be measured by about 6,000 miles of broad gauge line. During the last nine years the outlay on State railways has amounted to about 18½ millions, producing 1,050 miles of broad and 1,200 miles of narrow gauge line, more or less finished. I need not here

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re-open the once-vexed question of broad *versus* narrow gauge. For all practical purposes that question has long ago been settled. Had we now to consider the construction of long lines of rail solely, or chiefly, for military purposes, I doubt not that many arguments might be forcibly urged in favour of a broad gauge system. But when the object in view is to stimulate the exchange of commodities, and provide for a goods traffic with special reference to local needs and local means, then, I think, it cannot possibly be doubted that any extension of our railway system must be carried out in strict conformity with that method which experience has proved to be the cheapest, and indeed the only one financially possible in the circumstances of a poor country with a languid commerce. The importance of strategic railroads to such an empire as this, is not, in my opinion, open to question. But it is not for the construction of strategic railroads that we are now seeking assistance from the local populations and Governments of India.

"In the course of future discussion upon the Bills we hope to introduce to-day, my Honourable Colleague in charge of the Public Works Department will, I trust, have an opportunity of making a departmental statement, and, I doubt not, he will then be able to lay before the Council much valuable and suggestive information as to the action of his department in connection with relief operations. But, with all questions appertaining to the employment of public works for the prevention or relief of famine, I am only now concerned to deal from a financial point of view, and no further than may be necessary for the explanation of those financial conditions which must invariably govern the permanent famine policy of this administration.

"Now, it is an unquestionable fact that the railways, and the railways alone, were the salvation of the situation in North Behar during the famine of 1874; and that they have again been the salvation of the situation in Madras during the famine of the present year. The sea, no doubt, would have thrown rice into the town of Madras; but, with the cattle dying of drought, it would have been impossible to move the grain up-country; nor, if every possible mile of navigable canal had been completed throughout the Madras Presidency, would it have greatly helped us to throw grain into those very districts where the famine has been at its worst; for the broken upland country of Bellary and Kurnool, and the Mysore plateau, are physically impracticable for big canals, and, had there been no railway within reach of these districts, the people, where they have now died by hundreds, must have assuredly succumbed by thousands.

"I am satisfied that the development of a net-work of subsidiary lines of railway, giving the means of transport through every district of British India, has become a matter of vital necessity for the attainment of the great object now before us. To accomplish this, in accordance with the financial and administrative policy already explained, we propose to call upon the various Provincial Governments to undertake at once the preparation of such a scheme of local railways, with plans for their gradual and systematic execution, carefully made out by the best informed local authorities. Our present object is to render available, within the shortest possible time, a maximum length of line specially constructed for a slow goods traffic, rather than to provide those more ample conveniences for passengers and goods which have been commonly deemed necessary for all Indian railways hitherto constructed. We have every reason to believe that, by restricting the works at the outset to the essential requirements of a slow goods traffic, we can, without any sacrifice of durability, or sound constructive principle, reduce the first capital outlay even below the amount which was found sufficient for the execution of the Hatrass and Muttra Railway in the North-Western Provinces; a line which furnishes us with a most instructive illustration of what may be done, under a local Government, in the way of thoroughly useful work executed at a small cost. We have also in the United States of North America an encouraging example of the rapidity and financial ease with which cheap railroads may be constructed over vast tracts of sparsely populated territory, and of the incalculable benefits conferred by them on every part of a continent even more spacious in extent and various in climate than our own.

"During my visit to Madras and Mysore, I had many opportunities of obtaining information about the distribution of grain into the distressed provinces. I cannot doubt that but for the main trunk lines of railway there must

have been an appalling, and quite irremediable, failure in the supply of food to those provinces: and, for all purposes of famine relief, I am equally convinced that the proved utility of these great arterial lines will be immensely increased by the cheap internal railroads we now propose to commence, with the intention of completing them as rapidly as may be compatible with the extent of the financial resources at our disposal for that undertaking.

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"The early conclusion of such an undertaking must necessarily depend upon its financial practicability; and for this reason all minor considerations must be subordinated to the most rigid economy in construction, and the most severe limitation of the works to what is indispensable for the efficient exercise of their special function. But, if these conditions be duly complied with, I have confidence that, at a comparatively early period, we shall, without any strain upon our financial resources, have extended to all parts and provinces of our Empire the most efficacious protection, not indeed from dearth (for that is impossible), but from those terrible effects of dearth which now generally terminate in famine.

"These, then, are the principles on which we are prepared to apply at once to the extension of our railway system, as a means of insurance against famine, an adequate proportion of the resources at our command for that purpose. We cannot, indeed, solely for the sake of developing local commerce, undertake to build railroads on the commodious and costly scale of our present main lines, which have been constructed with a view to their general utility in many other ways. But with the active co-operation of the local Governments and by steadily adhering to, and prudently developing, the great principle of provincial responsibility which is the backbone of our financial policy, we are persuaded that the resources of the State will now be sufficient for the early and continuous construction of a wide net-work of cheap provincial lines well adapted to the special object for which they are required. It remains to explain to the Council the manner in which we propose to apply to the extension of irrigation works precisely the same principles and policy.

"Here I must observe that there has recently been a tendency to discuss, in a somewhat partisan spirit, the relative usefulness of irrigation works and railways, as protections against famine. I deprecate all such controversial discussions. They are no less out of place than arguments as to the relative value of food and air, for the preservation of animal life.

"It is certain that throughout the greater part of India the produce of the soil may still be very considerably increased by artificial irrigation. But it is equally certain that in many parts of India, and for many kinds of Indian crops, irrigation could only be employed at a cost which would render it unremunerative. Canal irrigation cannot everywhere be supplied from permanent sources; and wherever it is not supplied from permanent sources, it frequently proves altogether abortive as a preventive against famine. Again, in the second year of the drought from which we have been suffering throughout Southern India, tank irrigation generally failed. Moreover, even were it physically possible to apply irrigation to all the cheap millet crops now grown upon the uplands of Madras, the expense of their cultivation by that means would render them quite unpurchasable by the classes who at present derive from them their chief means of subsistence. The difficulties and disasters of the recent famine have been greatest in Madras. But Madras is, taken as a whole, the best irrigated part of India. Out of a total area of 22,000,000 acres under cultivation, that Presidency has some 4 million acres artificially irrigated; and its entire irrigation system is supervised by professional officers who, in their own line, are unsurpassed. One part of the irrigation system of Madras is supplied by the permanent rivers: and of these, the number is limited. All the rest of it is derived from the local rivers and storage tanks which are scattered in profusion over the whole Presidency. Now, the experience of the present year has proved that the latter source of supply is only one degree less dependent on the normal rainfall than are the dry crops of the unirrigated districts. If, therefore, we are to insure Madras against future famines by largely increasing its present water-supply, it is exclusively upon the permanent rivers that we must reckon for our attainment of that object. Assume (and from all the enquires I have yet been able to make this is the most I feel justified in assuming) that the

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waters of the permanent rivers might be so employed as to irrigate another half-million of acres. What effect would the produce of half a million of acres have had towards preventing the famine in Madras? It would not represent one-third of what the railways alone have carried down from Northern India, and it is about equal to what was landed by sea during only two and a half months out of the twelve through which this famine has lasted. So far, then, as it was possible to render irrigation a protection against famine in a second year of drought, Madras has received, within a narrow margin of some 20 per cent., all the benefit which the nature of the case and the circumstances of the country permitted, and yet Madras has this year suffered from a worse famine than has afflicted any province of India during the present century. In view of such facts as these, we cannot safely lay down any fixed rule for universal application. The problem of irrigation works, when closely examined, reveals fresh difficulties at every stage. It is easy for those who have not thoroughly examined it, or others who have examined it only from a purely professional point of view, to tell us that by the expenditure of a few millions we might permanently insure this vast Empire against famine. But the Government of India, which is responsible for every rupee of public money raised or spent by it, has been taught by bitter experience that there may be many promising and attractive projects for irrigation which, when carried out at considerable expense, and under the most accredited supervision, bequeath to the Empire little or nothing but a hopeless financial burden. India has good reason to be proud of her school of hydraulic engineers. But it is the tendency of all professional ability to somewhat exaggerate the general value of the special material in which it works. The Athenian tanner believed that, for the purpose of fortifications, there was nothing like leather; and, so far as I can judge, some of our most experienced and eminent canal engineers are not entirely free from an unconscious predisposition to assume that, instead of irrigation existing for the sake of cultivators, cultivators exist for the sake of irrigation. Whether the value of increased produce will, in any particular case, be sufficient to justify the requisite outlay of capital on providing irrigation; whether the necessarily limited amount of capital available for works of improvement is best applied to irrigation works; or, again, whether the physical conditions of the locality will practically admit of irrigation at all, to these and many similar questions no general answer can be given. Each case must be decided in reference to its own merits, and on a careful review of many conflicting considerations.

“But, though I feel that, for all these reasons, we must be constantly on our guard against premature generalisations and impulsive action in such matters, I am none the less most fully persuaded that, next to the facilitation of transport, our greatest safeguard against future famine will be found in a well-considered and widely-developed system of irrigation works. The surplus produce of industry is the foundation of national wealth; and irrigation is the most certain means of improving and extending agricultural industry. It enables the cultivator to accumulate produce; and, if combined with navigation, it also enables him to transport produce.

“Every country which produces only just enough for its own consumption is a poor country. So is every country which cannot export its surplus produce, and exchange it for other commodities. Therefore, admitting even that in many parts of India irrigation cannot appreciably augment the local food-supply, it by no means follows that irrigation cannot largely augment the wealth of the whole community: for, if this Empire be adequately provided with the means of transport, it is not so much by increasing the actual food-supply of the people as by helping to create other and different produce, not required for the consumption of the people, and possibly not even adapted for such consumption, that extensive irrigation will promote the social and financial prosperity of India. It is only by the gradual and continued improvement of their material condition that the people of this country can permanently escape the calamities they now suffer from the uncertainty of the seasons.

“To look to irrigation-works as a panacea for our misfortunes, would be to trust to an illusion; to hesitate to recognise them as among the most certain of our means of protection, would be to reject the irrefutable evidence of prolonged experience.



"A memorandum has been placed in my hands showing, from the latest returns of the actual operation of the irrigation-works in the North-Western Provinces, that the whole area now irrigated by them is about 1,500,000 acres; which, under pressure, might be extended to 1,600,000 acres, producing respectively 775,000 or 800,000 tons of grain, and providing food for 8 months for 6 million to 6½ million persons. The progress of these works will add half a million of acres; and this addition would yield one-quarter of a million tons of food, and feed for 8 months 2 millions of people. Thus, these works will secure the food, for the period named, of between 8 and 9 millions of persons.

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"I need not comment on these figures; but, while such results may be shown as the outcome of irrigation works, what, let me ask, would be the position of a province in which the produce, being considerably in excess of the ordinary wants of the people, was not provided with the means of exporting its surplus stocks? Of one great staple product of the north of India—wheat—it may be affirmed, with certainty, that a trade has been developed, during the last four or five years, chiefly through the agency of railways, which has already reached a value of two millions sterling, and which could never have come into existence by any other means. Without depreciating the great value of water-communication which I recognise most fully, so far as it is practically attainable, I cannot lose sight of the fact that the extension of the Electric Telegraph, and of Steam Navigation, have rendered the operations of modern trade more than ever dependent on time, as an essential element in all combinations; and thus the speed which can only be got by railways enters more and more largely into the considerations to be weighed in designing means for giving the necessary extension and improvement to our inland communications.

"I conclude, then, that we shall be certainly right in carrying out irrigation works wherever the water-supply is both sufficient and constant; and wherever the material difficulties to be overcome do not involve an outlay that interposes insurmountable financial obstacles; so long, of course, as due attention be, at the same time, given to the means of communication. But we cannot, and do not, undertake to provide irrigation gratuitously to those for whose special benefit it is required. We cannot afford to apply to new irrigation works the financial policy which has hitherto rendered so costly, and so unremunerative, the works of that kind which are already constructed. Here, again, we can only proceed in strict accordance with the principle of provincial responsibility and self-support. As the only funds at the command of the Government for irrigation works are derived from the country itself, the cost of such works must fall to a great extent upon those who derive from them immediate benefit. I repeat that it is on the co-operation of the whole community we reckon for the means of securing the whole community against the worst consequences of periodical scarcity. But it is to the local Governments that we look for the execution of local works of a preventive character; and it is upon local resources that we must depend for the ultimate supply of the funds necessary to provide and maintain such works. I am aware that there are already some parts of India whose exclusively local interests are practically secured by the bounty of Nature, or the industry of man, from the direct effects of famine. In the nature of things the population of those particular localities may, and probably do, derive some immediate advantage from the periods of scarcity which so fearfully afflict their fellow-subjects in other provinces. But it would be an insult to suppose that their fortunate exemption from the perils and sufferings common to the rest of the community can furnish any argument, they would stoop to urge, in favour of exempting them from their fair participation in the support of any general burden imposed for the protection of the whole community from such sufferings and perils. Whilst, therefore, I do not doubt that the chief cost of protective works ought to be borne by those who must need them, and will chiefly benefit by them, I must maintain that no province of the Empire, and no class of the community, can be legitimately relieved of the national obligation to contribute to the means required for the construction of such works.

"And here I would ask the Council to listen to the testimony of my honourable friend the Lieutenant-Governor of Bengal, who, speaking of the

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measures he contemplated last spring for dealing with irrigation works in the province he so ably administers, observed that—

‘ During the last five years the Government of India has spent nearly 20 crores of rupees in alleviating famines caused by deficient water-supply. When I say that the Government of India has spent this money, you will understand that this expenditure has fallen not upon the Viceroy and the Council, but upon the people, and that, if the necessity of expending their money had not been forced upon the Government, the taxation of the people would have been diminished to this extent. Now, the only way of averting famines arising from drought is to make the greatest use, which science and experience can suggest, of the supply of water which fortunately Nature has given us in Behar \* \* \* This, of course, cannot be done without the expenditure of money, and the question is, who, in fairness and justice, should find this money.

‘ After very careful consideration I came to the conclusion that, as the whole of the province of Bengal suffered when there were such famines as have occurred of late years in Orissa and Baher, it was fair that a large proportion of the cost should be borne by a tax laid upon the public at large. But it also seemed to me fair, and I believe you will agree with me, if you will give the subject your unprejudiced consideration, that a share of the cost should fall on the people who directly benefit by the introduction of water to the neighbourhood of their fields, and are thus assured of a good crop at all seasons, instead of being exposed to the risk every few years of absolute failure. When I proposed this, I was told that the people did not want water, that they would sooner be left alone to bear the risk of famine, and was even told that the water of the Sone was destructive to fields. Shortly after this discussion took place, the periodical rains were suspended, and then we had practical proof as to whether or not the Sone water was considered injurious or prejudicial. The people clamoured for water, and to meet this demand we were forced to open our unfinished canals, by means of which we have irrigated, during the last few months, 200,000 acres of land, which would otherwise have remained waste for the year, but which are now covered with luxuriant crops. The produce of this land represents food-grain of the value of 55 lakhs of rupees, and of this, crops to the value of 40 lakhs certainly would have been entirely lost if it had not been for the supply of canal water; but it also represents the rent of the land of which the landholder would have been otherwise deprived, and to this must be added the outlay which would fall on him if he had again to give relief to his tenantry in consequence of famine.’

“ To sum up, then : The Government of India is convinced, upon a careful review of its financial position and prospects, that the heavy obligations imposed upon it by the calamitous circumstances of recent years, can only be discharged without serious risk to its financial stability, by a strict and patient adherence to the principle affirmed in the financial measures we introduced last year, and developed in those which are now before the Council. That principle involves the enlargement, with adequate precautions, of the financial, and consequently also of the administrative, powers and responsibilities of the local Governments. In the next place, we believe that, if this principle be fairly carried into effect, the new imposts, which the Council is now asked to sanction, will, when added to the resources already created, provide the State with sufficient means for the permanent maintenance of a national insurance against famine, without heavily increasing the pecuniary burdens of its subjects. For the attainment of this object, the material appliances we intend to promote, by means of additional revenue, are cheap railroads and extensive irrigation works. We are conscious of the reproach we should justly incur if, after such a declaration as I have now made, the prosecution of these necessary works were commenced, suspended, or relinquished, according to the increased or relaxed pressure of annual circumstance, or the intermittent activity of spasmodic effort. We, therefore, propose to entrust, in the first instance, to the local Governments the duty of framing a sufficient and carefully considered scheme of local railroad and irrigation works. We are prepared to provide them with the means whereby they may from year to year work systematically forwards and upwards to the completion of such a scheme. The funds locally raised for this purpose will be locally applied. But Provincial Governments will have to meet the cost of provincial famines out of provincial funds to the fullest extent those funds can bear. They will find that thriftless expenditure in one year may involve the risk of diminished allotments in subsequent years, and I cannot doubt that the unavoidable recognition of this fact will make them wisely eager to spend the requisite proportion of their annual income upon well-planned and carefully estimated railway and irrigation works, which will be their best insurance against the losses of famine, and the postponement of all administrative progress which famine generally entails. It will be the special duty of the Public Works Department of this Government to keep those objects constantly

in view of the local Governments, and to assist them, no less constantly, in their endeavours to give a rational preference to really useful and remunerative works, over those more captivating, but less compensating, subjects of expenditure which, in all comparatively small communities, so powerfully appeal to provincial pride, professional proclivities, or popular pleasure.

“The specific projects now announced to this Council, I have not presumed to put forward as the enunciation of any new policy. On the contrary, I should have spoken with much more hesitation if I imagined myself to be treading upon ground not long since surveyed by experienced authorities; and the strongest recommendation I can claim for the views I have expressed is that they differ in no important particular from those of the eminent Statesmen who have preceded me in the office I now hold. But between the present and all previous occasions on which the Government of India has declared its policy and principles in reference to the prevention of famine, there is one essential difference which I am anxious to impress upon your attention. I can well imagine that many of those I am now addressing may be disposed to say to me—‘Your good intentions are possibly sincere; but the path to the nethermost pit is already paved with good intentions. Promise is a good dog, but Performance is a better; we have often heard the bow-wow of the first, we have yet to see the tail of the second. We have been told over and over again by the highest authorities that India is to be insured against famine in this way, or in that; but when famines come upon us, we find that the promised way is still wanting. The current claims upon the activities and resources of the Government of India are so numerous, so pressing, so important, official forces and imperial funds so necessarily limited, that when once the daily, hourly strain of a great famine has been removed from a wearied administration and impoverished treasury, its fearful warnings are soon forgotten; its disquieting ghosts are quickly exercised by the conventional declaration of some unexceptionable principle; its bitter memories decently interred beneath the dull *hic jacet* of a blue book; and there, for all practical purposes, is an end of the matter.’

“Well, then, I think I am entitled to point out to the Council that we are not now fairly open to this customary criticism. We do not speak without having acted: and we promise nothing which we have not, after long and anxious consideration, provided ourselves with the means of performing. I must have very imperfectly explained myself thus far, if I have failed to make it clearly understood that I am not now speaking of what we ought to do, or would do, to insure this country against the worst effects of future famine, had we only the means of doing it: but of what we can do, and will do, with the means already provided for in the measures now before the Council. I do not mean to say that the construction of such an extensive system of local railroads and irrigation works as we propose to undertake will not be the gradual task of many years. But I *do* mean to say that, in the manner, and on the principles, already explained, we are now providing for the prompt commencement, and uninterrupted continuation, of this great and necessary task. We are systematizing a policy the principles of which have been repeatedly approved and proclaimed by our predecessors. We are associating with it the interests, the powers, and the duties, of our local administrations. We are providing them with the means of permanently prosecuting and developing it, not without reference to our financial control, but exempt from the distressing uncertainty which has hitherto been inseparable from the practical execution of this policy, in consequence of the obligation which till now has rested on the Government of India, with the very limited funds at its disposal for the prosecution of public works, to choose, from year to year, between the conflicting claims upon its purse of the various and dissimilar localities of this spacious Empire. In that belief I wish to take the present opportunity of publicly expressing my gratitude to those local Governments with which we have been for many months in confidential correspondence on the subject of their financial powers and responsibilities; and who have not only accepted with alacrity, and adopted with great intelligence, the principles in accordance with which we desire to extend those powers and responsibilities, but have also given us the most encouraging evidence of their ability to improve the enlarged field of activity thus opened to their administrative independence. I also desire to express my gratitude for the unreserved approval with which the Secretary of State for India and the Queen’s Government in England have

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honoured and supported the policy I am now explaining to the Council; for it is a policy on which all our plans, and all our hopes, for steady improvement in the financial, social, and administrative, condition of this Empire are necessarily dependent.

“But we have also another source of encouragement in the prosecution of this policy. If you look back over a wider and a longer tract of experience than that which is covered by the history of India; if you embrace in one view our own history with the past history of other countries in other climates, you will find that the principles on which we have lately acted, and on which I trust we shall continue to act, in dealing with seasons of calamitous drought, have been found no less applicable, no less efficient, in other countries similarly affected, than they have proved to be in this country, wherever they have been intelligently understood and loyally carried out. There is, I venture to think, no more striking illustration of this truth than the history of the scarcity that occurred in Central France during the year 1770-71. That great statesman, M Turgot, was then Minister. His administrative ability was equalled by his philosophical power of thought; and, fighting with difficulties in many respects almost identical with those which we ourselves have lately had to deal with—difficulties partly material, but greatly aggravated by the prevalence of extremely erroneous economical conceptions—Turgot conceived, developed, and, in the face of great opposition, carried into effect, views no less identical with those which have guided our own action as to the essential importance of guarding the perfect freedom of inland trade in grain; of improving the internal communications of the country; and of providing relief-works of permanent utility, upon which to employ the suffering population. Here to-day, in India, those views are as sound, and as applicable, as they were in the Limosin a century ago. If, then, from the past we look forward into the future, why, let me ask, may we not hope that, under improved conditions of administration, and with increased development of those material appliances which civilization creates for the provision of national wealth, India will eventually enjoy as complete an immunity from the worst results of scarcity, as that which now exists throughout those regions of France where but a century ago such a result might have seemed as difficult of attainment as it now appears to be in many of our own provinces?

“I have only dwelt thus far on that part of our policy which has reference to the material aids we still require to insure this Empire against the worst effects of famine. But I should omit a very important point, if I did not also allude to the administrative aspect of the question. In dealing with the crisis through which India has lately passed, it has required the most strenuous efforts, on the part of the Civil Government in all its branches, not only to secure the active operation of all available means for bringing food to the distressed districts, but also to effect the distribution of such food to the people under proper precautions for the prevention of waste, fraud, and social demoralization. I will not disguise my conviction, that in some parts of the country this strain has been too much for the machinery that had to bear it, and indeed, I may add, that the measures undoubtedly necessary for strengthening, simplifying, and generally *energizing*, those parts of the local machinery of Indian administration which have proved too cumbrous, too weak, or too inert, for efficient work in any great emergency, have been to me for many months the subject of constant, anxious, and detailed, consideration. It is, I venture to think, very desirable that not only the natural phenomena and social facts of the recent famine, but also the manner in which these have been dealt with in different provinces, under different administrative systems, and the practical results thereof, should be investigated, verified, and recorded, for future guidance. But, whatever be the result of any such enquiry, if to the two conditions of famine insurance on which I have already laid such stress, that is to say, *railways* and *irrigation*, you add a third condition, which is certainly not less important,—namely, a thoroughly efficient administrative system and machinery, in every part of the Empire, for the prompt and intelligent application of sound principles,—then, I believe, you will have reached the limits of what is practically possible, and defined the field of activity within which it is now the duty of this Government to fortify betimes the social interests committed to its charge against the recurrent disturbance of natural forces. The Government of India is an eminently conservative Government,

and I trust that it will ever continue to be so; but to repeat an aphorism, the soundness of which is proved by the staleness of it, improvements really required by change of circumstances are the best foundation for a conservative policy, and in no way opposed to it. No administration is really conservative, unless its policy be vigilantly, though cautiously, remedial. Timely remedy from above is the only sure preventive of violent revolution from below. Destiny is a fair player, and never checkmates a nation, a government, or a class, without first crying check. It is the interest, as well as the duty, of those concerned to heed that warning cry, and shift their pieces accordingly. In politics, as in all things else, the survival of the fittest is an inexorable law and those institutions which cannot, or will not, spontaneously adapt themselves to the organic growth of the circumstances to which their functions were originally fitted, or doomed, by the salutary order of the universe, to premature extinction. But into this important question of administrative reform I need not here enter any further. I merely desire to assure the Council and the Public that the Government of India is not indifferent to that part of the difficult, but imperative, task bequeathed to it by the prolific experience of the last two years.

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"In framing the measures now laid before the Council, we have called to our assistance the experience and intelligence of many of the most trustworthy servants of the Crown in this country; and we have obtained for our plans the general approval of Her Majesty's Government. That the duty imposed on us in performing this task has been an anxious one, I need hardly say. Its successful accomplishment is only to be ensured by the cordial and sympathetic co-operation of all concerned. But on that co-operation I confidently reckon: *Firstly*, because it is the duty, as well as the interest, of every Englishman, whether in public or in private life, to facilitate the arduous task which England has undertaken on behalf of India and her own character; and *secondly*, because I know too well, and esteem too highly, the noble native races of this land to doubt for a moment their patriotic acquiescence in any reasonable sacrifice fairly demanded of them, on honest grounds, for the general benefit of their own countrymen. On behalf of the Government of India, I emphatically declare that we have not, we cannot have, at heart any stronger or higher interests than the permanent welfare of this loyal and patient people, and the permanent credit of its English rulers. These are the interests on behalf of which we now invite your aid, and *quid saluum est si Roma perit?*"

The Motion was put and agreed to.

The Honourable SIR J. STRACHEY then introduced the Bill. He said:—  
"My Lord,—In now introducing this Bill—and the remarks which I am about to make will be equally applicable to all the other Bills in this list, excepting the Salt Bill—I wish to say a few words only. The Government is anxious that our proposed measures should be placed before the public in the most complete form possible, and this object would not be gained unless the Bills, by which we are to carry out our measures, are at once introduced and published.

Sir J Strachey.

"I do not now ask that the Bills be referred to a Select Committee, nor is it proposed that any further action should be taken upon them for another month at least. We hope, during this time, to receive the greatest advantage which an honest Government can derive—the full examination and public criticism of our measures.

"As Your Excellency once said, we do not want candlelight, but daylight; and there is no intelligent expression of opinion which we shall not welcome under the difficult circumstances with which the Government has to deal."

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NORTHERN INDIA LICENSE BILL.

The Honourable SIR JOHN STRACHEY moved that the Bill for the licensing of trades and dealings in the Punjab, the North-Western Provinces and Oudh be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell and Colvin, the Honourable Nawáb Faiz Ali Khán and the Honourable Mr. Morgan and the Mover. He said—

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"My Lord,—At the meeting of this Council last week, Your Excellency stated that I should be able to explain to the Council to-day the course which

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the Government proposes to follow with reference to the Taxation Bills which were introduced three weeks ago.

“His Honour the Lieutenant-Governor expressed at the same time a strong opinion that no unnecessary delay ought to be allowed in passing the Bills into law.

“He said that local legislation depended much on the shape which these Bills might take, and that until that shape was finally decided, doubt and unsettlement must remain in men’s minds as to the extent to which their interests would be affected by fresh taxation. He said that this doubt and unsettlement were mischievous to the public and embarrassing to the Government, and besides this he urged this important fact, to which I myself drew the attention of the Council when the Bills were introduced, that the work of assessing the license-tax ought to be carried out by the European officers personally before the cold weather now passing away was over; otherwise the work would inevitably fall into the hands of Native subordinates.

“Similar representations have been made by several of the other Local Governments. It had originally been the wish of the Government of India that a somewhat longer period should be allowed to elapse before these Bills were proceeded with; but on reconsidering the question, the Government fully recognises the force of the reasons given by His Honour the Lieutenant-Governor for the opinion that the Bills ought to be passed without needless delay.

“If the measures proposed by the Government had been less favourably received, the case would have been different, and it might have been right to give more time for public discussion and criticism. The Bills, however, have now been before the public for very nearly three weeks, and it was a cause of much satisfaction to me to hear from my honourable friend the Lieutenant-Governor, that he was satisfied that our measures had been generally well received, and that the necessity for further taxation had been loyally recognised.

“The Government therefore proposes that the Bills shall now be gone on with in the usual course. I am about to move that they be referred to a Select Committee, and when the report of the Committee has been laid before the Council, it is proposed to proceed with the Bills as speedily as may be found convenient.

“I have only one other point to notice.

“At the last meeting of the Council, my honourable friend the Lieutenant-Governor expressed a hope that I would take an opportunity of explaining the scheme which the Government of India proposed to adopt in regard to the expenditure of the funds which we are now proposing to raise by fresh taxation.

“I think this wish of my honourable friend entirely reasonable, and before the Council is asked to pass these Bills into law, I shall endeavour to give the fullest explanation in my power in regard to this subject.

“I feel confident that I shall be able to satisfy the Council and the public that the resolution which the Government has proclaimed will be faithfully carried out, and that the proceeds of these new taxes will be expended for the purpose of providing what I have called an insurance against famine, and for no other purpose whatever.”

The Honourable Maharaja JOTINDRA MOHAN TAGORE said: “My Lord,—I have listened with attention to what has been said by the Honourable Member who has just spoken, and I crave Your Excellency’s permission to occupy the time of this Council with a few remarks. I feel sure that the people in general will in all loyalty willingly submit to the proposed taxation when it is shown that the exigencies of the State necessitate its imposition, and considering all circumstances, I am inclined to think that the proposed license-tax is the best that could be suggested—next perhaps to an income-tax with a high minimum of incidence. As non-official member of this Honourable Council, I deem it my duty, however, respectfully to represent to Your Excellency the strong impression which exists among the people that there is considerable room for retrenchments in the Home Military charges as well as in the Army and Public Works expenditure here, and that no additional tax ought justly to be imposed on the people before such retrenchments have been effected. As to the practicability of the reductions, they are supported in their views by no less an authority than Your Excellency’s distinguished predecessor Lord Northbrook; and this Council

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will remember the correspondence which passed between the War Office and the Duke of Argyll when His Grace was the Secretary of State for India, with regard to the depôt and recruiting charges. I am glad to see that the Honourable Member in charge of our finances entertains similar views with regard to military expenditure, and although he said on a former occasion that Your Excellency's Government will endeavour by representation to the Home Authorities to effect necessary retrenchments, he has unfortunately for us been able to hold out little hope of success. Now, My Lord, the people of this country have no voice in the British Parliament, and they have no exponent of their views in the India Office; they naturally look up to Your Excellency's Government as the protector and guardian of their interests. I hope Your Excellency will allow that, as loyal subjects, they have a right to expect that this Government will not simply represent, but represent with all the force and earnestness which sincerity of conviction imparts, that it cannot consistently with justice impose fresh burdens upon the mute millions mostly living from hand to mouth, until all possible reductions in expenditure have been effected. The generous instincts of the British nation and the love of fair-play which distinguishes them will, I feel confident, be on the side of justice to India, though the adjustment of the financial relations of England with India on an equitable basis were to affect their own pockets and interfere with patronage in certain high quarters. But we are aware that reductions in expenditure cannot be made all at once, while the deficit in the revenue must be immediately met. Taxation, therefore, is a matter of necessity. There is a widespread apprehension however which, I confess, is not quite unfounded, that taxes once imposed are not easily or soon removed. For this reason I would take the liberty respectfully to suggest that the Select Committees to which the Taxation Bills are to be referred may be asked to give their special consideration to the question whether the Bills should not be so modified as to limit their operations to a certain period,—say two or three years, so that there may be ample time for representation to the Home Government and the British public of the grievances of which we complain. This course, I submit, will be an assurance to the people that Your Excellency's Government is in earnest, to do all it can to effectuate reductions, and will inspire them with a confidence that no new permanent burden will be laid upon them until all efforts of Your Excellency's Government to persuade the people of Great Britain to deal justly by the helpless millions of this their great dependency have absolutely failed.

"One word more, My Lord, and I have done. Regarding the application of the money to be raised by taxation, with every deference to the Honourable Member in charge of the Bills, I am humbly of opinion that it should be formed into a separate fund with a separate account, and not be merged into the general Revenue, so that it may satisfy the people that it is what in reality it is intended to be, a separate famine fund; they will also have an opportunity of knowing what portion of it, if any, is applied to the repayment of previous famine loans, and what portion is spent on the construction of famine insurance works, and how far those works answer the purpose for which they are intended; for, not to mince matters, there is a general conviction that some at least of the irrigation-works which have been executed have turned out to be, as Colonel Corbett has shown, works of experiment rather than of experience."

The Honourable SIR ANDREW CLARKE said :—"My Lord,—The Council will, trust, permit me to offer a few observations which, from the relations that are now recognised to exist between Famine and Public Works, may not be wholly unacceptable or without interest. And the more so, as the administration of the latter being my particular function, some declaration of our policy may be looked for in the light of the teachings of our recent sad experience.

"It is hardly time for us to review the history of the famine that is passing away, though not yet completely gone, in the Deccan and Southern India. Scarcity and high prices of food, there as well as in other parts of the empire, still remain and render it as difficult as it is premature to come to any finite conclusion as to the exact cause of the calamity, or to dogmatize on the remedies that should be applied to meet the recurrence of famine in the land.

"Unhappily, as handed down to us, we have many and varied precedents, both administrative and economic, not all consistent however, and not all wise or good, for us to accept as standards for our guidance, or as models to imitate;

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some, in fact, are rather the reverse. You, my Lord, have discussed this section of enquiry in your Minute of last August. But whether looking backward or forward, our object is to ascertain what is the policy to accept, the practice to adopt, in order to enable us, if we cannot abolish famine—an end I fear hopeless to be attained—to do at any rate what we can to limit its area, to localise its scourge, to mitigate its intensity

“But here I may ask, though no complete or satisfactory answer, I fear, can yet be given, to what are high prices, scarcity or famine due? And why in recent years have these been so recurring, so severe, so virulent?”

“Are there causes, possibly as potent but silently at work, to bring about these visitations, besides mere atmospheric phenomena?”

“Is there less thrift than formerly? Is the surplus of full harvests no longer stored, but sold, and the proceeds dissipated? Has population increased and in proportion food produce diminished? Have edible grains given place to more paying crops?”

“It is possible that these causes are at work here and there, in isolated places, due to special circumstances, but I am inclined to think they are not by any means general. Their consideration, however, calls for thorough scrutiny and investigation, a duty pertaining, in its early stages at least, to the Economist and Statistician rather than to the Engineer.

“In connection with this, I would mention one incident of grave practical moment in the late famine. It is known that more than two-thirds of the autumn and spring harvest failed over an area inhabited by thirty millions of people, and that during the period, some ten months, of the greatest intensity of this famine, the food imported could only have helped to feed one-third of this multitude: yet at the instant the fresh harvest was assured, prices dropped and import ceased. This might lead to the assumption that Southern India held within itself, even when its harvests had failed, stores of grain nearly sufficient to feed its people for the whole time, and yet we were assured on all sides at the end of last, and beginning of this, year that there were no reserves of food, or next to none, in that country. Is it impossible to devise a means by which our knowledge on this all-important point may in the future be, if not absolutely reliable, at least not absolutely *nil*?”

“Again, the facts of the grain-trade of Northern India present some features which it may be worthwhile to note, and which suggest that vast reserves are still in hand, notwithstanding the enormous export-trade of the last two years, and particularly of the present year.

“The export of wheat from Calcutta on an unusual scale commenced in May 1876, just after the spring or wheat-harvest had been garnered. Wheat then sold at Cawnpore for 27 seers per rupee, and the export rose from 150,000 maunds in April to 540,000 maunds in July, but (checked apparently by a rise in price in July to 22½ seers) fell in August to 265,000 maunds. At the end of August the price again fell to 27 seers, and the exports rose to 560,000 maunds (the maximum of the year) in October. It was about this time that the signs of approaching famine were unmistakable.

“From the end of August, the price rose till nearly the middle of December 1876, when it was 21 seers for the rupee, and the exports in January 1877 fell to 1,20,000 maunds.

“Now it is since January 1877 that the extraordinary export has taken place—thus anticipating by at least three months the course of trade of the previous year,—but prices remained constant from December till the beginning of April, at 20 to 21 seers.

“War was declared in Europe on the 23rd April 1877.

“By May the exports had risen to upwards of one million of maunds, and with a slight check in June (the price had risen to 16 seers in May) reached its maximum (1,270,000 maunds) in August, the price having been 19½ seers early in June and 18 seers early in July.

“From June till the early part of August there was no great variation in price, but in the latter half of that month the price rose to 15 seers, reaching its maximum in the latter half of September when it stood at 11 seers. The autumn crops of Northern India had failed, and the export-trade fell suddenly to 440,000 maunds in September, was 255,000 maunds in October, and 235,000 maunds in November.



" Thus, so far as we can see, the enormous abstraction of grain for export from Bombay as well as from Calcutta, in addition to what was sent to the famine districts of Western India, did not cause a greater variation in the price of wheat at Cawnpore between December 1876 and August 1877 than is represented by a difference of  $4\frac{1}{2}$  seers in the quantity obtainable for one rupee.

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" But the moment one harvest had failed and the sowings for the next were in jeopardy, the law of self-preservation appears to have asserted itself, and we may, I think, deduce from the rapidity of its action that the reserves are great, and if, as I was informed, more than 100,000 tons of shipping were left without freights, we have an index of the trade which had been reckoned on, by those most fitted to estimate the power of the supply, to equal the demand.

" No doubt there are tracts of country which, formerly growing food for home consumption, now grow produce for export, and depend for their support on supplies from without; but accepting this, what follows will, I think, show that this is a source of satisfaction rather than a cause for regret, since in the restoration of the balance we find the very weapon with which to fight famine: for the fleecy capsules of the cotton plant, or the jewelled diapers of the poppy, feed their cultivators with no less certainty than the crops of the rice swamp, or of the wheat field feed those who raise them.

" The Agricultural returns of India, from which much might have been gleaned, are not very complete, or rather they are not as yet in a very accessible form, but Mr. Bernard has been kind enough to give me a note which will make a review of them intelligible. He says:—

" The best return I have been able to get of the area cultivated and the area under food-crops in different parts of India, incomplete it is true for some Provinces, but still sufficient for our purpose, shows that in our most thickly-peopled Provinces there are about 75 to 80 acres of land under cultivation to every 100 persons, and that out of those 75 to 80 acres 65 to 70 are under food-crops. For instance, Oudh with its dense population of 14 millions has 9 million acres of cultivated lands, of which 8,200,000 acres bear food-crops. Madras has 21 millions of acres under food-crops for its raiyatwari population (excluding zemindaris) of about 27 millions. Mysore has  $4\frac{1}{2}$  millions of acres under food for its population of 5 millions. British Burma has  $2\frac{1}{2}$  millions of acres under food with a population of  $2\frac{1}{2}$  millions. The Central Provinces, where the land is poor and cultivation is slovenly, and where there are grown much cotton and oil-seeds, have only 18 millions of acres under food-crops, out of a total  $18\frac{1}{2}$  millions of cultivated acres, but then its population is only  $9\frac{1}{2}$  millions. There are great differences in Provinces, for instance British Burma exports annually 800,000 tons of rice, that is to say, it produces from two to three times as much food as its people require. Assam, on the other hand, has also a very rich soil, a heavy and never-failing rainfall, enormous areas of virgin land, yet she does not produce food enough for her people, and has to import food from thickly-peopled Bengal. But so far as I know, Assam is the only Province in this case, and all the other Provinces of India produce enough food for their own support and for export as well.

" A great deal has been said of late years about the vast areas put down with opium, cotton, indigo, seeds and other crops, to the exclusion of food-crops, and to the exploitation of India for the benefit of rich traders and of distant populations. But much of this kind of talk is due to ignorance, for out of the cultivated area of British India, estimated at about 160 millions of acres, only about 580,000 acres are under opium, and little more than one million acres under indigo, 8,000,000 oil-seeds, and 10,500,000 acres under cotton, most of it for home consumption in India, while at least 130 millions of acres are under food-crops. And an acre of food-crop land will in an ordinarily good season support two people if the produce of one Province be taken with another. In Burma and Bengal one acre supports three or four people; in the Central Provinces and Bombay it supports less than two. No doubt the area under such crops as oil-seeds, jute and oil-bearing roots has increased greatly during the last 10 or 15 years. But then the total area under the plough has also increased vastly. In the Madras Presidency alone I find that Mr. Da'vell, no mean authority, wrote in 1867 that the cultivated land in certain districts of Madras had from 1856 to 1866 risen from 10 millions to 16 millions of acres, so that it is quite safe to say that the area of food-crop land in India is now as high or higher compared to the population than it was in old times, notwithstanding the great extension of non-food staples like lusseed and rapeseed."

" My object in calling attention to this statement will be patent, and, I trust, conclusive. It is this, that even if Drought and Dearth were more extensive and widespread than they have been in the most disastrous of Indian famines, the empire can still from its own soil feed itself, and I say this with the full knowledge that we have drawn rice from beyond the limits of the empire.

" The significance of this fact should go far to reconcile us to accept, not with cheerfulness certainly, but with resignation, the proposals of my Honourable Colleague; and this consideration recalls me to my more immediate object

which past and recent famines have taught us are that territories dependent on reservoirs, or 'tanks' as they are better known in India, offer, and at the best can offer, only an intermittent protection under the phase from which we are now emerging.

"Multiply these tanks as we may, they will stand us in but little help in such a famine as we have just passed through, due, as it has been, not to the failures of a single season, or of a single year. Deficiency of water in them originally, and ceaseless evaporation, are the influences which dry up one and dry up all when once the supply fails. And here, before I pass from this subject, I would desire to say that, although confidence in tanks cannot be assured, dependent as they are on the doubtful factor of local rains, yet in Madras and especially in Mysore, where there is the enormous number of 37,600 tanks ranging from the size of a village reservoir to a respectable-sized lake of 14 square miles, much has been done in recent years to place them in a condition of safety, improving, as far as practicable, their capacity. But in this direction still more has to be done, and every effort will be made to insist on the continuance of systematic action in perfecting these works.

"To replenish these reservoirs from other than their natural catchments, as has been suggested, by means of channels led off from the larger rivers, would, in nearly all cases throughout the centre of the peninsula, where the scourge of famine has been heaviest, be either wholly impossible, or relatively so if financially considered.

"The tempting idea of storing up the flood-wave where the streams first issue from their birthplace in the bosom of the Western Gháts, unless in a very few exceptional positions, appears to be as deceptive as it is luring, judging from the experience of works of this character in the Bombay Presidency. No less than 27 works more or less of this type estimated to cost over 2 millions sterling have there been either completed or commenced as Famine Relief Works, with, it is much to be feared, little prospect of paying for many years to come.

"The greatest advocate for schemes of this character has lately stated that 10,000 such reservoirs with an unfailling supply could thus be constructed, and instanced as a case in point one capable of storing 1,600,000,000 cubic yards of water and of commanding 'nine-tenths of the whole Peninsula of India,' which project, however, had in vain been pressed on the attention of Government.

"The officer whose duty it was to investigate this project, and who himself was at first most sanguine as to its success, informs me that, after several years' gauging the river which was to supply the reservoir, the available quantity of water turned out to be only one-fourth of that calculated above; and further, that judging from the experience of three other works of a precisely similar character which were experimentally carried out in the same chain of hills, the fact was clearly demonstrated that such works could not, at least under existing conditions, be made to pay. The land is there, the water is there, but the inducements hitherto held out to the cultivators to embark in irrigation have met with the same disheartening response as in the case of the Madras Irrigation Company's Canal, which has hitherto disappointed in the most marked manner the expectation held out when it was projected. I have said it would not pay; but to my mind this is a matter of secondary importance, if only it would not fail. But as a security against famine in times like those we have passed through, it would be a broken reed to lean on.

"In these situations, with *régur* or other unsuitable soils, rapidly sloping ground, and other drawbacks, the sparsely scattered, ignorant and indigent cultivators, who perhaps have had no previous acquaintance with irrigation, fail to realize the advantage of incurring the outlay requisite for terracing their fields (often in such localities a serious charge), and it is thus to be feared that generations must be born and die before appreciable progress can be made towards the desired goal.

"Until the general conditions with which we have to deal alter materially, or schemes hitherto tried without success solve the difficulty of bringing water to the land without thereby imposing an unbearable burden on the country, we must accept as a fact that close on 550,000 square miles of the 740,000 comprising the Great Provinces of the Empire (exclusive of the Native States,

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Burma, &c.) cannot receive protection in any broad sense, and the vision of the 10,000 great reservoirs conjured up by the enthusiastic projector must be allowed to fade into dreamland.

"Another distinguished writer who has been quoted as a great authority, and whose opinion I admit is deserving of every respect, has stated that the great tracts of the Punjab might, at the cost of some 10 millions, be irrigated without the risk of pecuniary loss, and that this would be an insurance against drought.

"This may be true, but the question is not entirely connected with famine, and considered from an irrigation point of view, the scheme has been already considered and abandoned, because the tax-payers of all India would have to find the money to execute it, and when executed there would be for generations no people to enjoy it, the district containing but a handful of inhabitants.

"The same writer when criticising our past expenditure in the Tirhoot famine would also have that country irrigated. Press these principles to their logical sequence and apply them to all the area of India, and we are brought face to face with an outlay of some £700,000,000 sterling!

"For a moment however admitting the dictum that 'there is not a district in India that could not be more or less irrigated,' and assuming that only 100 millions of acres (say 156,000 square miles) of its whole surface could have this great blessing conferred on it, at the rate specified, namely, £2 per acre (the Bombay works give Rs. 23½ per acre for protection exclusive of indirect charges), a capital outlay of 200 millions would be needed, and an annual burden imposed on the people of 8 millions sterling to cover the interest charge at 4 per cent.

"A proposition so startling might be allowed to answer itself, or still better, by adopting an argument already used that the taxation of India 'is almost without limit so high that you cannot turn the screw a bit more,' be condemned by those who have brought it forward for grave consideration; but as the best means of bringing home the very precarious nature of the revenue derivable from these protective works, the following sentence may be quoted from the Bengal Revenue Report for the past official year.—

"In Midnapore the rainfall was 75 inches more in the opinion of the raiyats than is good even for rice. Hence Canal water was at a discount. Those cultivators who had executed leases at the commencement of the season regretted that they had done so, and the result seemed to justify their view of the case, as numerous careful experiments made by both Revenue and Engineer Departments showed that the outturn of the irrigated crops was in no degree superior to that of the unirrigated. This following upon a previous year of good rainfall has brought the Midnapore Canal into the greatest disfavour. There was a large falling off in the leased area which has again been followed by a very much larger decrease in 1877-78.'

"This has the greater significance when it is recollected who the author is, and his devotion and attachment to this branch of his profession, for no better Irrigation Engineer exists in India than Colonel Haig.

"Again he observes—

"The previous year having been a very favourable one for the unirrigated crops, the area leased for in 1876-77 fell from 55,995 acres to 32,681, but as the season advanced and its real character developed, the lessees repented of their engagements, and endeavoured to evade them by every possible means, first clamouring for a remission of the Government demand on the ground that the water was of no value to them (which, as it has turned out, was true,) and when this was refused, endeavouring to prove that water had not been properly supplied. The result has been disheartening for both Government and people. The revenue demands were enforced mostly by process of law, the people resisting them to the last. Very little of the demand for the year was recovered during the year, but the recoveries of arrears of former years were so vigorously carried on, that the actual collections exceeded those of any previous year except 1874-75.

"It is impossible to record this result with any satisfaction, as it seems certain that the arrears and the difficulty of enforcing payment were mainly, if not solely, due to the extreme poverty of the people. It is melancholy to read of 12,714 certificates having been issued for the recovery of the arrears after abandoning all claims for less than one rupee, and making remissions to a large extent on other grounds, and this in a district where the irrigators have, as a rule, dealt fairly with Government, and have always been ready to pay when they had the means. One can hardly read the description of the revenue operations of the year, and it may be added, of the previous years, without a wish that, if the state of the cultivators is such as it is described by the Collector and his subordinates, irrigation, which, according to them, only enhances the difficulties of the people in ordinary years, had never been introduced at all.

The Deputy Revenue Superintendent remarks—“The most potent cause about the gradual decline of the area leased is the indebtedness of the Midnapore rayats. They are involved over head and ears; and it is a matter of infinite regret that their debts are increasing as their connection with the Government irrigation is growing older. Excepting during the year under review, the canal irrigation as compared with the unirrigated crop has always increased the yield from 3 to 5 maunds in the acre, but the Government irrigators are not in a position to benefit by it; all that they obtained from the fields go punctually to fill the coffers of the Mahájans, and they have finally to borrow money for the payment of the water-rate. The increased yield of the crop, if reserved for the liquidation of the Government debt, is sure to prove more than enough for the purpose, but no notice is taken of it, and when the irrigator is forced to pay for the irrigation of his land, he blames the canal for the increase of his debt.”

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“Again, attachments and sales of the debtors' property were very frequent, and where they had not the desired effect, the debtors were arrested for the realization of the Government dues, and it is now a very common saying within the irrigable area that the major portion of the Government irrigators have been deprived of their plough-cattle for the payment of the water-rates. This is not very untrue, as the most valuable saleable property in the possession of the cultivators are the bullocks; and where we could catch hold of them no other movable or immovable property belonging to them was attached or sold. The number of sale notices and warrants for the arrest of the debtors issued during the year under review was unusually large, yet from the well-known poverty of the Midnapore rayats, the result has not been as satisfactory as was anticipated.

“The part played by the Zamíndárs and Mahájans in the matter is shown in the following extracts from the Deputy Superintendent's reports —

“The Zemíndárs, whose resistance to the spread of irrigation was hitherto passive, have now broken out in action, and many of them have openly prohibited their tenancy from using the canal water on the penalty of incurring their severe displeasure. They have done this with the view of securing the realization of their own dues, and of preventing their rayats from increasing their debts unnecessarily as they call it. The Mahájans also have been telling the rayats not to resort to the canal any longer.”

“For the Collector's explanation of the causes of this state of things reference may be made to the Revenue Report of 1875-76, paragraph 36. It should be noted, in passing, that the year 1876-77, in which coercive measures on so large a scale were found necessary for the realization of the Government revenues, was one of exceptionally high prices, and so far peculiarly favourable to the rayats.

“I have at length, and I fear to weariness, made these quotations; not that I desire to repeat them in the remotest degree to depreciate irrigation, but to show that the subject is surrounded with other difficulties, perhaps more obstructive and more powerful than those which the Engineer can overcome or the Financier deal with.

“What has been done already in the way of this artificial irrigation in parts of India, its cost and its results, may be rapidly sketched.

“Take first, my Lord, this great Province of Bengal, with its 62,000,000 of population, and its 48,000,000 acres of land under food-crops, and its 7,500,000 acres producing industrial staples of one kind or the other, and consider its three great irrigation schemes of Orissa, the Sone and Midnapore.

“These three projects protect generally some 1,231,000 acres, or 2·2 per cent. of the whole cultivated area of the Province; they will, when completed, fully preserve that area from drought under the worst conditions yet known. In the last year water was taken from them for 360,000 acres, or only a little more than  $\frac{1}{2}$  per cent. of the total lands under crops. To obtain this result, we have already spent close on 4 $\frac{1}{2}$  millions sterling, and a little under £4 an acre will have been spent when the works have been completed.

“In the Punjab, exclusive of ancient works, nearly 3 $\frac{1}{2}$  millions sterling have been spent in irrigating a little more than 1 million acres. The Sirhind project, now drawing to completion, promises well, but none of the other numerous schemes for further irrigation in the Punjab hold out fair prospects of immediate success.

“The same difficulty applies to the prosperous Provinces of the North-West, where £5,500,000 have been already expended in irrigating, according to the last returns, some 1,390,000 acres, and in prosecution of works which will eventually command a much wider area. This accomplished, the Ganges and the Jumna, the perennial rivers of these regions, will have given up possibly all the treasures they have drawn from the glaciers of their source.

“An author, one indeed of our own circle, has in an English periodical, alluding to our not having constructed the great Sardah Canal in Oudh, twitted us now in India, for locking the stable door after the horse had been stolen, and

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has compared us to a father who has fee'd the doctor, but has forgotten to feed his own child.

"In answer to this, I shall only quote an extract from the Secretary of State's Despatch of the 9th April 1873, in which he says:—

"At a time when the finances of India are burdened with the pressure of so many and such important public works, it was obviously impolitic to persevere in a vast undertaking costing upwards of 3 millions of money for the purpose of bringing water to the estates of landholders, who protested against the projects as being unnecessary and a source of disease, while the opinions of the great majority of the local officers in Oudh, endorsed by every Chief Commissioner of the Province, and shared in by the Lieutenant-Governor, were that the proposed canals were not wanted and would not be a financial success."

"Let me pass on to Madras, where, as far as I can gather from the facts, some six millions sterling have been spent on irrigation-schemes, or rather where this amount has been calculated without taking into account the dead stock value of the ancient Native works. The results are certainly better there, for whilst in ordinary years some five million acres receive the full benefits of irrigation, in the very worst years one million six hundred thousand acres are effectually protected,—yet Madras, with its 32 millions of people, has even then but seven per cent. of its agricultural industry secured from disaster in years of ordinary rainfall, and a much smaller area in years of drought.

"In Bombay, exclusive of Sindh, with 19 million acres under cultivation, some 17,000 can now be irrigated, and when the works which are now under construction are completed, costing at present estimates more than two millions, it is hoped, at all events, some eight to nine hundred thousand acres may be protected.

"I could go on giving dry facts, but in themselves they would, I fear, convey but a small idea to the mind of the vast work already accomplished in this country, far exceeding all that has been hitherto done as regards irrigation by collected Europe with the great canals of Italy and the reservoirs and dams of Spain, and I should assuredly fail were I to undertake the still greater task of practically bringing home the boundless nature of the effort which some would have us undertake, were we to rely on irrigation alone as an universal insurance against famine.

"It must also be distinctly borne in mind that the early Irrigation Engineers, who have left an imperishable name in connection with the works of their creation, naturally, and indeed necessarily, selected those fields in their enterprise, where all the elements of success lay in happiest combination. Where in fact—

"Mill sites fill the country as thick as you can cram 'em,  
'An desput rivers run about a' beggin folk to dam 'em'

"One of these Engineers, not the least distinguished, nor the least loud in his upbraidings at the shortcomings of those whom he has left behind in India, for not following his good example, has quite forgotten that he has himself plucked the choicest plums off the tree and has left us only the kernels. Take for example the Kistna Delta Irrigation alone. What have we there? a garden it is admitted. But then, from the 31st December till the 1st July, it places under contribution, and claims exclusive right over, all the water from a catchment of not less than fifty times its own area.

"Having now, however, entered upon those tracts where these advantages no longer exist in such profusion, the least want of prudence may, by bringing about failures injure the very cause which those, who most earnestly desire the extension of irrigation, have most at heart.

"I think that I have, however, sufficiently shown that the administrators of this country, whether civil or professional, have ever valued the precious treasures of its rivers and storm-waters."

"In short, as far as I can ascertain, we have spent some 24 millions sterling, and not for this we have some 14,000 square miles actually irrigated with more or less certitude as regards permanency of supply. In other words, we have had to pay £1,700 for each square mile, or something under £3 an acre.

"Even if we had the water at command and it were otherwise practicable to protect all the agricultural land of India, it would demand on this basis, an

outlay of at least some three hundred millions sterling. This would build some 40,000 miles of Railway, the fourth of which would give us an insurance not against famines, but certainly against extreme scarcity, distress and death from want.

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"I said just now *if practicable* because, in order to irrigate, we must have water, either annual from heaven or perennial from the snows of the Himalayas. The first we must regard, I fear, as precarious and uncertain, and as for the last; great as is the extent of the region over which the snow waters have their influence, and though possibly more may yet be garnered of their generous and perpetually recurring flow, we have already in the Punjab and in the North-Western Provinces, especially in the latter, appropriated so great a quantity of it, that we fear we are approaching the limits of the supply. This last year we are told that the Ganges Canal was strained to its utmost, and at the tail of its distributaries the cultivators got but a scant supply; thus rendering more doubtful than before, the wisdom of drawing off any further supply for the proposed Eastern Ganges Canal.

"It is in years like the past one that the great advantages of irrigation are so apparent. We have evidence that the undeveloped Sone has already saved harvests, which must otherwise have perished, of more than a million sterling in value, whilst in the recent visitation in Madras the irrigated districts of the Godavery, Tanjore and Trichinopoly have practically paid their land-revenue in full. The Kistna District, where the Irrigation project is not complete, has had remitted some 15 per cent.; but in the unirrigated districts, remissions ranging from 30 to 70 per cent have prevailed, whilst they have drawn from the irrigated districts food to the value of some £150,000 exported by sea alone.

"I will not now trouble the Council with any observations as to the Embankments or inundation projects of parts of Bengal, of Burma, or of Sindh. I only allude to them at all as significant of the fact that the Rulers of this country, Native as well as British, have in more ways than one, in the present as in the past, thought out the difficult problems that this struggle against Nature has from time to time presented to them.

"So also I will not now say anything of the water-logging of land, of the raising of the spring level, of fever and other alleged evils, which even if I admit as existing at all, I admit only to say that a remedy for them by drainage exists, though its cost, a heavy item with low-lying stiff clay soils, must be added to that of the original works.

"Let me, when mentioning drainage and the necessity for applying the severest examination to irrigation schemes, quote what one of the apostles of irrigation himself says when speaking of promoting indiscriminate and widespread irrigation—'We should,' he says, 'make sure that we may not turn the irrigated districts into vast swamps, decimating the inhabitants with fever, and reducing, instead of increasing, the fertility of the soil.'

"And here I may remark that the nature of the soil has been a factor which has been too often wholly ignored not only in schemes projected but since completed.

"I trust it will not for one moment be thought, because I have said what I have, that I am in the most remote degree opposed to, or the enemy of, irrigation; far from it. I believe I am—by the course I have taken in applying to every scheme and estimate that has come before me since I have taken my seat at this Council the closest enquiry and the most minute scrutiny as to the soundness of the one and the accuracy of the other—a truer friend to irrigation than the romantic enthusiasts who can only see that in water there is a cure for every ill, or the orator who, from the vantage ground of his great eloquence, makes easy the task, and would guide us through a maze, of which it is reserved for statesmen yet unborn to find the clue. So in saying this I wish it to be understood that we do not purpose to neglect in the future irrigation-works which give prospects of being not only beneficial in ordinary years but in years of scarcity. Many projects are now under enquiry of which I hope this may be said, though of some of them the full cost of which would come to some £15,000,000 sterling, I find it already recorded that 'none of them are so urgently needed, in view to the prevention of famine, as to render it essential to extend financially the scale of operations in irrigation-works.'

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"I have already alluded to the projected through water communication from Karachi to Calcutta, estimated to cost £5,000,000. If this line of navigation, passing as it does across the Peninsula through regions flooded by the great waters from the Himalayas, stretching to both seas, traversed by a net-work of rivers, flowing through a natural physical formation—fulfilling in short all the Engineering conditions favourable to inland navigation—offer little or no prospect that, until years have elapsed, its practical influence as a means of communication will be felt, and that as a reproductive work, there is but little hope for any return, how does the problem stand in other parts of Hindustan?"

"Here and there, as around this city, local works of this nature, isolated and apart, have been a success, and many other navigation canal projects are likely, in this limited form, to be carried out from time to time; but any connected system of internal navigation seems a remote possibility.

"The irrigation and combined navigation systems of the Godavari and Kistna, projected to open up traffic from the Eastern sea-board to the country of their sources and even to the Western Ghats, and ultimately to debouch at Carwar on the Western Coast, give little prospect or encouragement for us to anticipate from them the great benefits or facilities predicted by their projectors. It is not difficult to understand thus when the main link in the chain, that of the Madras Irrigation Company, is closed for six months of the year, because the source of its water-supply is closed to it for that time! Even if this source were a constant one, the extension of the navigation to the Coast is barred by physical difficulties of apparently an insurmountable character. I may be told all this can be remedied by storage tanks. I grant this might be possible, but without counting their cost, or other difficulty of even a more serious nature which, as a financial undertaking, will make the original scheme a still more hopeless affair than now when the return on the work do not come within a lakh per annum of the maintenance and establishment charges irrespective of interest on capital, recent experience tends to show that these aids will in the hour of our direst need fail us.

"Still I do not desire to condemn these schemes altogether, and I hope to see something practical done with them; possibly, a remodelling of the works may ensure better results.

"The East Coast Canal, the most promising project of all, will demand, in order to secure its ultimate success, the solution of difficulties which will try the skill, genius and daring of another Cautley, owing to its having to cross the drainage of the whole Peninsula.

"I fear, then, that as far as our knowledge goes, we cannot look forward to being able at any early period in India's future to see established a connected system of inland navigation. No doubt in districts favouring their construction we shall see navigable canals introduced and extended, but, judging from the past, their use and general adoption must at best be necessarily a matter of slow growth, and in the centre of the Peninsula, where they would be of the utmost service in case of the recurrence of any such famine as we have now passed through, it may be doubted whether any connected line of real utility could be constructed with advantage.

"Accepting the difficulties of the position as thus briefly portrayed, it is evident that the only practical course at the present moment is to recognise the mutual inter-dependence of the different parts of this vast country, and provide the means of distributing the surplus of one part to meet the deficiency of other parts.

"Happily we have not suffered simultaneously throughout India. The surplus produce of one part has been available for transport to other parts, and the enormous export of wheat which has been concurrent with the late calamity has shown that India has been able as a whole to produce more than it could consume.

"I do not lose sight of the fact that the people of Southern India are not a wheat-eating people, but from the experience of the late famine and of that of 1874, it is evident that the calamity must be indeed frightful when India herself and the neighbouring rice-producing countries accessible by sea cannot feed any afflicted part.

"Even if on the whole empire the scourge of famine fell, and the food of

its people had to be ocean-borne, how entirely dependent must the country still be on its internal communication!

"The point, then, at which I have arrived is that land communications have been our main stay in the recent famine and must ever be.

"I do not purpose to enter again upon the vexed question of waterways against railways. Even could I bring myself to consider that the former were possible in places where the latter exist, I could not shut my eyes to the facts which are patent to every one.

"We have a system of railways and we can say that they are now paying investments in the matter of direct returns. These railways have taught the people the advantages of rapid locomotion, and the merchant and trader know well without such teaching the value of the Telegraph and of the Railway in the matter of quick returns. The railway system must continue to expand and will expand till every inhabitant of India is within 50 to 100 miles of a line.

"But there is an argument for Railways which has especial force in time of famine. A grass famine may be said to be as bad as a grain famine. For if the cattle on which the tilling of the ground is dependent cannot get fodder or even grass, the people are indeed in a bad way. Their only resource is to take time by the forelock, as thousands have done in Upper and Central India in the course of the last few months when scarcity threatened, and, as in the case of a water famine, emigrate to distant tracts in order to save their cattle.

"We have not neglected the extension of Railways in connection with the lessons taught us by the famines of the last few years. The Northern Bengal, the Turhoot, and the Irrawaddy Valley lines all received an impetus from famine if they do not owe their early existence to it. The recent calamity has precipitated the construction of the Dhond-Manmar line into an almost accomplished fact, and has given a stimulus to at least two other lines in Southern India similarly the threatenings of scarcity, now happily almost passed away, which came upon us a few months ago, have given an impetus to the projected lines of Central India and Rájputána.

"The Government has not hesitated, notwithstanding the severe strain upon its resources, to devote during the present year upwards of a million sterling to Railway lines over and above what it had arranged to spend this time last year.

"And whatever views may be held on the subject of Railways, there is this justification for their extension, that since October 1876 they have carried into the heart of the afflicted districts upwards of one and a quarter million tons of food-grains, representing the supply of  $7\frac{1}{2}$  millions of people for 12 months at *lib.* per head per diem. But continuous as has been the inward current of food, the work of the Railways has at times been far heavier than would be gathered from the even distribution of the quantity named over the entire period. Thus, in the three months ended December 1876, the great Indian Peninsula Railway carried into the districts afflicted nearly 27,000 tons monthly, besides the larger proportion of the grain (44,000 tons in the three months), exported by sea to the Southern Mahratta ports of that Presidency.

"In July and August of this year, when the intensity of the famine was at its maximum, that Railway carried almost the same quantity.

"And during those two months the Madras Railways distributed almost 200,000 tons of food.

"The effect of a prompt supply of such a quantity of food can only be estimated by a consideration of the direful effects of its non-supply, and I shall not be accused of exaggeration when I say that the Railways have saved Southern India.

The work done by a Railway is only partly appreciated, unless the distance over which the goods are transported is considered.

"The rice exported from this port, Calcutta, was not carried over any great length of Railway, but the wheat of Upper India, which was carried in large quantities to Puna and even as far as Bellary, and the grain of the Central Provinces, was carried over hundreds of miles descending and ascending the Western Gháts. The waste of power over the Gháts and the risk attending it have been eliminated for all time by the construction of the Dhond-Manmar line.

"But vital as is the assistance which the Railways have afforded, it must

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not be left out of sight that this aid was rendered with a concurrent unprecedented export trade, and, consequently, augmented general traffic.

"Thus, in the first-half of the current year, on all the Railways of India, there were about 4½ millions of tons of goods lifted against 3¼ millions in the corresponding period of 1876.

"The pressure during the past year has been very great, and no doubt more or less loss and inconvenience has followed from this strain on the resources and means; but considering the distances traversed and the consequent impossibility of preventing detention of rolling-stock, the working has, on the whole, been creditable to Railway management in India.

"In considering the effect upon the English railway system of the construction of the Channel Tunnel, the diversion of rolling-stock to continental railways has been discussed as a matter which would call for very special arrangement. Our English Railway Managers would not, I apprehend, view without misgivings the concentration of a moiety of their wagon-stock at Berlin, Vienna or St. Petersburg; yet the diversion from the lines of Northern India of a couple of thousand wagons was a frequent occurrence during the recent pressure, and on one occasion the number of wagons thus absent was close upon 2,800.

"Perhaps a few words from me here in further explanation of what has been already stated by my hon'ble colleague in reference to this railway traffic and the preference given in September to food destined to the famine-stricken district may not be amiss.

"Very early in February of last year the power of the Great Indian Peninsula and Madras Railways to deal with the increase of traffic thrown upon them arrested our attention, but both Companies then thought that nothing special was needed to facilitate their operation

"But on the 5th March, I find myself writing, when ordering engines from our State lines in Northern India to be placed on the metals of the Madras line, that 'the Great Indian Peninsula is now in need of engines to work its own lines,' so rapidly had grown the demands from various causes on the rolling-stock of the lines. This growth of traffic led to many suggestions all pointing to the direct interference and intervention of the State with the management of the lines and the direction of trade. On this I find I again wrote pointing out that more engine power was all that was needed, adding—

"From the north and west the lines in correspondence are working as one system, and their capacity is only limited by their united haulage power, which no new organization or fresh administration can possibly improve, whilst on the contrary the introduction of foreign interference will inevitably tend to irritation and friction; and misunderstanding, confusion and chaos will take the place of hearty co-operation and management which at present exist between the managers, who are mutually aware of their individual difficulties, and that these arise from physical and material causes requiring only time for their removal.

"At this moment throughout the whole of our railway system, a number of other circumstances, and not the famine alone, has caused a sudden expansion of traffic. All railways are taxed to their utmost, and even on the far Indus Valley, where by the opening for goods traffic of a portion only of the line last January, the Flotilla on the river was released for more concentrated traffic, an unexpectedly large trade has sprung up, and the wheat of Sindh and of the Northern Panjáb is seeking a market not only in the Deccan, but even in Europe itself. All this has to be watched and nurtured, and any rough or rude remedy, dictated by the momentary necessity for removing a block on a line traversing a district of Bombay or Madras, might irreparably throw back the growth of this trade and industry.'

"Again—

"I hope I have shewn in this note that no exceptional *administrative* measures are really needed to meet the present pressure, which I am confident can be satisfactorily overcome without them.'

"This I wrote in March of last year

"To do more than the Railways were already doing could only be effected by two measures—one the doubling of the lines, the other the procuring of additional engines.

"The first was out of the question even if it could have been done in time to be of use in such a crisis; the second, owing to the exceptional gauge adopted in this country, was really almost as impossible as the first, since we have in Europe no reserve from other systems to fall back upon. The only

alternatives left then were to contribute stock from the Northern lines, although on them, too, the pressure had fallen, and to give preference to food consigned to Southern India. Still reluctant to press, till forced by inexorable necessity, either of these courses on the Railway administration, it was not till the calamity in Southern India was assuming yet darker features, that with your approval, My Lord, I wrote confidentially to the several Railway Agents on the 27th July a letter which with the permission of the Council I will now read—

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“DEAR SIR,—The situation in Southern India appears to be graver now than ever. It is causing the Viceroy to consider with anxious solicitude the means to be adopted in order to mitigate the terrible distress which seems imminent from want of food in Mysore and Madras, and it points to our being forced to take exceptional measures for facilitating the transport of grain into and within those countries

“This, I fear, will have to be done at the sacrifice of certain trade interests, for in face of such a crisis, preference must be given to food-grain traffic.

“The haulage power and the stock on the Madras, and very possibly on the Great Indian Peninsula line, will have to be increased by contributions from other lines, and Lord Lytton feels assured that he may reckon on the co-operation of other Companies, should such a course be forced upon us.

“I trust that it may not come to this. But I invite your aid and co-operation to help us, and in the meantime I write this to ask you to consider what you can do to regulate and increase famine traffic, so as to give it a special service and preference over all other consignments on your lines, and to see what powerful goods engines (the gradients of both the Madras and Great Indian Peninsula Railways are bad) and covered or high-sided stock you can supply to the Madras line, in order to distribute what is sent from the North or by water. The latest information shows that the Madras Railway must have 16 powerful goods engines and 400 wagons without loss of time.

“I write this therefore to prepare you for what is probable. Please consider this in the meantime as very secret and confidential, but in case the worst comes to the worst, I should like to know beforehand what are your views on the course suggested.”

“I need not dwell upon the correspondence and negotiations that followed the issue of this Circular.

“The Agents of the Northern Railways did as much as was in their power to do, but fortunately it was not necessary to insist on preference on these lines, though the Government of Bombay were compelled at the end of July or beginning of August to urge on the representative of the Great Indian Peninsula to give food consigned to the Famine Districts preference over other goods.

“Hardly had this been done when the correspondents from the Calcutta press in Madras telegraphed to their principals in this city—‘People are asking, should not the Railways now carry food only?’

“I give these facts to show that this subject was fully considered, and that we did not lightly, nor without very great reluctance, urge on the Companies those exceptional steps—a necessity as imperative, if not more so, than the necessity of war.

“The same distinguished Statesman who has advocated Irrigation as the treatment for famine has asserted that we have abandoned this remedy in favour of Railways, the agents that support our Military policy

“That in the alignment of these great highways, the part they might play in the defence of the empire in time of war was not overlooked by the great Proconsul, who first gave them to India, is incontrovertible; but if they have not yet helped to deliver us in time of war, they most certainly have in time of famine, nor have they failed to deliver us from some of the accidents of war. After the tempest of the great mutiny had calmed down, those who were then responsible for the future peace of India, decided that a British force of a certain strength should always be in the land. The extension and part completion of the Railway system has permitted of a reduction in recent years of this force, which at the very least falls not far short of, if it does not exceed, two millions sterling a year. Thus besides having saved India some thirty millions already, it has saved to England a corresponding drain on her people.

“Nor am I, I believe, oversanguine, when I express the idea that, judging from what has been the development of traffic on the essentially Military lines of Northern India, their designers will be agreeably disappointed at finding that as Commercial lines they will not be such a drag on the finances as has

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been anticipated, whilst of this I am sure that they will be found to be the most powerful pacificator of our troubled frontiers.

"I have purposely avoided making any observations as to what should guide us in our administration, either civil or professional, when famine with all its suite of evils is really in the land; and I can scarcely be anticipating any final conclusion if I express the opinion that in proposing works for the exigencies of famine they must be chiefly of a character suitable for unskilled labour, requiring little skilled supervision, and able to be executed by concentrated gangs, whose wages can be paid with the least opportunities for speculation. Far be it from me to say that we should have no work for the artisan or the skilled labourer. This class suffers just as much as, if not more than, the mere cooly or the simple agriculturist. But as the bulk of the labour is ignorant, the bulk of the work must be simple, and as the skilled supervision is limited (unless you divert it, and then you create mischief, from those works which must go on in any case), there exists still stronger reason that the work should be such as earthwork, collecting and breaking stone, a kind of work easy to supervise and to pay for.

"The various classes of works, suitable for relief objects, taken in their order, are tanks; road, river, and railway embankments; irrigation channels, canals and drainage-works; and I agree with those who think the last three are the last to be undertaken, because if these are not thoroughly well designed, they are the cause of very serious and absolute mischief. I would dwell upon this point, as I cannot too strongly reiterate the intention, and, I believe, the instructions of the Supreme Government, that in view to the efficacious working of this policy it is primarily essential to have in reserve and ready the full and clear engineering details of such works, elaborated in quieter times by the professional officer in concert with the local civil authorities.

"To this precaution I attach the highest value, because I wish most distinctly and emphatically to disclaim, both on my own part and that of the Officers of the Public Works Department generally, that we regard famine as the opportunity for advancing our schemes or airing our pet projects. The initiative in these matters should be taken by the Civil Administrators, who are primarily responsible for the good government and material prosperity of the people committed to their charge.

"In saying this, however, I do claim for the Public Works Officers of the State that to them should very early in a campaign against famine be entrusted the agencies to fight it, and that operations be not postponed till to scarcity and lack of means are added disease and emaciation among the people, to say nothing of the demoralisation inseparable from the pauper's dole, or the existence prolonged only by the relief ration.

"This is the more essential in this country, where it is not from a total absence of food within the country itself that men perish, but from the absence of means of acquiring it. They are deprived for the time of winning their bread by their usual callings, because he have not in this country, from its social relations and the functions Government has taken on itself, men of enterprise or philanthropy as we have in our own Western Home, who see, in the failure of a harvest, or of an industry, openings for giving to the labour thus set free, employment in works of utility, of improvement, or even of luxury.

"In advocating this as the true course to follow, I am conscious of the fact that it means a larger first outlay; but it also means a very considerable decrease in the unproductive expenditure which ordinary famine relief means.

In what I have said I have rather reviewed the past, and dealt with what has been done already in the way of those material improvements, which may to some extent have counteracted the full effect of failure of harvests, from time to time, in parts of this Great Empire.

"I have dealt with the accomplished facts of the past, and avoided profuse promises as to the future; for I believe the narrative of the past will carry to men's minds the conviction, that those, to whom has been hitherto entrusted the guidance of affairs in this country, have not failed or neglected their duty in these respects; and this will be a sufficient earnest that this path of duty is not now likely to be abandoned."

The Motion was put and agreed to.

No. 108.] *Legislative Council, Thursday, 31st-January 1878.*  
NORTHERN INDIA LICENSE BILL.

The Hon'ble SIR JOHN STRACHEY presented the report of the Select Committee on the Bill for the licensing of trades and dealings in the Panjáb, the North-Western Provinces and Oudh.

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No. 109.] *Legislative Council, Saturday, 9th February 1878.*  
NORTHERN INDIA LICENSE BILL

The Hon'ble SIR JOHN STRACHEY moved that the Report of the Select Committee on the Bill for the licensing of trades and dealings in the Panjáb, the North-Western Provinces and Oudh be taken into consideration. He said:—  
“My Lord,—In asking the Council to take this report into consideration with the object of passing the Bill into law, I shall have little to say regarding the measure itself. The reasons for which new taxation is required, and the principles on which the actual proposals of the Government are based, have been so fully explained already, that it is quite unnecessary that I should enter into them again. That further taxation is unavoidable to enable the Government to meet, as one of the ordinary charges of the State, the obligation of preserving the lives of the people in time of famine is admitted, I think I may say, by all reasonable men. The form which this fresh taxation should take is on the other hand a subject on which it is inevitable that differences of opinion should exist. I have stated on behalf of the Government the reasons which have led us to the conclusion that the trading and agricultural classes are those on which the obligation of contributing for the prevention and relief of famine more especially rests. These are the classes on which as a whole, and on which almost alone the pressure of actual famine falls. They ought, therefore, to contribute for their own protection. In regard to the commercial and trading classes, there is also this strongest of all justifications for taxing them, that, excepting always that comparatively very small section of them which is composed of Europeans, they now pay almost nothing towards the expenses of the State. There is, moreover, this further reason, that although the trading and agricultural classes are the first to suffer when famine occurs within the limits of their own Provinces, they benefit immensely, taking them as a whole, by the occurrence of famine in other parts of the Empire. The misfortune of their neighbours brings to them wealth and prosperity.

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“On the other hand, the professional classes and those who depend on fixed incomes for their support, although they suffer from the high prices caused by famine, are seldom the recipients of actual relief from the State; under no circumstances do they derive any advantage from famine when it occurs, and they have no power of passing on to others the burdens placed on themselves. The small officials and servants receiving wages are in this country very numerous, and there is certainly no class on which it would be less equitable to impose taxation for such a purpose as this.

“I quite sympathise with the feeling which makes so many people regret and protest against the apparent injustice of exempting from further taxation the happy possessors of large incomes derived from professional or official or other sources. But I will not enter into this question. Its real meaning is in my opinion simply this. Would not an income-tax upon all classes of persons and property have been better than the measures which have been actually proposed by the Government? I leave it to others to answer the question. For my own part, I have already said that I was always a supporter of the income-tax while it lasted, but I do not think that its re-imposition at the present time would be politic or just. Under such circumstances, moreover, as the present Government has to consider what is practicable, and although I do not mean to say that it was really impracticable to restore the income-tax, I freely confess that I should have been sorry to have had to propose it until the public was convinced that no other means existed of obtaining the additional revenue which was required. I said before, and I now repeat, that, in my opinion, we have to choose between measures such as those which are now before the Council and an income-tax. There is no other alternative that I, at least, can see.

“The objections to a license-tax, like that described in the present Bill, are obvious. The tax necessarily falls comparatively lightly on those who can best

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afford to pay it. Here, again, I say, if you refuse this condition, you can only remove it by subjecting the commercial classes to an income-tax. The objection that we were proposing to tax the rich too little has been to a certain extent removed by the change which the Select Committee has made in the Bill, and which I hope the Council will accept, by which the maximum fee chargeable will be five hundred instead of two hundred rupees. The change will give us very little more money, and it involves no principle; for whatever sum may be fixed as the maximum fee, must be fixed in a purely arbitrary manner. If, however, raising the amount to Rs. 500 makes the tax seem more equitable, this is itself an advantage. As to the objection which has been raised in some quarters, that this tax will fall mainly on the poor, I content myself with simply denying the fact. It will touch no person whose nett earnings are less than Rs. 100 a year, and if anybody asserts that in the Provinces to which this Bill refers, any man is poor who possesses an income of Rs. 100 a year, he is ignorant of the facts. Such a man is not poor; he is a man far removed above poverty, and well able to pay his contribution towards insuring the country against famine. To say that our new taxation will fall upon the poor is either an error or a calumny.

"As I shall show again presently, exactly the same thing is true regarding the additional rates which we propose to levy on the land. My old friend, Sir George Campbell, told the British public the other day, that his soul was 'filled with anguish' when he thought of the iniquity that we were committing in imposing taxes on the poorest classes for the benefit and at the instigation of the rich. Now, I am not going to make a counter-attack upon Sir George Campbell. If I could ever be inclined to do so, it would not be in this Council-room in Calcutta, in the great Province which owes to him, in my judgment, a lasting debt of gratitude for the admirable, but often far from pleasant, work which he performed as its Governor. But Sir George Campbell, with all his great qualities, has never been distinguished by his reticence.

"I remember on one occasion telling him myself, when he had issued a certain wonderful circular, that if his Secretary had done his duty, the manuscript, instead of being sent off straight to the press, would have been accidentally mislaid for a fortnight. It is a pity that Sir George Campbell's letter to the *Times* did not suffer a similar fate: he might then have learnt that he had been knocking down the creations of his own fancy, and he might have written, as I hope his sense of justice will make him do now, an eloquent tribute of admiration to our measures.

"We are doing none of those things with which Sir George Campbell has charged us. By the Bills now before the Council, we are imposing no fresh taxation whatever on the poor; and as to the Salt-tax, in regard to which our imaginary proceedings have made Sir George Campbell so especially unhappy, I will say now, what I have said before, that we have taken the greatest steps ever yet taken in India for reducing the pressure of this tax upon the poor, and giving to the mass of the people the largest possible supply of salt at the cheapest possible rate. In Northern and Central India, not only are we imposing no fresh burdens on the poorest classes, but we have already benefited these classes by the removal of taxation on salt to the extent of £200,000.

"There is another fact bearing on the License Bill to which I must call attention. It is, as I have said, proposed that no person shall be liable to the tax whose annual earnings are less than Rs. 100. This does not appear on the face of the Bill, and the reason for this is that as the measure will extend to several Provinces and will have to be applied under conditions which vary considerably in different districts, it is not certain that the same minimum limit of taxable income will every where be appropriate. For independently of other considerations, the purchasing power of money varies greatly. Under the existing license tax in the North-Western Provinces, no one is taxed whose presumed income is less than Rs. 200, and it may be found desirable to make no change in this respect. We desire to leave a wide discretion to the Local Governments, which are in the best position for forming sound opinions on such a subject. While, however, the Government of India allows this discretion to be exercised for the relief of the tax-payers, it gives no such authority to extend the incidence of the tax downwards. Under no circumstances will the tax touch any one whose annual earnings are less than Rs. 100. Nor is this all. It will

be observed that the lowest fee payable under the Bill is one rupee. The Bill declares that any person may claim to have the fee charged against him reduced or remitted altogether, if he can show that it falls at a higher rate than two per cent. on his annual earnings. Applying this rate of two per cent. to an income of Rs. 100, the minimum fee would be two rupees and not one rupee. The meaning of this is that the Government desires to leave to the local authorities entrusted with the administration of the tax a discretion to reduce the demand when they are of opinion that it would fall heavily. Thus it will often happen in practice that the poorest class affected by the measure will pay at the rate of one per cent. only instead of two per cent., the rate charged on the higher incomes.

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" I need not say anything further about the License Bill. I think it will be convenient if I ask Your Excellency and the Council to allow me to pass now to the other Taxation Bills under which additional rates will be imposed on the land in Northern India. Those Bills are so closely connected with the Bill, actually before us that they can hardly be considered separately, and I hope that the Council will agree with me in thinking it desirable that the discussion of the whole of our measures should take place while the present Bill is before us. My reason for saying this is that it is, as I have already fully explained, an essential part of the policy of the Government that this new taxation should fall both on the commercial and agricultural classes, and that so far as may be practicable each class shall bear an approximately equal burden. This principle has already been to a great extent carried out already. Additional rates similar in character to those which we are now proposing to levy in Northern India have already been imposed in Bengal, and the Bill taxing the commercial classes of that Province, will, I presume, soon become law. We desire to apply the same principle to the other Provinces, the only exception being that, for reasons which have been stated at length to the Council, it is not thought proper to impose at the present time fresh taxation on the agricultural classes in Madras and Bombay.

" When these Bills were introduced I said that the justice of imposing new burdens on the agricultural classes would be more questioned than that of imposing them on the traders, and referred prominently to the objections which had been and would continue to be urged against fresh taxation of this kind, on the ground that it infringed, or would be thought to infringe, the conditions of the settlement of the land-revenue. I declined, and must still decline, to discuss the question of the right of the State to impose such taxes, for as I have already said it is impossible that any Indian question could be named which has been more completely argued out during a long course of years than this, and no question could be named which has been more distinctly closed by positive decisions of Her Majesty's Government. I have now a right to assume (I am now quoting the words of the Secretary of State) that—

" ' the levying of such rates upon the holders of land, irrespective of the amount of their land-assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures.'

" I feel that I may also, without impropriety, decline to discuss the question whether, apart from the right to impose such taxes, the condition of the classes on whom in Northern India the actual burden will fall is such that they can pay without hardship the amount which it is now proposed to levy. That amount is one per cent. on the rental of the land. I do not, I hope, undervalue the opinions of those officers, some of them men who are entitled to be listened to with high respect, who think it inexpedient to impose any fresh taxation on the land. But this I assert that it is impossible for any one who knows anything of the real condition of the proprietors of land in any part of Northern India, to say that these rates will be more than an insignificant burden. It must be remembered that they, in common with the existing local rates to which they will be an addition, will be payable by the landlord, and will not fall on the poorer classes interested in the land. I do not deny that it will very frequently happen that the landlord will do every thing in his power and will often succeed in making his tenants pay the amount charged against him. But the same would be true of every other tax which could be imposed upon him, and this objection has no special force in the present instance.

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Neither can it be disputed that within the limits authorised by law, and justified by custom, rents will in the long run inevitably be raised by landlords, whether they are taxed or not, as they think consistent with their own interests, so long as the tenants will pay them. Tenants, however, are rapidly learning to protect their own rights, and it is not so easy as it once was to impose upon them demands unauthorised by law.

“ Before leaving this part of the subject, I may add that the Government of India has no intention of actually levying these additional rates in the North-Western Provinces until the country has completely recovered from the serious loss which it suffered from the almost total failure of the last summer crops. The Lieutenant-Governor has been informed that no additional demand will be made until the next agricultural year. The Government of the Panjáb has decided that no similar reasons exist for deferring the collection of the new rate in that Province.

“ There is one objection to the imposition of new rates on the land which I fully admit is a real one. It is an objection which it has always been clear we should have to meet, and it received the careful consideration of the Government before these measures were proposed. I cannot state that objection more clearly than by quoting the following passage from the letter from the Government of the Panjáb which has been laid before the Council :—

“ The Lieutenant-Governor would duly record, with reference to the Bill for enhancement of the local cess, that he believes that, although it will give rise to no active discontent or expression of dissatisfaction, it will still be regarded by the people with some dissatisfaction, as involving a further departure than that taken in the original Local Cess Act, from the principle of the fixity of the land-revenue demand. This feeling of dissatisfaction will not be the less strong from the fact that the money raised under the new Act will possibly be spent out of the Panjáb. To a trained intelligence it is easy to distinguish the proposed impost, which is no more than a tax upon rent, from an enhancement of the Government share of the produce of the land. But His Honour doubts whether it is possible to persuade uneducated zamindars, the more especially that the revenue is no longer taken in kind, but in cash, that the demand is not an increase on the amount of land-revenue which has in each district been fixed for the term of settlement. The Lieutenant-Governor does not however imagine that there will be any difficulty in collecting the enhanced tax, or that after a short time, the irritation caused will not pass away.”

“ Although we have not received from the other Provinces objections similar to these which have come to us from the Panjáb, there cannot be the least doubt that they will be felt as much in one Province as in another. They were urged in 1871 in the North-Western Provinces, when new local rates were imposed in the permanently-settled districts; they were urged at the same time in Oudh; they were urged in the Panjáb; they will everywhere be urged now, and they will be urged again hereafter, if it should ever become necessary to place additional taxation on the proprietors of the land. Exactly the same objection was raised to the imposition of the income-tax on profits derived from land. The Government has, for years past, done its best to make people understand the essential difference between the land-revenue and taxes of this kind; and in 1871, when the laws were passed under which the local rates in Northern India are imposed, the Legislature enacted, in the plainest possible language, that these rates ‘ shall be paid by the landlord independently of, and in addition to, any land-revenue assessed on the estate.’

“ In spite, however, of all that has been done, the old ignorance continues. Nor can we expect that it will soon disappear among the people, when we find that economical heresies, such as those to which I have alluded, still form part of the faith of many of our own officers. Objections to taxation of this sort, based on opinions which have their sole origin in the ignorance of the people, cannot be answered, although this does not make them less real. Among all the difficulties and dangers with which we have to contend in India, those to which we are exposed by the ignorance of the people are incomparably the most serious. It is, unhappily, true that our most enlightened and useful measures are, as a general rule, precisely those which are the least popular. If any man supposes that we earn the present gratitude of the people of India by abolishing sati and infanticide, by female education, by constructing railways and canals, by making the towns and country healthy, or even by improving the laws, which add to the security of life and property, that man is greatly mistaken; but this is no reason why we are not to persevere with our work. So I

say of these Bills. I do not pretend that the people who have to pay these taxes will like them; but it is, in the opinion of the Government, necessary that they should be imposed, and we trust the Local Governments when they tell us that while they can suggest no better form of taxation, they are satisfied that the measures now proposed will lead to no serious dissatisfaction which it might be politically unwise to face, and that such dissatisfaction as may arise will soon pass away, as it has passed away in similar cases before.

"In concluding the remarks that I desire to make on the Bills now before the Council, I will only add that the Government of India is fortunately enabled to say that its policy is cordially approved by all the Local Governments which these Bills will affect, not only with regard to the proposals that specially affect the land, but to all the measures by which we hope to provide the necessary insurance against famine; and further, that these Governments confidently look forward to the successful application of these measures in their respective Provinces. I do not doubt that these assurances will be as satisfactory to the public as they have been to the Government of India.

"A desire has been expressed that I would explain more fully than has hitherto been done the manner in which the Government proposes to apply the proceeds of these new taxes. I shall, I feel certain, be very readily able to do this to the satisfaction of the Council, for nothing can be clearer than the principles on which the Government proposes to act.

"I can hardly do better, in the first place, than ask the Council to look at the brief official Statement of Objects and Reasons, which was published with the new Taxation Bills when they were first introduced. That Statement explained, in a few words, the reasons for these measures. It was said that the necessity was imposed upon the Government of India of bringing the public revenues and expenditure into a state of proper equilibrium; that famines could no longer be treated as exceptional calamities, and that the obligations entailed by them must be provided for among the ordinary charges of the State. The periodical occurrence of famine must, therefore, enter into the calculation of the Government in making provision for its ordinary yearly wants, and such a surplus of ordinary income over expenditure must be provided in each year of prosperity, as would make a sensible impression on the debt which it might be necessary to incur in times of famine. To enable the Government, it was said, to meet these obligations, additional taxation was necessary.

"The object, which I thus stated, is a perfectly simple one. These new taxes are required for the sole purpose of giving us, year by year, a sufficient surplus of income over expenditure to meet these famine charges, which had not hitherto been taken into consideration in our yearly accounts. It seems to have been supposed by some that the primary object of the Government of India was to give to the Local Governments the proceeds of these new taxes, and to transfer to them, in some mysterious manner, certain indefinite obligations in relation to the future charge arising from famine. There could be no greater mistake, and I am sure that I have never said anything to justify it. These great calamities can only be met by aid of the resources of the Government of India, and it is these resources that must be strengthened to meet the obligations they impose. Although then, as I shall presently explain, we shall use the Local Governments as our agents in levying these taxes, their proceeds will mainly go into the Imperial Treasury. With their help we hope to secure that surplus revenue, which will enable us in the future to discharge the heavy obligations which the periodical occurrence of famine entails upon the country, without being driven into the fatal course of constantly increasing the public debt, and the burden it involves.

"As I previously explained, we start with the hypothesis, that in every ten years the Government of India will have to spend £15,000,000 on the relief of famine. The case will be put into its simplest form, if we assume that the whole of the £15,000,000 will have to be spent at once at the end of this period, and the arguments I am about to use will not be in any way invalidated by this assumption, though it be not strictly true. Now, as the very foundation of our policy is the resolution not to permit this expenditure to create a constantly increasing charge for interest, the expedient of simply borrowing when the occasion occurs, and thus increasing the annual charges on account of debt, say, by £600,000 in each period of ten years must, of course, be set

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aside; and it follows that we can only obtain the £15,000,000 which we require by saving up an equivalent sum in years of prosperity. If we provide for this purpose a *bonâ fide* surplus of £1,500,000 a year for ten years, we shall have obtained our £15,000,000.

“As we cannot keep our annual savings locked up in a separate box, it is inevitable that when the actual necessity for spending the £15,000,000 arrives, we shall have to borrow the money, so that what we have practically to do is this—we must reduce our debt by £1,500,000 year by year during the whole period, or by £15,000,000 in the ten years, thereby reducing the yearly charge for interest at the end of that time by £600,000. Then, when the necessity for spending the £15,000,000 arrives, we can borrow that amount and incur a fresh charge for interest of £600,000 a year, and be no worse off than we were ten years before. This process, by which in periods of prosperity the charge for interest on debt is gradually reduced, thus constantly restoring the exhausted power of borrowing without increased taxation, is what the Government virtually proposes to adopt.

“In India, however, the policy has been deliberately and wisely accepted of borrowing every year large sums of money for the construction of the railways and canals which it is absolutely necessary that the country should possess, if its material advancement is not to be arrested. Even if the financial consequences of this policy had been less satisfactory than they have been, it might still have been our duty to persevere in it, though it should have called for increased sacrifices from the country in the form of taxation. But experience has shown beyond the shadow of a doubt that, looking at the matter even from a purely financial point of view, we could have done nothing wiser and more profitable than go on investing capital in these undertakings; and that so long as these investments are prudently limited, as they have been up to the present time, so that the growing income derived from the works keeps pace with the charge for interest on the borrowed funds, they may be continued with complete financial safety.

“It was on considerations such as these that Lord Lawrence in 1869, in his Minute on Railway extension, assuming that the revenues could, without objection, bear a yearly charge of about thirteen millions, to meet the interest on Capital outlay on productive works in course of construction, &c., during the period in which their income is becoming developed, based his proposals for the gradual, but systematic, prosecution of this class of works, and that the Government of India has been since acting with most satisfactory results. The forecasts relating to the extraordinary expenditure on Railways and Irrigation Works, that have from time to time been prepared in the Public Works Department, have supplied sufficient evidence of the prudence with which this part of our financial policy has been conducted, and it is only necessary to follow the same principles in the future to ensure equally sound results.

“The truth of these remarks can readily be established. In the first place, the net charge for the interest on the Guaranteed Railway Capital, which was upwards of eighteen millions sterling in 1870-71, was reduced by the growth of the income to less than £300,000 in 1876-77, while in the present financial year, partly no doubt from the increased famine-traffic, the interest will be more than covered. And though next year quite so good a result cannot be anticipated, it is certain that in these six years a net improvement of more than 1½ millions has been secured for the public revenues by reason of these works. During the same period the total expenditure on State Railways has reached a sum involving a gross charge for interest now amounting to £700,000, against which we already have a net income of £300,000 yearly, leaving a net charge of £400,000. The Irrigation Works carried out in the same years have led to an increase of interest-charge of £400,000, set off by an increased net income of £200,000, leaving a net charge of £200,000. On the whole, setting off the increased charge of £600,000 against the improved income of 1½ million, the general result is an improved financial position of £600,000 a year, notwithstanding the large investments made in the new works, a considerable part of which is necessarily not yet productive, though it is rapidly becoming so.

“The same general result is plainly indicated otherwise by the fact that the total charge for Interest on Debt of all sorts and Guaranteed Railway Capital is in the present year less than the charge in 1870-71 by about two

millions, to which sum should be added the net increase of income due to Public Works, amounting, say, to £500,000, to show the improvement in the general financial position, which, if not directly due to the prosecution of these works, has, at all events, been consistent with a continued average expenditure upon them of hardly less than four millions a year. "It must also be remembered that these results have been secured during a period in which very exceptional seasons of scarcity have occurred, involving charges of some sixteen millions sterling.

"We assume, therefore, that the Government will continue to borrow money on these principles for such productive works.

"Now it would be obviously absurd to pay off every year debt to the amount of £1,500,000, and simultaneously to incur fresh debt to the same extent. What, therefore, we have to do, in the actual circumstances of the case is, by applying to the construction of these works the proceeds of the new taxes, to reduce by £1,500,000 a year the sum which we might otherwise have borrowed. The ultimate financial result of this, as will readily be seen, will be practically the same as that which would have followed if we had devoted every year £1,500,000 to the actual repayment of debt. For, returning to our former hypothesis, we shall, at the end of our ten years, thus have prevented borrowing to the extent of £15,000,000, and our annual charge for interest will then be less by £600,000 a year than it would otherwise have been. We could, therefore, if occasion required, borrow £15,000,000 for the relief of famine, and be in no worse a financial position than we were at the beginning of the period of ten years.

"The soundness of this argument depends of course on the assumption that the works which are constructed from our annual contribution of £1,500,000 from the public revenues will be really reproductive, that is, that they will at the end of the ten years produce an income at least equal to the interest which we should have to pay if we had then to replace by borrowing a sum equal to that furnished from the new taxes for their construction. This assumption, however, has no special or peculiar significance in connection with these new arrangements; it is (as I have just explained) the justification of our whole policy of borrowing money for works of public improvement. Whether we construct our railways and canals with borrowed capital, or pay for them out of this famine insurance fund, we equally assume that they will eventually give us a return of more than the ordinary charge for interest on the outlay; and to repeat what I have said before, experience has now been sufficiently prolonged to show conclusively that, notwithstanding all the mistakes that have been made, the gradual growth of the income of the productive public works has been sufficient to protect the Imperial Treasury against any increase to the actual charge for interest on debt. This explanation will show the Council how, either by the direct discharge of debt, or by the investment of money in productive works, if the circumstances of the time should render that course most suitable, charges on the revenue may be extinguished, or new income created, which shall enable the Government to borrow in the future to the full extent to which the proceeds of the new taxes are applied, and that a true famine insurance fund will thus have been created.

"I have hitherto spoken as if the subject concerned the Imperial Government alone; and I have made no reference to the part in the arrangements which will devolve upon the Local Governments. Vitaly important as this part will, in my opinion, be, I might indeed almost pass it by on the present occasion, because it is not the subject now before this Council. We are really merely asking this Council to authorise the imposition of new taxes for the purpose of improving the financial position of the Government of India to such an extent that it will be able to undertake, with its ordinary revenues, by help of the arrangements that I have described, the duty of preserving the lives of the people in time of famines. At the same time the Government is most ready to give every explanation in its power to the Council on all parts of its policy, and I will as briefly as possible state the manner in which the action of the Local Governments may be expected to conduce to the great end we have in view.

"I have, on former occasions, stated to the Council, with a persistency which I am afraid has sometimes wearied them, that the keystone of the whole

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financial policy of the present Government is the enforcement to the utmost of the responsibility of every great Province of the Empire for meeting its own local wants. We have given to the local Governments largely increased powers, we declare that they alone are competent to deal wisely with the details of administration; that they have advantages which we cannot possess of seeing what their own Provinces require; and that it is only by acting on these principles that we can obtain either good provincial administration, or exercise that intelligent power of control on the part of the Imperial Government which we look upon as essential to the prosperity of the Empire. It is childish to suppose that the Government of India increases its strength by meddling with details about which it knows nothing.

"A great deal has been done, and a great deal remains to be done, in carrying these principles into effect; and the most serious duty now before us is their application to the great problem of preserving the country against famine. I do not now pretend to say how this application of these principles is in detail to be carried out. The whole subject of the measures to be taken for the prevention and relief of famine is so vast that it would be mere foolishness if I were now to attempt to enter upon it. It is, as the Council and the public are aware, about to be referred to a special commission of enquiry, and certainly no greater question had ever to be studied than that on which they will have to deliberate and advise.

"If, therefore, I now am asked to describe how this money, which the Government of India proposes to devote to the relief and prevention of famine, is to be spent, I can give no exact reply. I cannot tell the Council what railways and canals will be constructed; still less can I tell them what systems of relief will be acted upon when millions of starving people have to be fed, or what changes of administration will be necessary to enable the measures of prevention and relief to be carried out under the best possible conditions. All that I can say with certainty is this, that if the great works for increasing the productiveness, and for improving the communications, of the country are to be wisely chosen, and wisely and economically executed, and if the income which they yield is to receive its best development; if again, when famine actually occurs, sound principles of relief are to be applied with real efficiency and wisdom, it will be through the agency of the local Governments and the local authorities that these results will be obtained; and not by the action of the Central Government. Among all the responsibilities which we desire to impose on the local Governments, the greatest of all will be that of protecting the people of their own Provinces against famine. The working out in detail of the arrangements by which we hope that this object may eventually be accomplished will be a work of time. We do not disguise from ourselves the fact that many of the efforts which may be made before prolonged experience has been gained may, hereafter, be found to have been erroneous; but this is no reason why we should now hesitate to take the first steps, which seem to us at the present time to be required. We can do little more now than declare the principles which we intend to follow. I have already explained those principles. While we say that every Province must be primarily responsible for supplying the wants which arise within its own limits, we have not been able to devise any plan by which the actual expenditure for the relief of widespread famine could be charged directly to the local Governments. When a famine occurs, local resources are necessarily for the time swamped and overwhelmed, and the whole resources of the Empire must be employed for the relief of the afflicted territory. On the other hand, to enable the Imperial Treasury to bear such great occasional burdens, all the Provinces must, year by year, contribute what I have called mutual assurance payments, which payments go to form the surplus to be stored up for use in time of need; not, of course, to be stored up idly in the treasury, for that would be a reckless, purposeless waste, but store up in the shape of unemployed borrowing power, which would otherwise have been consumed. Thus, as I have said before, resources will be created upon which the central authority will draw whenever it is found necessary to discharge the obligations arising from what I have called the dead-weight of famine-expenditure.

"To maintain the principle of provincial responsibility, and to give to the local Governments a substantial interest in the efficient and economical levying

of the new taxes, these taxes will be imposed provincially, and we desire, so far as possible, to distribute the funds which will become available for the construction of railways and canals among the local Governments with some regard to the amount of the local contributions. Although, as I have already explained, it is necessary that the special resources now created shall be at the complete command of the Government of India, we shall leave to the local Governments, to be spent by them, a margin from the new taxes, just as we have left them a margin of the revenues from Excise and Stamps, which have lately been made provincial. The imposition, provincially, of the new taxes will bring home the sense of provincial obligation more fully than would have been the case if the taxes had been treated as imperial; and the propriety will be more readily acknowledged of leaving the Local Governments to construct and maintain and profit by the works to which these new taxes will contribute.

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“ There is an additional advantage which we hope will result from these new measures. To whatever extent we can supply funds from the produce of the new taxes, we shall be less dependent than heretofore on borrowed money for the means of constructing our reproductive works; and we may hence reasonably hope to be able in future to provide funds for these purposes with more regularity and certainty than has hitherto been possible.

“ I see in another direction also promise of further relief to the Central Government, and of great benefit to the Provincial Governments, in respect to the debt to be hereafter incurred for works of local utility. Both in Bengal and in the North-Western Provinces steps, which have been attended with marked success, have already been taken for obtaining subscriptions to loans in the localities interested in works of this character. I hope that it may be found possible to develop and systematise such a means of providing the capital that may properly be borrowed for works of improvement; and that local contributions may be successfully sought under conditions which will interest the classes directly benefited by such works, not only in the provision of the funds required for their construction, but in the proper management of the works when they are completed, and in the development of the revenue which they produce.

“ The arrangements which we are now making will be in complete harmony with those which were initiated in March last. The Imperial Treasury will be protected, if not wholly, at least to a very great extent, from past and future charges on account of interest on the capital invested in railways and canals. The provincial revenues will have to supply to the Imperial Treasury, or to hold at its disposal year by year, a sum equal to the interest on the capital expended on all the reproductive works, constructed either with borrowed money or funds supplied from the new taxes; and assuming that the works are judiciously designed, executed and managed, this sum will be provided by the income which they produce. The surplus income yielded by the works will go to increase the provincial revenues. These arrangements will give the best possible security for the judicious selection of the works, their economical construction and management, and for proper attention being paid to the development of the income they should produce. Their failure will entail burdens which the provincial revenues will be required to meet; their success will add to those revenues and to the resources at the command of the local Governments in the most advantageous manner possible for the country, without more taxation and through the instrumentality of works which constantly add to the wealth of the community at large.

“ I think, My Lord, that I have now made it sufficiently clear how we propose to apply the £1,500,000 which we hope to provide as an insurance against famine. We shall apply it virtually to the reduction of debt; and when the calamity of famine actually arrives, we hope, not only to be able to meet it without throwing fresh burdens upon the country, but to find that our means of giving efficient relief have been immensely increased by the useful works which we have carried out in the preceding years of prosperity.”

The Hon'ble MR. THORNTON said: “ My Lord,—Having been employed for some twenty years in the Panjáb, and had opportunities, in the course of my service, of becoming more or less acquainted with every district of that Province, I desire to trouble the Council with a few remarks upon the Bills now under

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consideration, chiefly by way of supplement to the statements contained in the speech of the Hon'ble Mover.

"With regard to the License Bill, I have little to say, except that there has been, on the part of the district officers of the Panjáb, a chorus of consent that, if additional taxation is necessary to provide insurance against famine, no classes can be more justly called on to contribute than the trader and the artizan, for none have benefited more from British Rule, and none have paid so little for the advantages they enjoy. The form of the tax has been generally approved, and if, as we are assured by the Hon'ble Mover will be the case, though it does not so appear on the face of the Bill, the tax is not to affect persons with incomes of less than Rs. 100 per annum, it certainly cannot be regarded as a tax upon the very poor.

"But it is to the Bill for the levy of additional rates on land in the Panjáb that the greatest objection has been raised. It has been urged on the one hand that the land cannot bear the additional burden it is sought to throw upon it; and on the other, that it will be regarded as a mere addition to the land-revenue-demand and in breach of the engagements made at settlement. Now, in regard to the first point, personal observation enables me confidently to endorse the opinion of the Hon'ble Mover, that the land-owners of the Panjáb can well afford the proposed insignificant addition to the local rates; for, in common with most observers, I am satisfied that, owing partly to the moderation of the land-revenue-assessments, partly to the security of title derived from the record-of-rights, partly to the room for extended cultivation, partly to improved communications and other results of British administration, the agriculturist of the Panjáb is, as a rule, eminently prosperous and thriving. But individual opinions upon a point like this are less valuable and less convincing than a few plain facts, and I trust, therefore, it will not be deemed out of place if I take up the time of the Council in citing a few facts in support of my assertions.

"I will begin, then, by endeavouring to give some proof of my assertion regarding the moderation of the land-revenue assessment in the Panjáb. For this purpose I cannot do better than call the attention of the Council to page 9 of the General Summary prefixed to the Panjáb Administration Report for 1875-76, where will be found a concise history of the land-revenue assessments of the Province from before its annexation to the present time. The substance of the information there given is as follows:

"Under the Sikh Government the principle of land revenue administration was a very simple one. The state, as proprietor-in-chief, took from the land all that it could get; in other words, it absorbed and appropriated the entire rental. It handed over whole tracts of country to the mercy of farmers of the revenue, and the farmer of the revenue often took as much as one-half the gross produce of the land, besides a multitude of cesses under the names of *rasúm*, *nazránd*, and the like, and exorbitant *finés* on succession. After the first Sikh war the Panjáb came, not under the dominion, but under the paramount influence, of the British Government, and one of the first points to which the attention of the British advisers of the Sikh Darbár was turned was the oppressive character of the land revenue administration. Accordingly, the State demand was reduced and settlements made of the land-revenue, for terms of years, on the basis of the State taking, not *half*, as previously, but *one-third*, of the gross produce. This arrangement was at the time hailed with delight by the agricultural population as a very liberal concession. Then came the second Sikh war, followed by the annexation of the Panjáb; and very shortly after annexation, measures were taken to introduce what are termed regular settlements into the Panjáb; these are, as most of the Council are aware, settlements of land revenue for terms of years, made after careful survey and enquiry into assets. Well, when these regular settlements were first introduced in the Panjáb, the system then in force in the North-Western Provinces was adopted, under which the State's land revenue demand was limited to two-thirds of the net assets or landlord's rental, amounting to about one-fourth of the average gross produce; that is to say, the British Government commenced its revenue system by claiming as its share of the rental just half the amount that had been taken by the Sikhs. Since that time a further concession has been made, and the State's demand has been further limited to *half* the net assets or rental, and all more recent settlements have been and

are being made upon this principle. And it must further be observed that, though the assessments are levied upon the principle of the State, as chief proprietor, taking half the rental, in practice the amount taken is considerably less than half the rental. Measured in kind the State's demand may be said never to exceed one-sixth of the gross produce; it is frequently not more than one-eighth, one-tenth or one-twelfth; and in some tracts where the rainfall is scanty, it is not more than one-fifteenth of the average gross produce, the value of which is calculated at its average price for a period of from twenty to thirty years. Let us now see what effect this liberal policy, working in combination with the other causes I have adverted to previously, has had upon the position and prospects of the agriculturists in the Punjab. One result is that there is a striking difference in the amount of land revenue demand in British territory on the one hand, and in the territory of adjoining Native States on the other, a circumstance greatly conducive to a feeling of contentment in the British subject. Another result is that the land revenue, even after new assessments, involving considerable increment of demand, is collected with the greatest ease; another effect may be seen in the improved clothing and manner of life of the agricultural population; but perhaps the increasing wealth of the peasantry will be better gauged by the following facts, taken from the returns appended to the Administration Reports. In the year 1868-69, the first year for which the statistics of area and cultivation prescribed by the Government of India were prepared, the cultivated area of the Punjab Province (exclusive of course of Native States) was, in round numbers, 20,100,000 acres, and the land revenue demand 217 lakhs of rupees. This demand fell at an average rate per cultivated acre of one rupee, one anna and three pies, a rate of incidence which experts will admit to be very moderate in comparison with the rate of incidence in other parts of British India, and still more so in comparison with rates prevailing in adjacent Native States.

"In 1872-73 (five years later) the cultivated area had increased from 20,100,000 acres to 22,600,000 acres, and the revenue demand, though it had been intermediately increased in the ordinary course of settlement, fell at the average rate of only fifteen annas and seven pie per cultivated acre. In other words, extension of cultivation had reduced the revenue demand per acre by ten per cent. I regret my inability to produce statistics of more recent date, but the reason is that, with a view to save labour and inconvenience to the people, the statistics from which I have quoted are prepared, not annually, but quinquennially. But I have little doubt that the next quinquennial return will show a similar if not a greater extension of cultivation, and I am informed that the Spring crop, now in the ground in the Punjab, is by far the most extensive ever known.

"Concurrently with this expansion of cultivation and the steady reduction in the originally moderate rate of incidence of land revenue, there has been a most remarkable increase in the selling price of land. At the time of annexation, such was the crushing character of Sikh taxation, that ordinary agricultural land had scarcely any market value at all. In the year 1859, when I had the honour to hold the post of Secretary to the Financial Commissioner of the Punjab, the average selling price of revenue-paying land was, I recollect, a little less than four years' purchase of the assessment; in 1868-69, ten years later, the average selling price of land was *eighteen* years' purchase of the assessment; in 1873-74, or five years later, it was *twenty-eight* years, and by the last return, that for 1875-76, it was *thirty* years' purchase of the assessment.

"Now, as the agricultural interest of the Punjab is not made up of a limited number of large landed proprietors and a mass of tenantry, but is composed chiefly of a multitude of small landowners, this enormous rise in the value of land does not mean, as it would mean in the case of England or Bengal, that a few individuals have become millionaires, but that the mass of the agricultural population are, so far as the value of their land is concerned, more than six times as well off as they were twenty years ago.

"With these facts before us, it is impossible to believe that the slight increase now proposed to the local rates will cause any serious inconvenience; for what does the Government ask? Why, it asks a body of land-owners, whose property has more than sextupled in value, to pay a famine insurance

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rate for that property amounting on an average to one farthing per acre per annum!

"But though the general condition of the Punjab peasantry is such as I have described, I would guard myself against being supposed to assert that such condition is universal. Here and there it may be that, owing to special causes, the state of the agriculturist is not so prosperous; for instance, on the banks of those great irrigation works the Western Jumna and Bári Doáb Canals, there are cultivators whose physique and energies have been destroyed, and whose lands have been defertilised by that fashionable panacea—high level irrigation. In their case, and in the case of other exceptionally circumstanced tracts, some relaxation of the demand may be required; but for such cases ample provision is made in the proposed enactment, for in clause (d) of section 15 it is declared that 'the Lieutenant-Governor of the Punjab may, by notification from time to time, \* \* \* exempt wholly or in part any portion of the territories under his government from the operation of this Act, or exempt any land from liability to pay the whole or any part of any rate under this Act, and cancel such exemption;' and it is matter for satisfaction that the working of this provision, as well as of the other provisions of the enactment, will be in the hands of one who is perhaps better acquainted with the character, feelings and resources of the people of the Punjab than any other living Englishman.

"But while there can be no doubt that the land-owners of the Punjab can generally well afford to pay the slightly enhanced local rate it is proposed to levy, it is equally certain that the enhancement will be regarded, like the original rates imposed in 1871, as an addition to the land revenue demand, and practically, if not literally, an infringement of the engagement made at settlement; and, do what you will, the Punjab land-owner will continue of that opinion. Explain to him with all the lucidity a trained intellect can command that the land revenue is the share of the rental taken by the Government, as proprietor-in-chief, and that the local rate is a tax on rent taken by the Government as Government, and he will reply—in the present instance, it is to be hoped with a smile—that this appears to him to be a 'distinction without a difference.' This being the case, it has been suggested in the correspondence which is before the Council and in the public press, that it would be better, in the event of its being necessary to tax the agricultural population, to dissociate such taxation from the land, and levy it in some other shape, such as a house-rate or an income tax. Theoretically, there is much to be said in favour of the proposal, but looking at it from a practical point of view, I cannot agree in the suggestion, for the practical inconveniences would, I feel sure, outweigh the theoretical propriety of the arrangement. Assuming, as we must assume, that the Government is not precluded by the land revenue engagements from levying an additional rate upon the land, and assuming, as we must assume, the necessity for taxing the agriculturist, I can conceive no other form of taxation less open to objection by the tax-payer than the one which has been adopted, namely, a percentage on land revenue. Any other of the alternative forms of taxation which have been suggested has the great disadvantage of involving, *inter alia*, special enquiry and assessment and a special agency for collection; the form of taxation proposed in the Bill has the great advantage of involving nothing of the kind.

"We have now got thus far in the consideration of the Bill; we have attempted to show that the additional tax upon the land is insignificant in amount, that the Punjab land-owner can afford to pay it, and that the form of taxation proposed is, upon the whole, the best that can be devised in his interests. The fact unfortunately remains, that the tax will cause a certain amount of dissatisfaction and distrust in the minds of the tax-payers. Not, indeed, that there will be any active discontent, for the land-owner in the Punjab is far too loyal, far too well-disposed, far too well off to think of disobedience; but there will undoubtedly be a feeling of dissatisfaction which it seems desirable, if possible, to mitigate, even if it may not be possible to remove it altogether. What, then, can be done to mitigate this dissatisfaction? Well, as to this, I think, perhaps, we may learn a lesson from the past. In the year 1871, when the local rate was originally imposed, there was considerable dissatisfaction among the land-owners; but this has, we are told, completely died away. And why has it died away? Because it was arranged that the

local rates should be made over to district committees on which the land-owners were to be largely represented, and spent before the eyes of the people in the districts for which it was raised: hence in the year following the imposition of the rates, the Lieutenant-Governor of the Punjab was able to report as follows:—

“ Any dissatisfaction which may have existed at the time the cess was first levied has now died away, as the people see that the funds are expended for their benefit.”

“ Now, I am perfectly aware that this course cannot be exactly followed in the present case. The funds cannot be made over to committees and spent in the districts from which they may be levied; but may not something be done to show the tax-payers and the public generally, clearly and unmistakably, that ‘famine-insurance’ is not a mere pretext for raising money for general purposes, but that the tax is *bonâ fide* expended on the object for which it is raised? My friend, the Honourable Maharaja Jotindra Mohan Tagore, has dealt with this subject in a letter addressed by him to the Bengal Government in his capacity of Honorary Secretary to the British Indian Association, a copy of which has been laid before the Council, and his suggestions seem worthy of consideration.”

The Honourable Mr. COLVIN said:—“ My Lord,—I wish to make a few remarks upon the subject of the Land Rates Bill. Mr. Colvin.

“ Some doubts have been expressed, both in this Council and outside it, as to the propriety of adding any further to the contribution which is already made by the land towards the necessities of the State.

“ I think that some of these doubts and objections may arise out of mistaken impressions relating to the history and nature, and the pressure, of our land-revenue upon the people, and that these may be dispelled by a further and fuller knowledge of the facts. The subject of the land-revenue in India is tedious and uninteresting, intricate in some of its details, and, above all, it is strange and unfamiliar. The ideas out of which it has grown, and which it has not yet ceased to represent, are so different from anything which we are accustomed to see in England, that it is not easy to get rid of the distorting medium which our English experience constantly interposes between ourselves and the true facts.

“ Erroneous impressions about it, therefore, are not uncommon, and it may not be out of place if I recall what the actual position of the land-owning class is in those Provinces to which the Bills now before the Council are intended to apply. I propose to do this as generally and briefly as it is possible for me to do. I must ask for the forbearance and patience of the Council if, in what I propose doing, I unavoidably go over ground which to many honourable members is only too familiar. But it would be difficult to make the arguments which justify additional taxation of the land easily intelligible to everybody, without first giving some sort of statement of the facts upon which they rest.

“ The Land-Revenue in Upper India, as everybody knows, is only a portion of what would be called in Europe the landlord’s rent. The State, or the Sovereign, is the paramount landlord in India, and the share of rent taken by him in old times, however it may have been restricted in theory, was in practice limited by nothing but the power of the subjects to offer, in some shape or other, an effectual resistance to his demands. It is not an incorrect description, I believe, to say that this was the state of affairs to which the British Government succeeded in all of the Province to which the Bills before the Council relate when they passed into its hands. I mean, that the division of rents between the Ruling Power and the land-owning class was subject to no limitation except that of

‘ The good old rule, the simple plan ;  
That those should take who have the power,  
And those should keep who can.’

“ The precise amount of the share which was left by the proprietor in the early days of our rule cannot now be ascertained. It was supposed to be a certain portion of the total produce; but as nobody could say, either now or then, what the total produce is, this leaves room for indefinite speculation. It is pretty certain though, that in the earliest acquired Provinces, the North-Western Provinces, it was something less than one-fifth of the rents paid by the cultivators. For in 1822, when the first regular settlement was contem-

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plated, and steps were taken towards adjusting the respective shares of the landlord and the State for a longer term of years than heretofore, it was declared that at least twenty per cent. of the entire rental of each estate should be left to its owners. In less than twenty years after 1822, fresh settlements, which lasted for a term of thirty years, were made, and by these the landlord's share of the rental was increased from one-fifth to one-third of the rental receipts. But the liberality shewn and concessions made by the State did not stop here. When the settlement for thirty years, which has just been referred to, expired, fresh arrangements were entered into, by which no less than half of the rental was given up to the land-owning class, and an equal division was made between them and the State of the profits derived from its ownership. This is still the proportion in which the rents are divided between the two; one-half goes to the proprietor of the estate, and one-half into the public purse. This is an immense advance for what has become the landlord-class, from the poor and insignificant position which they occupied when they first came under the control of the British Government. Looking to the proportionate amount only of the rental which they now enjoy, and comparing it with their former share, we see that they are more than twice as rich as they were. But even this conveys no adequate idea of the great improvement which has taken place in their circumstances. It is not only that they have obtained a larger share of the produce, but that the value of that produce has enormously increased. Contrasting the present prices of agricultural produce with those of (say) sixty or seventy years ago, I doubt if I exaggerate when I say that its money-value has doubled, and it would perhaps be safe to say that the land-owning class as a body, instead of twice, are four or five times as rich as they were at the beginning of the century. An illustration of the progress made in the Punjab has been given by the Honourable Member who spoke last, and the fact which he has mentioned, that land which used thirty years ago to sell for three or four times its annual value will now fetch twenty times the amount of its revenue and more, is true of many other parts of the provinces for which the Bills have been framed. Everywhere there has been an extraordinary rise in the value of land. The cost of living, on the other hand, has no doubt increased. So far as this is caused by a rise in prices of the commodities that the agricultural classes have to buy, it is of course a drawback to their prosperity; but in so far as it is due to greater comfort and a higher standard of living (and I believe this to be a more potent cause than the other) no abatement is necessary. Making all necessary drawbacks, the fact of their great advance in wealth and prosperity is too plainly evident to be called in question. It must be borne in mind, too, that whatever the industry and intelligence of the proprietary class may have been, this improvement in their position is, in very great measure, due to the direct action of our Government. It is scarcely too much to say that it has created proprietary rights in the soil. It has secured them by maintaining good order and tranquillity. And it has added indefinitely to their value by furnishing marvellously improved and accelerated means of communication, and by opening markets for the produce of the land, of which the people of two generations back never even dreamed.

"This is the history of the way in which the landed interests of the North-Western Provinces have been dealt with. It can scarcely be said that the conduct of the Government towards them has shown any inclination to oppression and rapacity. The history of the other three Provinces in which it is now proposed to add slightly to the taxation of the landlord-classes, differs in no important respect from that of the North-Western Provinces. They passed into our possession later, when our policy had become more liberal; therefore they never received so small a share as the proprietors of the North-Western Provinces were restricted to in the early days of our rule. In none of them, speaking generally, has the Native proprietor's share been less than one-third of the entire rental since they became British territory. And now, I believe that it nowhere is a smaller proportion than one-half, indeed in many parts the proprietors are actually in the enjoyment of more than a half.

"So far I have spoken of what is generally meant by the word Land Revenue when it is used in this country, that is, the Government-share of the rental in each estate.

"I come now to those Rates which are levied from land, in addition to the Land Revenue. These Rates are taxation in a direct shape.

“They are not claimed as part of the great customary rent-charge which the State receives from the land and which constitutes its Land Revenue. They are levied from time to time, as direct taxation, apart from that rent-charge, and are paid by the landlord out of that share of the rental which furnishes his own income. I will not stop now to consider the justice of this form of taxation, though it appears to me as right and just as taxation in any shape can be. I wish at present only to consider the nature and amount of these rates.

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“They vary in the different Provinces to which the Bills before the Council are applicable. They are highest in the North-Western Provinces, where they amount to five per cent. on the rental. They are lowest in the Central Provinces, where they do not exceed two and a quarter per cent. In Oudh they are two and a half; and in the Punjab  $3\frac{3}{4}$  per cent. upon rental. A portion of these rates is old, and a portion of recent imposition.

“The five per cent. which is taken in the North-Western Provinces is no new taxation. It has been levied for a great many years past. I mention this because I have seen exception taken to the levy of the additional rate of one per cent. for famine purposes, which is now proposed, on the ground that only so lately as 1871, the people of the North-Western Provinces were subjected to new and extraordinary taxation which swallowed up five per cent. of the entire rents of their estates. It is as well that a misapprehension of this sort should be corrected. The truth is that the Local Rates Act, 1871 (except as far as it related to that small portion of the North-Western Provinces which is permanently settled), did not impose any new taxation at all. It merely legalized rates which had been actually collected for a long time prior to 1871. It should be clearly understood that the one per cent. now under consideration will, if passed, be the only new tax (excepting the Income Tax) which has been imposed upon the land-owning community of the North-Western Provinces as a body for the last twenty years or more.

“In Oudh, of the  $2\frac{3}{4}$  per cent. which the native proprietors pay,  $1\frac{1}{2}$  was newly imposed in 1871, and  $1\frac{1}{2}$  was of older standing.

“In the Central Provinces the  $2\frac{1}{4}$  of the rental which is paid, dates entirely, I believe, from the last settlements, that is, from ten or twelve years ago.

“In the Punjab the existing rates were first imposed in 1871. These rates are high, but, we have heard from the Honourable Member who spoke last how very far they are from being a heavy burden upon the resources of the people, and how little dissatisfaction they created, though they were much heavier than the rate which is now proposed.

“The present relation between the State and the land, then, in the Provinces of which I am now speaking, may be summed up broadly thus:—That the State in its capacity of landlord enjoys one-half of the rents paid by the land, and that it also directly taxes the native proprietors of the soil by rates applied to local purposes which range between two and a half and five per cent. of the entire rents that pass through their hands.

“The measures now before the Council, if passed, will raise the amount of this latter payment by one per cent. all round; and some doubts have been expressed, as I said at the commencement, of the propriety of such taxation.

“These objections, so far as I have seen or heard or understood them, have been directed partly against the justice of the proposal, and partly against its expediency.

“As regards the injustice of such taxation, it is said, in the first place, that the agricultural classes are already contributing more than their fair share to the general revenues of the country.

“Well, it is true that the land-revenue does supply rather more than two-fifths of the total public income of India. Judged by our European standard, this may naturally seem an excessive amount. But if we wish to judge rightly, the first thing that we have to do is to put European standards out of our head, and to consider facts, not as they exist in other countries, but as we find them in this. If the landlords of England were compelled to-morrow to resign one-half of their rental to supply the public necessities, no doubt it would be felt as nothing short of confiscation. In India, as we have seen, taking one-half of the profits of land, is making a large and liberal concession to its owners. We must not lose sight of the fact that it is not the income which a man has never had, and which he has never dreamed of having, that he

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feels it an oppression to be deprived of. It is the money deducted from his ordinary and accustomed means of living that he misses, and the taking of which comes home to him as taxation. Looking at the question from this, which seems to me the true point of view, and remembering that what they pay as Land Revenue has never formed part of their income, I do not think that it can fairly be said that the proprietors of the land are unduly burdened. Their accustomed means of living, so far from being less, are much greater, than they were in former times. If we take the case of the North-Western Provinces, where the rates are considerably higher than anywhere else, and add the amount of them to what is paid to the State in its capacity of landlord, we find that out of every Rs 100 of rental, not more than Rs. 55 go into the treasury, namely, Rs. 50 as Land Revenue and Rs. 5 as taxation. If we add the Re. 1, which it is now proposed to take, it will be Rs. 56. Half a century ago, Rs. 80 would have been required; and up to twenty years back Rs. 66 would have been demanded by the State. The land-owners therefore are receiving much more, and contributing much less, than they have ever done in times past. I have taken the case of the North-Western Provinces as that in which the claims of the State are largest. The argument, of course, is still stronger in the other Provinces, where the payment made by the proprietors is smaller. In the face of these facts it seems to me impossible to make good any case for further indulgence towards agriculturists as a class. Assuming that they are in a position to contribute without hardship towards the funds which are required for the general protection of all classes from famine, I would ask, how they can be exempted from doing so without inflicting very great injustice on all other classes? The population of the Provinces to which the Bills now under consideration are intended to apply, is mainly agricultural. The proportion which the agriculturists bear to the entire population in them ranges between 56 and 64 per cent.—roughly speaking, it is about 60 per cent. We can judge from these numbers what the effect would be of exempting the agricultural class entirely. It would compel two-fifths of the people to pay for the support of the entire community in all future times of scarcity and famine. It seems to me sufficient to state a consequence of this sort, in order to show how impossible it would be for the Government, with any regard to justice, to exempt the agriculturists from taxation.

“I go on now to consider those objections which, without impugning the justice of taxing the profits of agriculturists, throw doubts upon the expediency of doing so. A principal objection of this sort is that the prosperity of the country mainly depends upon its agriculturists, that the great majority of these are very poor, and that to impoverish them further by taxation is,—if not to kill, yet to injure very seriously—the goose upon which we depend for our golden egg. Now the fallacy of this argument, as it seems to me, is that it confuses the cultivators of the soil with its proprietors. The cultivators do, no doubt, form the mass of the agricultural community, and I fear that many of them are very poor. But I agree with the Honourable Member in charge of the Financial Department in demurring to the next step in the argument, which is, that imposing one per cent. upon the landlords will make the cultivators poorer. I do not believe (generally speaking) that such a tax will affect them at all. The class which is taxed is that of landed proprietors—of men who live, not by cultivating the soil, but by enjoying the rent which is paid for its occupation by the actual cultivator. A powerful landlord, I am quite prepared to admit, can do a good deal that is irregular in this country, as in others, without being checked. But I think that this is very far from being true of all proprietors of land in the Upper Provinces of India, where large properties are the exception and not the rule; and I do not believe that illegal methods of transferring the incidence of this tax are likely to be generally successful there. Nor am I convinced that the legal powers which landlords have of enhancing their rents will help them to shift this tax on to their tenants. This will be evident if we consider the practical working of any attempt to do so. Suppose that a proprietor owns an estate with a clear annual rent of Rs. 100. He is enjoying Rs. 45 of these under the existing settlement, and paying Rs. 55 to the Government—Rs. 50 for Land Revenue and Rs. 5 for rates. When the extra Re. 1 of taxation is imposed, he will be receiving only Rs. 44 and paying Rs. 56. Suppose, again, that this proprietor is entitled

under present rules, to enhance his rents, so that they will yield him Rs. 105 instead of Rs. 100, and that he does so. Still, by raising his rental, he has not recovered his extra Re 1 of taxation. This right of raising his rents does not depend upon the taxation which has been laid upon him, but upon grounds altogether irrespective of that. He could have improved his rental therefore up to Rs. 105 in any case, and will still be poorer by the additional Re. 1 that he has to pay into the Treasury.

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" I do not mean to say that calculations of this sort can pretend to anything like mathematical accuracy or to be of universal application ; but, making every allowance for the working of unforeseen causes, I think that the most reasonable expectation regarding the incidence of the proposed tax is, that it will *not* fall upon the poor and laborious tenant-class.

" A further argument which has been used against the proposed tax is, that it is a breach of faith, and, as such, likely to lead to serious political dangers.

" So far as the tax can be said to have met with any opposition at all, I believe that the misgivings which have been felt have originated in feelings, more or less well defined, of this nature. And if such a feeling were deep-seated and universal, even though it might not be well founded, it would furnish a very strong ground of objection. It is worthwhile, therefore, to see what amount of real force is contained in it.

" In doing this, I do not propose to waste the time of the Council by any arguments directed to show that no breach of faith is actually committed by the imposition of a rate upon land, distinct from, and in addition to, the fixed demand upon it on account of Land Revenue. That controversy was fought out and settled some years ago, and the results of it have been sufficiently referred to by the Honourable Member in charge of the Financial Department in his speech to-day. Those who have still any doubts upon the conclusion which was then finally adopted—that the limitation of the Land Revenue does not confer an absolute immunity from direct taxation in every shape upon the classes who pay it—can look back to the records of the discussions then held and they will, I think, find their doubts satisfied.

" I only wish now to say a few words upon the political importance which may rightly be given to any impression, right or wrong, on the minds of the people of this country, if there be such an impression, that they are being oppressed or unfairly dealt with.

" In the first place, I question whether the levy of an additional one per cent. will give rise to any strong feeling at all.

" In judging of its probable effect upon the people, I think we may dismiss from our minds all distinctions of Land Revenue and land rating, of the State's share as landlord, and its requirements as tax-collector. It is not that I believe that these distinctions do not really exist. On the contrary, I have no doubt that they do, and that they are highly important. But I should not say from my experience that the people take much account of them. It has so happened that, from motives of convenience and economy, the manner in which the land-tax has been levied, and the machinery for levying it, have been the same as those by which the Land Revenue has been collected. It is not by any means necessary that this should always be the case, and I hope that the advantages to be gained by changing the present mode of taxing the land, for one that distinguishes it more clearly from the Land Revenue, will, in time, outweigh what I admit to be at present the much greater counterbalancing advantages of the existing system. When that time comes, a distinction between Land Revenue and Rates may perhaps arise in the minds of the landed proprietors who pay them. But at present I doubt if they draw any practical distinction between the two. They pay so much into the Treasury. The Government may credit the money as it pleases; but to their minds it is one payment, and the whole of it made out of their own pockets, because the actual cash has passed through their hands and they hold a receipt for it. It does not occur to them that the greater part of it, namely, that which represents their Land Revenue, has been paid over to the Ruling Power in the same way by their forefathers from time immemorial, and that it will continue to be so paid through any length of future time that we can look forward to, by themselves and their descendants, and that therefore this

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money has never belonged to them in any proper sense of the word. But though this payment, regarded from their point of view, may be a large one, it does not seem so to them. They have always been accustomed to make it, and do not grumble at it. Nor do they trouble themselves with any nice considerations of the precise percentages in which the profits of the land should be divided between themselves and the State. All that they are concerned about is, that their means of subsistence should never be seriously curtailed. I hope that it has been sufficiently shown to the Council to-day that there is no danger of any such considerable curtailment from the addition of another Re. 1 per cent to their payments, and, as long as this is the case, though they may not like the extra payment—as who does like making payments—there will be no dissatisfaction, I believe, such as a Government need take any account of.

“So far as to the likelihood of any strong feeling being aroused by the measures before the Council. Next as to the ‘breach-of-faith’ objection, I cannot help thinking, when this argument is used by the tax-payers, that it is employed more for the effect that they hope it may produce upon those whom they are addressing, than because the argument carries any very great force to the speaker’s own mind. The levy of cesses or rates in addition to Land Revenue has been familiar to the people for generations, and in some of the provinces affected they have been paying much heavier rates than are now demanded for many years past without a murmur. If they had really felt this to be a breach of faith, I think we should have heard more of this objection before now.

“Again, any objection which is taken on this ground to the proposed tax, is just as applicable to an Income-tax, which has been levied from the agricultural classes at different times during the past sixteen years. The cases are precisely similar. I know of no argument which applies to the one that does not equally apply to the other. Yet, though I cannot say that the Income-tax was anything but an extremely unpopular tax in the part of the country where my experience has been, yet I do not remember that there was any strong or general feeling against it on this ground in Upper India. The agriculturists did not expect to escape from having to help in bearing the common burden, and submitted without serious discontent to their share of it during the continuance of the Income-tax. I do not know why we should suppose that they will be more suspicious and less reasonable now.

“I have referred now, as far as I am able, to the principal arguments which I have seen urged against further taxation on the land; but, in conclusion, I would remark that they do not appear to have found anything like general expression. It is true that expressions of opinion in matters of this sort are apt rather to follow, than to precede, measures in this country. It is one of the recognised difficulties of the Indian Government that there are such imperfect means of ascertaining the sentiments, and feeling the pulse, of its subjects. In the provinces which will be affected, there is no Press which faithfully reproduces public opinion. That opinion must be sought for and found as best may be. The surest means that exist at present of learning the course of public sentiment is through the local officers of Government who are distributed over the country, who are in constant communication with people of all classes, and who will not hesitate to express frankly and fearlessly what they believe to be the general feeling of the country. Now, it is from these local officers that the Local Governments and Administrations derive their information, and by them that they are in great measure guided in their action. It is a significant fact, then, that of the Local Governments and Administrations concerned, with whom the responsibility will rest of collecting the tax, there is not one that has expressed any doubt or hesitation about the taxation of the land. They have on the contrary signified their cordial approval of it. This, I think, is the best assurance that it is possible for us to have, that the measure is not radically distasteful to the people affected, and the best assurance that there will be no great difficulties in enforcing it.

“But even if these difficulties were likely to be far greater than I anticipate, I do not the less think that it is not only proper, but absolutely necessary, to carry the proposed measures into execution. The taxation of the land must not be judged of by itself; it must be regarded in connection with the whole

scheme of which it forms a part. That scheme is intended to provide for the famine expenditure of the whole country,—an expenditure which is no old and recognised want of the administration, but one, the necessity for which has only come to light within the last few years. It is a charge which the old ways and means of the Empire are quite inadequate to meet; and the money which is to be raised will be applied for the benefit of all. In providing the money for a new and general necessity of this kind, it would be so grossly unjust to exempt upwards of one-half of the population from starring so much as their little finger towards lifting the common burden, that the difficulties and perils of any such course would, I am convinced, be far greater than any which can result from the measures which the Council are to-day asked to pass.”

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His Honour the LIEUTENANT-GOVERNOR said:—“My Lord,—Though the measures now under the consideration of the Council do not immediately affect the Provinces under my charge, they are the outcome of a policy which applies to the whole country, and I hope that I may be permitted to say that I think that the explanation which has been given by the Honourable Member will be considered to be perfectly satisfactory. There is one fact on which my honourable friend has laid considerable stress, which cannot be questioned, and that is, that the policy in respect to famine-relief and famine-prevention, which has been accepted by the Government of India, I believe with the full concurrence of all parties both in this country and in Europe, cannot be carried out without an increase of means, and these means can only be obtained by an increase of taxation. This being admitted, I must say that it seems to me, and I find that it is the opinion of most well-informed and thinking men, that no measures could have been devised more likely to be efficient, equitable and unoppressive, than the measures which have been determined upon by Your Excellency’s Government.

Sir A. Eden.

“There is no question that the proper principle to follow in respect to the raising of revenue for such purposes as that which has led to the present schemes of taxation is, that all having a permanent interest in the welfare of the country should bear their share of its burdens. The measures now before the Council adjust the incidence of taxation upon all interests, whether trading or landed interests. And though it has been alleged that the taxation has been thrown altogether on the poor, the license-tax does not touch any of the quite poorest classes, because those who have incomes of less than Rs. 100 a year are exempt, and though it may be difficult for men who know nothing of the country to realise, practically a Native with an income of Rs. 100 a year is in a better position than a European trader or mechanic in Europe with an income of £100 a year; I am sure that every one really acquainted with Native habits and modes of life and requirements will agree with me that this is so.

“I see that some objections have been raised to the levy of cesses on the landed interests of the North-Western Provinces on the ground that the cesses now levied do not extend to Bengal. Those who argue in this way seem entirely to forget that Bengal set the example of contributing such a cess to the Imperial Revenues, and last year relieved the Government of India of nearly £300,000, by imposing on the land charges hitherto borne by the Imperial Government. It would have been most unreasonable and unfair that this taxation should have been maintained in Bengal while the landed interests of the rest of India were left free. Last year the only taxation imposed on the North-Western Provinces was a low license-tax, while Bengal raised enough to meet the demands of the Imperial Government by a cess on land: this year the Government of Northern India have supplemented their trades license-tax by a cess upon land, while Bengal has supplemented its cess upon land by a license-tax.

“It is nothing to the point to urge that the results leave the Bengal zamindar in a better position than the North-Western Provinces zamindar; that really has nothing to do with the question. The object of the present measures is, not to equalise the incidence of the assessments and charges upon land throughout India, but to levy an additional rate for a special purpose from one end of India to the other. Out of the money (£1,500,000) now required by the Government of India for the construction of works to prevent famine, Bengal will contribute £600,000, or nearly one-half; and the outcry that she has been unduly favoured is most unjust and unfounded. It must be remembered that, till the last settlement, the zamindars of the North-Western Provinces had to pay to Government

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two-thirds of their collections, while they retained one third. For no very apparent reason, when the new settlement was made, they were only called upon to pay half, keeping one-half. Admitting as I do that it is sound policy of the Government of India to limit its demands on the country to its actual requirements, and to distribute the burden of taxation as evenly as is practicable on all classes of the people, I should be sorry to condemn the principles of the present settlement; but the fact remains that, if the present settlement had followed the lines of the old settlement in respect to the shares of Government and the landholders, Government would, setting new cesses aside, have received two millions more per annum than it receives now. And making all allowances for new cesses, including those now imposed, the land-owners of the North-Western Provinces are receiving  $1\frac{1}{2}$  millions more than they received before. And now that its imperative requirements have increased, I do not consider that there is anything unjust or unreasonable in Government imposing upon the classes who received these great benefits the same burden which imposed upon all other classes; and, after all, the entire fresh charge thrown upon the land-owners in the North-Western Provinces is only £80,000 or £90,000.

"Of course it requires no very great ingenuity to find some sort of objection, theoretical or practical, to every kind of tax; and I am sorry to have to say, that those who are loudest and most unreasonable and impatient in their demands that Government should take upon itself the liability of relieving and preventing famine, and of constructing extravagant works of irrigation, are the first to put into the mouths of the people reasons why no one should contribute anything towards such a purpose. But the money has to be raised, and this being so, I must congratulate Your Excellency's Government as to the substantially fair and even manner in which this liability has been distributed."

Sir J. Strachey.

The Honourable Sir John Strachey said.—"My Lord,—In the discussion that has now taken place on the Bills before the Council, several questions of importance have been referred to, but I have said already all that I feel called upon to say upon most of them, and some of these questions have been completely disposed of by preceding speakers. There are, however, still a few points which have been raised, on which it seems right that I should offer some further explanation.

"First, as to the suggestion that these taxes should be imposed only for a limited period of time, in the hope that greater economy in military expenditure or otherwise may render their retention unnecessary. This suggestion has not been repeated to-day, but it was made at one of our former meetings, and I then promised to notice it.

"In reply to this, I would remind the Council that, before the Government resolved to introduce these measures, it carefully enquired whether any present reduction of expenditure could be made, and for the reasons I before stated, it was satisfied that, so far at least as the Civil expenditure was concerned, no substantial relief could thus be obtained. In regard to the Home Military Charges, I sufficiently indicated the anxiety of the Government to obtain their reduction, or if that were not practicable, at least to prevent their increase. But here the remedy is neither in our hands nor in those of the Secretary of State for India. If any remedy is to be found, it can only be applied by the British Parliament. The circumstances, however, are obviously not such as to give any justification for our relying on such a reduction of charge as could affect our present calculations.

"Next, I must remind the Council that we have still not provided for a considerable part of the ordinary surplus of half a million, which we are bound to secure irrespective of the special surplus of  $1\frac{1}{2}$  millions to constitute the insurance against famine, and that we have reckoned on future possible increase of income or deduction of charge to make good the sum that we still had to provide.

"Again, it is these possible improvements of income, or to increased economy, that we have to look for meeting those future unforeseen charges for which experience shows that we must be prepared, and we may consider ourselves fortunate if such charges can thus be met without fresh calls for taxation.

"Lastly, the causes which have led to our present demands are unfortunately permanent, and not temporary, and the resources we create to meet those

demands must be permanent also, or at all events they must continue until evidence is forthcoming that such a change of circumstances has arisen as will justify our abandoning them.

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"It was suggested at a previous meeting of the Council, and the proposal has been urged in a memorial received from the British Indian Association, that a separate fund should be created from the produce of the new taxes, for the objects now in view by the Government. I think it desirable to make a few observations on this subject. It may first be said that the money obtained by the new taxes will in fact be applied, either to discharge of debt, the special origin of which cannot be ascertained, or to the construction of useful remunerative works of precisely the same description as those on which a far larger sum has hitherto been spent year by year, partly obtained from the general revenues and partly from borrowed funds. It is not the intention of the Government to reduce this outlay; on the contrary, it hopes to be able to increase it. To create any separate fund, therefore, would be to make a perfectly arbitrary and artificial distinction between a small part of the outlay, say 1½ millions, and the larger part, say 3 millions, on works in themselves not really distinguishable in their character or objects. Such a division would be, not only useless, but mischievous, and could not practically be maintained. It would necessarily lead to artifices in adjusting the grants and accounts, which would create suspicion and cause much trouble to all concerned.

"In fact, what the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to Famine, which shall be felt in the same way as the obligation to provide proper Courts of Justice, Police, Education, and so forth. For none of these objects has it ever entered into the mind of any one to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate Famine-fund than for separate funds for any of those other objects which are obligatory on the Government.

"The intention of the Government is to obtain the means of meeting the charges that arise in all parts of India on account of the relief of famine, whenever such calamities occur. This could not be done if the additional income obtained were specially allocated for expenditure in the Provinces where it was raised, and there never was any such intention. At the same time it is held to be desirable to employ the Provincial Governments in obtaining the funds, and in supervising their application so far as it takes the form of an investment in useful works of a remunerative character. It is with this exclusive object that it has been proposed to make the new taxes Provincial, so that the best possible agency shall be secured for their collection and for administering their outlay in detail.

"I will not attempt to state in detail the reasons why the persons responsible for the administration of the finances reject separate funds of all kinds, unless under very special circumstances, as productive of confusion and complication without any counterbalancing advantage. It will be enough, probably, after what I have already said on this point, to reconcile the Council and the public to the decision of the Government, not, in the present case, to create any separate fund, if I point out that any other determination might lead to results, probably not contemplated by those who have suggested the establishment of a separate fund; I mean that this might involve the necessity for imposing more taxation. Suppose, for instance, that the produce of the new taxes were by law strictly set apart from the general revenues and paid into a separate fund only to be applied to specified purposes. If, then, any sudden change of circumstances arose, calling for seriously increased expenditure, or causing a considerable falling-off in the revenue, we should have to choose between the imposition of fresh taxes and the abrogation of the law constituting the fund; for I set aside the idea of meeting ordinary charges by borrowing as a course financially inadmissible. This dilemma might arise, though the pressure was likely to be only temporary; nor can any one say that such a contingency would be at all improbable, or that it might not occur at any moment.

"With all my desire to see the pledges maintained that we have given, as to the application of a sum not less than 1½ million as an insurance against famine, I think it would be irrational, under many circumstances that I can conceive, to



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object to the temporary diversion of any necessary part of the revenue from this purpose, with a view to obtaining relief which might be no less urgently required than that which experience has taught us to be requisite in meeting famine. When I introduced these Bills, I used the following words: 'Without thinking of a future far removed from us, events might of course happen which would render it impossible even for us who have designed these measures to maintain our present resolution.' I now merely repeat this, though I equally repeat what I before said, that 'I hope no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.'

"While, however, I cannot give any hope of the constitution of any separate fund or account of the produce and application of these new taxes, I would remark that it has already been publicly announced by Her Majesty's Government in the House of Commons, that it is intended to take steps for placing before the public, in a clearer form than that hitherto followed, accounts of the Capital and Revenue income and outlay of the larger productive Public Works, whether carried on wholly or in part from borrowed funds. The Government is now considering the means by which this intention may best be acted on, and I trust that the reasonable desire of the public to receive in a full and thoroughly comprehensible shape accounts of the financial results of these undertakings will thus be complied with.

"The British Indian Association, in the paper to which I have already referred, have proposed as a proper and sufficient way of meeting the charge arising from famine, that the sum required to pay the interest on debt created in time of famine should be met by special taxation. It is precisely this view that the Government of India rejects as quite incompatible with proper financial principles. It is the capital charge that must be paid off, not the interest. To adopt the course proposed by the Association would lead to the constant increase of debt and taxation without limit—a course which cannot be admitted.

"The Association also appears to regard it as sufficient if provision is made from time to time for the discharge of the obligations arising from debt incurred in the past. It has not a word to say as to the future. Here, again, the policy of the Government is essentially different. The Government declares that it has exclusively in view the future, and that its primary object is to provide a revenue that shall enable it to meet future famines without permanent increase of debt or of annual charge on the revenues; and it proposes to combine with this a system which, by judicious application of its increased means, shall secure the provision of those material improvements to the country which experience shows to be the best, nay, the only real, means of alleviating the pressure caused by famine when extreme drought occurs, while they are constantly adding to the wealth and prosperity of the people.

"It now, my Lord, only remains for me to acknowledge, on behalf of the Government, the loyal spirit in which our measures have been received by all classes of the public, and to thank the Members of the Council who have taken part in our deliberations, here or in Committee, for the aid and support which they have given us."

The Motion was put and agreed to.

The Honourable Sir John Strachey also moved that the Bill as amended be passed.

The motion was put and agreed to.

## LICENSE TAX, 1879-80.

No. 110.]

No. 970, dated 10th April, 1878.

From—A. MACKENZIE, Esq., Secretary to the Government of Bengal, Revenue Dept.,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

I am directed to forward a copy of a letter, dated the 3rd instant, from the Bengal Chamber of Commerce, with a memorial addressed to the Secretary of State by that body, protesting against the exemption of the official classes from tax under the Bengal License Act, 1878. The prayer of the memorialists is that the Secretary of State "will not sanction the license tax until it has been amended so as to include every official class within Her Majesty's Indian territories, and to provide that all assessments shall be determined by a standard of uniformity."

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2. The Lieutenant-Governor has carefully read the memorial, but is obliged to confess that he does not altogether understand its object and intention. The Chamber condemn the license tax on the ground that "it is but a revival, in a modified form, of the abandoned income tax;" but some of their arguments seem to indicate a desire that an income tax should be imposed instead of the license tax, there being, so far as the Lieutenant-Governor is aware, no other form of direct taxation under which "all assessments can be determined by a standard of uniformity."

3. The reasons which led the Government of India to refrain from imposing an income tax upon the country at large have been very fully explained to the public, and no attempt is made in this memorial either to discuss or refute them. The policy of the Supreme Government in this matter has been deliberately arrived at and distinctly affirmed; and the Lieutenant-Governor can see no ground whatever, arising from this determination not to impose an income tax, for asking the Secretary of State to disallow for Bengal the license tax upon trades and industries which has been imposed in other parts of the country.

4. It is not, indeed, clear after all that the Chamber do really desire a comprehensive income tax, for, while they express great anxiety that the official classes should be subjected to taxation, they have not a word to say against the exemption of fund-holders, holders of scrip and shares, and professional men generally, from the operation of the license tax.

5. Practically, therefore, the prayer of the memorialists may best aid to be that the official classes alone, that is, all members of the public service (with the trading and agricultural classes), shall be subjected to taxation for the purpose of meeting the demands which may arise by reason of future visitations of scarcity or famine.

6. The reasons why the public servants of Government have not been subjected to this taxation have already been fully explained by Sir J. Strachey in the Council of the Governor General, and his arguments do not appear to be in any way met in the memorial now submitted.

7. The public service (setting aside the army and police, in respect of which large exemptions have always been made under former Acts of this character) may be said to be divided into two great branches,—first, the upper or, as it is commonly called, the covenanted service, which is imported from Europe, and which conducts the higher duties of administration; secondly, the subordinate and cheaper agency almost entirely supplied by the Natives of the country.

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As to both of these services, it may be very simply said that for the purpose of taxing them no law is necessary. If Government thinks that they are more highly paid than is absolutely necessary, it is perfectly open to Government to carry out a general reduction of salaries, and indeed it would be its duty to do so. But the salaries of the higher branch have been fixed, after much inquiry and exhaustive investigation, on a scale which it was supposed would be sufficient, and not more than sufficient to attract the class of talent which was believed to be essential to the efficient administration of this country. If it has been found that the scale so fixed is excessive, and that it has led to a rush for employment among the class of men whom it was intended to attract, then there would be reason in the demand that a more moderate scale of salaries should be adopted, fixed at a rate which would only be just sufficient to secure the requisite number of men. But if, on the other hand, the scale of salaries has been shown to be practically inadequate; if it has failed to attract the high class of men which it was meant to secure; if in consequence of its inadequacy there has been, even among those who have come out, discontent and agitation of a kind calculated seriously to embarrass the Government and necessitating special concessions in the case of the junior members of the service: then any proposal to reduce the scale of salaries which Government is under contract to give, and which it has held forth as an inducement to candidates to enter its service, seems to be illogical and unreasonable on the very face of it.

8. As regards the lower branch of the public service, the Lieutenant-Governor can only say that wherever he goes he hears the same complaint and the same tale of hardship, especially among the subordinate ministerial officers, owing to the great rise in the cost of all the necessaries of life, which has not been attended by any general and proportionate increase of salaries. If a tax was imposed upon this class, it is quite certain that it would have to be accompanied by a corresponding increase in the scale of salaries if Government desires to secure the same class of subordinate public servants that it now has. If that class is ever to be improved, it will only, in fact, be so by a very material increase in the salaries already paid.

9. The Chamber appear entirely to overlook the fact that this license tax in Bengal applies to the trading classes throughout the country, and not only to a few European merchants in Calcutta; and that it is merely supplementary to taxation imposed last year upon the agricultural classes, and that its object is to impose a singularly light taxation upon a class who have been enjoying all the advantages of trade, and who benefit by every increase in the business transactions of the country,—by all improvements effected by the Government, by the opening out of communications, and by good administration,—as no other class of the community does, and who yet pay absolutely nothing directly to the Imperial Government for the protection they receive and for the advantages of peace and order under which they prosper, their only contribution at present being the inappreciable sum represented by the duties on any articles of luxury they individually consume, and the duty on the salt they use, a duty which is paid by all classes of the community without exception. The stamp duty on commercial documents can hardly be said to fall on the trading class, inasmuch as it mainly goes to form an element in the price of goods, and is ultimately thrown off by them upon their customers, a process which is not unlikely to be repeated even in this matter of the license tax.

10. The Lieutenant-Governor does not propose to discuss further the reasons which seemed to warrant the Government in the policy which it has followed in respect of the license tax upon trades. The Government of India will no doubt, in forwarding this and similar memorials to the Secretary of State, explain fully the policy by which it has been guided in preferring a license tax to any other form of taxation.

11. With respect, however, to the attempt made by the Chamber to show that the trade of Bengal has not benefited so much as was supposed by the late enormous traffic in food-grains, and to their statement that, of those engaged in the rice trade, "some have been seriously embarrassed, and others ruined, through such operations" during the late famine, Mr. Eden will only remark that these losses, when they occurred, have notoriously been the result

of rash and unjustifiable speculation, and cannot be pleaded as an excuse for exempting trade in general from contributing its fair share towards the taxation of the country. In the meantime it is unreasonable to maintain that the enormous stimulus to trade in Lower Bengal afforded by the demand for grain from other provinces, and the great influx of money into the province in consequence, has not very materially benefited the trading classes throughout the length and breadth of the country.

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No. 111.]

Dated 3rd April, 1878.

*From*—H W. I. Wood, Esq, Secretary, Bengal Chamber of Commerce,  
*To*—The Secretary to the Government of Bengal, Financial Department.

The Committee of the Chamber of Commerce desire me to place in your hands the accompanying memorial addressed to Her Majesty's Secretary of State for India, with their request that it may, with the permission of His Honour the Lieutenant-Governor of Bengal, be forwarded to the Government of India for transmission to the Secretary of State.

No. 112.]

Dated, 23rd March, 1875.

*To the Secretary of State for India.*

The Humble Memorial of the Bengal  
Chamber of Commerce.

RESPECTFULLY SHEWETH,—That your memorialists recognise the necessity imposed upon the Government of India by the calamitous famines that have within the last few years occasioned enormous expenditure of the public revenue, to make provision for meeting extraordinary and exceptional charges that may be incurred hereafter by similar disasters.

That your memorialists therefore recognise the expediency of an Imperial Fund being created for the special purpose of meeting the demands that may arise by reason of future scarcity and famine, and approve of the policy whereby the pressure of expenditure may be equalised over a series of years.

That your memorialists also acknowledge the necessity for bringing the public revenue and public expenditure into a condition of financial equilibrium, for maintaining a sound financial position, as well as for creating a Special Famine Fund by means of additional taxation without encroaching on the ordinary revenue reserved for ordinary requirements of the State.

That such Special Famine Fund proposed to be created by the Government of India is intended to be provided from the following sources :—

	£
New taxation,—license on trades, dealings, and industries	.. 700,000
Agricultural tax, Bengal and Northern India	.. 500,000
Gain by extension of provincial responsibility	... 400,000

That in pursuance of such determination, and with the view to raise a proportion of such additional taxation within the territories subject to the Lieutenant-Governor of Bengal, an Act for the licensing of trades, dealings and industries has been passed by His Honour and assented to by the Governor General of India.

That your memorialists cannot but regard the said Act as a violation of established principles of taxation, inasmuch as it throws upon certain classes of the public a burden which should be borne by all alike without exception, and demands that all branches of trade and industry shall contribute to the support of the State, while it exempts, invidiously and unjustly, every grade of the salaried officers of Government from any share of a special taxation necessitated by national exigencies

That while your memorialists are content to bear their fair share of that burden, they entirely dissent from the assumption that trades and industries generally benefit from famines, and that therefore they should be called upon to pay so large a proportion of the annual tribute demanded by the State as protection against such calamities. That while it cannot be denied that some trades and industries do derive temporary benefit from famines, your memorialists submit that such benefit is limited to a few only, while the great majority

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not only derive no benefit, but actually suffer serious losses by the occurrence of famine.

That owners of jute mills and of steam ships and other carriers undeniably did derive advantages from the late famine in Madras, but ship-owners, with one or two notable exceptions, are not and cannot be made liable to such taxation as is now imposed, not being resident or in any way established in India; and to make those who are established in India liable to such taxation while the others escape it is to prejudice local interests as against foreign. With the exception of the classes named, your memorialists believe famine is a misfortune to trade generally, which is nevertheless called upon to meet the entire cost of providing such portion of the fund necessary to protect the State as is derivable from the measure complained of.

That markets for all classes of imported goods become stagnant from the results of famine, scarcity and consequent dearness of food interfering with the ability of the population to purchase, importers thus finding consumption of their goods materially reduced, whilst exporters of produce find most articles of commerce enhanced in value and all means of carriage dearer, trade thereby being rendered exceptionally hazardous and generally unprofitable.

That it has been officially assumed and declared that traders in rice, in connection with the late famine, have amassed enormous profits from that source. Your memorialists believe such is not the case. No doubt some have made large profits, while a greater number have made moderate profits; but of others who were engaged in the trade some have been seriously embarrassed and some ruined through such operations, although at the same time the commercial enterprise involved in an unprecedented exportation of food-grain from the port of Calcutta has, your memorialists believe, enabled Government to meet the emergencies of the famine at a very much smaller cost to the country than had traders not engaged so extensively in the traffic.

That in the opinion of your memorialists the action of the Government of India by placing so heavy a burden upon the commercial and trading classes, who have thus rendered substantial service to the State, while all official classes have been exempted, is unmerited and unjust.

That your memorialists frankly admit and bear testimony to the laudable and excellent services rendered by Government officials of all ranks who were engaged in the famine in Southern India and elsewhere, and they would gladly see them appropriately recognised and rewarded; but your memorialists submit that the performance of duty, however zealously and efficiently discharged, is no ground for exemption from taxation for national purposes, and that the immunity of the official classes from the obligations compulsorily imposed upon other sections of their fellow-subjects invests the Government measure with a most invidious character, and constitutes it an act of grievous partiality.

Your memorialists respectfully submit that national misfortunes, whether arising from famines or other causes beyond or within human control, enjoin obligations upon every class of the community (if able to bear them) to contribute towards the national resources needed for alleviating consequential distress, and protecting the State against similar disasters in the future; and that any measure of Government which violates equitable taxation by over-weighting selected classes of the people and giving entire freedom to others well able to bear their share of the burden cannot be too strongly condemned as being at variance with a right disposition of responsibilities common to all alike.

That in the judgment of your memorialists the Government measure is but a revival, in a modified form, of the abandoned income tax, which, however, possessed the redeeming features of approximately assessing the means of all who were bound to contribute to public requirements and of abstaining from taxing the hard-earned pittance of the poorest classes, while the License Act, on the contrary, touches the scanty resources of the humblest and lowest in every social industry that can be enumerated, and apportioned the fees payable in the three Presidencies in such a manner as to deny the tax even the merit of reasonable equality in its incidence.

Your memorialists therefore pray Your Lordship will not sanction the license tax until it has been amended so as to include every official class within Her Majesty's Indian territories, and to provide that all assessments shall be determined by a standard of uniformity.

No. 113 ]

No. 11, dated 3rd June, 1878.

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*From—The Government of India,  
To—The Secretary of State for India.*

We herewith forward a memorial addressed to Your Lordship by the Bengal Chamber of Commerce, relative to the taxes recently imposed on traders, together with a letter from the Honourable the Lieutenant-Governor of Bengal, which contains an expression of his opinions on the subject of the memorial.

2. The substantive prayer of the memorialists is that the license tax shall be extended so as to include the official classes, and that all assessments in all parts of India shall be on a uniform scale.

3. As to the last point, we need only remark that we considered it on the whole expedient to leave to the discretion of the local legislatures the precise form under which the license duties on trades should be assessed, only requiring that the general scope of the local laws should not depart from that of the corresponding measures passed in the Council of the Governor General.

4. The desire to see the official classes included among those that fall under the operation of the License Tax Acts has been prominently stated in the memorial from Madras, recently forwarded to Her Majesty's Government, as well as in the petition to Parliament sent from Bombay, and though the reasons that led us to give the measures in question the shape in which they became law were, we think, sufficiently explained in the discussion before the Council of the Governor General, it may be convenient if we again briefly refer to them. Our Government having come to the conclusion that the imposition of an income tax, in the circumstances of the time, would have been inexpedient, a conclusion in which Your Lordship's predecessor fully acquiesced, it was decided, with his approval, that measures of taxation affecting certain classes only should be adopted.

5 That our actual measures have been received with disfavour among certain influential classes in the presidency towns does not lead us to think that more extensive measures would have been better received; nor does it remove our decided conviction that an income tax proper would have been still more strongly and generally denounced than the comparatively mild measure we adopted. It is an almost certain consequence of all additions to taxation that the burden actually imposed is declared by the classes on whom it falls to be worse than other burdens which they have not been called on to bear. If, however, we are mistaken as to the probable reception of an income tax, and if it be true that the general feeling in this country has so far changed as to recognise this tax as a suitable source from which the revenues may be permanently recruited, a very important step will no doubt have been made towards strengthening the financial position of future Governments, which may not find themselves precluded from adopting this useful form of taxation, against which we have no objection whatever on principle, though circumstances recently prevented our accepting it.

6. Although there is much that is true in the observations of the Honourable the Lieutenant-Governor of Bengal, contained in paragraphs 7 and 8 of the Bengal letter No. 970, dated 10th April, such arguments did not materially influence us in the decision we came to, that the license tax should be imposed on the trading classes only. A general tax on incomes having been set aside, it became necessary to make a selection of classes to be taxed; and for reasons which, having been fully explained by Sir John Strachey, need not be repeated, the selection was confined to the agricultural and trading classes. It was necessary to draw the line in an arbitrary manner in defining the classes to be recognised as traders. Whether or not the line that we actually drew was the best possible may be fair subject for argument; but it is altogether misleading to suggest, as has been done in the memorial, that the class of officials is the only class not touched by the license tax.

7. We need not here discuss how far the course actually adopted was the best course open to us in the circumstances with which we had to deal. We think, however, that it is now well deserving of consideration whether advantage might not be taken of the feeling which has no doubt arisen to bring the wealthier portion of the professional and official classes under taxation, thus removing, as far as possible, all justification for the assertion that the poorer

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classes are unduly burdened, and at the same time obtaining somewhat greater equality in the incidence of taxation. It would be satisfactory if by such an arrangement the means could be obtained for giving further relief to the less wealthy classes of the community, as, for instance, by an earlier or larger reduction of the salt duties than any which could otherwise be now contemplated. These questions were, indeed, under consideration before the late measures of taxation became law; and we hope to report our conclusions upon them hereafter in a separate despatch

8. There remains one point referred to in the memorial of the Bengal Chamber of Commerce on which a few words of explanation are called for. We allude to the allegation that our Government has affirmed that the traders of India are, as a whole, benefited by famines, and are therefore justly liable to special taxation. A similar statement is to be found in the other remonstrances to which we have alluded.

9. A reference to the words employed by Sir John Strachey in his remarks before the Council of the Governor General on the 27th December 1877 and 9th February 1878 will show how utterly unfounded is any such imputation. For convenience of reference, extracts from Sir John Strachey's speeches are appended. The assertion of our Honourable colleague was that when scarcity affects one part of India, the producers of grain and dealers in grain in other parts make large profits; that while the agricultural and trading classes are, on the one hand, those that require extensive measures of relief in a region suffering from extreme scarcity, so, on the other, they are in a position to obtain large profits when their own provinces are prosperous whilst others are suffering; that the salaried classes are exposed to the disadvantages of high prices in time of scarcity without requiring or obtaining any public relief, and that these classes consequently obtain no such compensation as that which falls in times of scarcity to the lot of those engaged in trade or agriculture.

10. The subject is one that it is needless to pursue, but it seems proper to place in its true light a misrepresentation which has been very persistently made in disregard of facts which were open to those who originated these mis-statements, but are not likely to be within reach of those to whom the mis-statements were addressed.

No. 114.] *Extract from a speech by SIR JOHN STRACHEY,—27th December 1877*

\* \* \* \* \*

When in March last the Government proposed to improve our financial position, it showed, by the measures which it introduced, and which have since become law, that there were, in its opinion, two great classes of the community on which the duty of contributing for the prevention of famine more especially fell. The mere fact that the agricultural classes constitute by far the greater portion of the population, and, when famine occurs, from the great majority of those who require relief, is alone sufficient to show that these classes ought to pay their quota of the sum required for their own protection. To say that the people (to quote again the words of the Secretary of State) ought "themselves to provide for their own support and well-being," and then to say that the agricultural classes shall be exempted from payment, would be equivalent to saying that the principle laid down was to remain a dead-letter. It would have really no meaning at all.

The next very numerous class, although of course a small class compared to that of the agriculturists, is the class of traders and artisans. Although prosperous in ordinary times, this is a class on which, when famine occurs, pressure is the first to fall, and it ought to contribute for its own protection. Not only does it now contribute nothing for this purpose, but it is notorious that throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a share of the expenses of the State. Nor, I think, can we avoid the conclusion that there is hardly any part of India which does not, in one shape or other, or at some time, either feel directly the pressure of the severe droughts to which the country as a whole is liable, or, by indirectly deriving benefits from the rise of prices consequent on local scarcity, does not render itself justly subject to contributing towards the common insurance fund.

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In considering the equity of levying fresh taxation from the agricultural and commercial classes for the special purpose of meeting expenditure on account of famine, there are other points which ought not to be left out of sight. The late famine in Madras and Bombay has given us an admirable illustration of the fact that, with our present excellent system of communications, which goes on improving almost from day to day, serious and widespread famine in one portion of the empire brings wealth and prosperity to a very large section of the agricultural and commercial communities in other provinces.

India is so vast, and the physical characteristics of its provinces are so diverse, that famine has never visited, and, we may reasonably hope, never will visit, the whole country at once. If famine prevails in Bengal and Behar, there are bountiful harvests in Burma, Madras and the Punjab. If crops fail in Madras and the Deccan, the surplus food of Bengal and Central India and the North-West is at once poured into the afflicted country. Even in a famine-stricken province the irrigated lands furnish surplus food which the owners sell at a great profit. \* \* \* \* \*

During the past year more than a million and a half tons of food have been carried into the famine districts from other parts of India. The profits on this great trade, after paying all expenses of carriage, have been estimated, on what appear to be fair grounds, at not less than Rs. 40 a ton; and I believe that I am understating the fact if I estimated that the producing and trading classes have made a clear profit of six millions sterling on this business of supplying grain to the famine districts. \* \* \* \* \*

I am told, on the highest authority, that never perhaps within the memory of man has there been seen in Bengal anything like the general prosperity which now prevails among almost all classes; but this prosperity has been immensely stimulated by the influx of money and the great demands on the produce and industry of the province which have arisen from the famine in Madras. Agriculture, trade and the industrial arts have alike benefited. But it is not to be overlooked that there is one class which does not share in this general prosperity, or which shares very little in it,—the class which depends on fixed incomes for its support, or whose incomes are little affected by competition. The small officials and others subsisting on wages, the amount of which they are powerless to regulate, suffer in particular from the high prices which prevail, and which serve to enrich the producing and trading classes. There are, I think, other reasons which make it equitable that the obligation of providing for the relief of famine should fall as lightly as possible on the class of which I have just been speaking, and, indeed, on the professional classes generally. In times of serious famine no large proportion of these come upon the relief which the Government has to administer. The poorer field laborers in the villages, and the poorer members of the trading and industrial classes in the towns, are the first section of the population which suffers, and, even when famine is at its height, the mass of people receiving relief are field laborers, petty ryots and artisans. Very few priests, and lawyers, and schoolmasters, and people with fixed incomes actually demand Government relief, although they may feel sorely the pressure of famine prices. This class, with more or less fixed incomes, then, although we cannot relieve it, will have no fresh burdens imposed upon it by the measures which we now desire to take.

No. 115.] *Extract from the speech of SIR JOHN STRACHY, delivered in the Legislative Council on the 9th February 1878, on Northern India License Tax Bill.* \* \* \* \* \*

I have stated, on behalf of the Government, the reasons which have led us to the conclusion that the trading and agricultural classes are those on which the obligation of contributing for the prevention and relief of famine more especially rests. These are the classes on which, as a whole, and on which almost alone, the pressure of actual famine falls. They ought, therefore, to contribute for their own protection. In regard to the commercial and trading classes, there is also this strongest of all justifications for taxing them, that, excepting always that comparatively very small section of them, which is composed of Europeans, they now pay almost nothing towards the expenses



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of the State. There is, moreover, this further reason that, although the trading and agricultural classes are the first to suffer when famine occurs within the limits of their own provinces, they benefit immensely, taking them as a whole, by the occurrence of famine in other parts of the empire. The misfortune of their neighbours brings to them wealth and prosperity.

On the other hand, the professional classes, and those who depend on fixed incomes for their support, although they suffer from the high prices caused by famine, are seldom the recipients of actual relief from the State; under no circumstances do they derive any advantage from famine when it occurs, and they have no power of passing on to others the burdens placed on themselves. The small officials and servants receiving wages are in this country very numerous, and there is certainly no class on which it would be less equitable to impose taxation for such a purpose as this.

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No. 116 ]

No 16, dated 22nd July, 1878.

*From—The Government of India,*

*To—The Secretary of State for India*

In our despatch No. 11 (Separate Revenue), dated 3rd June, we stated our intention of reporting separately the conclusions which we might form in regard to the expediency of bringing under taxation the wealthier portion of the professional and official classes, "thus removing, as far as possible, all justification for the assertion that the poorer classes are unduly burdened, and, at the same time, obtaining somewhat greater equality in the incidence of taxation."

2. As we mentioned in that despatch, our attention had been previously directed to the general question of how best to bring under taxation the wealthier part of the community which had till lately contributed comparatively little to the revenues. This object has now been partially accomplished by the imposition of the license taxes on traders in the several provinces. The discussions that have taken place during the last few months on the incidence of these taxes seem to show that the objections to a more general extension of direct taxation, founded on the supposed existence of a strong feeling in the country opposed to all such taxation, are less serious and deserving of attention than had been supposed. At the same time it is not to be denied that there are practical inconveniences, as well as political evils, in not bringing the professional and salaried classes under the taxation which has been placed on traders from which the former classes can in many cases only be separated in an arbitrary and artificial manner.

3. The reasons which thus point to the practicability and expediency of our imposing on the professional and official classes taxation somewhat similar to that which has lately been imposed on traders have been strengthened by the circumstances explained in our telegram dated the 29th June last, under which we have been induced, with Your Lordship's approval, to carry out somewhat earlier than had at first been contemplated a further considerable reduction of the salt duties in Northern India. This is likely to lead to a loss of revenue of about £150,000 in the present year and to an ultimate loss of perhaps £300,000, subject to any reduction that may be caused by increased consumption: a moderate addition to the public income to compensate this loss will manifestly be desirable. On the whole, therefore, we are of opinion that the proposed extension of taxation, which will virtually afford the means of transferring to the richer classes a not unimportant share of the burden before placed on the poorer ones, should be carried out from the commencement of the coming financial year.

4. In considering the exact nature of the measures to be adopted for giving effect to this conclusion, it has been impressed upon us that we should say or do nothing which can tend towards re-opening discussion in regard to the merits of the taxation lately imposed on the trading and agricultural classes, for the purpose of providing the funds necessary for their relief and prevention of famine. Your Lordship will, we are satisfied, agree with us in this; and we propose, therefore, to make no change in those taxes which is not absolutely unavoidable.

5. In regard to the professional classes no difficulty will arise; a very slight amendment of the existing Acts imposing licenses on traders will suffice. But separate provisions will be required for the taxation of the salaried classes, whether official or non-official.

6. From the necessity of the case, and in order to avoid minute inquisition into incomes, the License Tax Acts divide the persons taxed into classes, providing, at the same time, against the assessment on any person exceeding two per cent. on his annual net earnings. In the case of the salaried classes, this rough process of assessment, which is, to a certain extent, necessarily productive of the injustice of taxing persons who have smaller incomes at the same amount as those who have larger, is unnecessary and, we think, inexpedient. The amount of the actual salaries of all public servants is known, and those of the servants of companies and private persons can easily be ascertained. We propose, therefore, to assess the salaried classes by a percentage on their actual salaries. This was the plan adopted for the taxation of the official classes under Act IX of 1868, after that of taxing them by classes had been first tried under Act XXI of 1867.

7. As already stated, the maximum percentage of the tax on trades, dealings and industries is two per cent. on the estimated annual net earnings, but there can be no doubt that the average incidence of the tax is less than two per cent. In the Madras Act, for instance, the tax is arranged so as to fall on some incomes of the poorest classes at a rate below one per cent., and on some incomes of the richer classes at not more than one and three quarters per cent. The assessment, moreover, being made on the estimated incomes, there can be no doubt that the average incidence on the actual incomes will be below the rates above mentioned. For these reasons, we think that a tax of one and a half per cent. on actual salaries will be a fair equivalent to that levied under the License Tax Acts on the trading classes. A similar principle was followed in Act IX of 1868, by which the percentage of taxation on official salaries was fixed at one per cent., while the average incidence on the estimated incomes of the non-official classes was one and a half per cent.

8. The maximum amount of the present license taxes varies in the different provinces of the empire. In the Bengal Presidency it has been fixed at Rs. 500, in the Bombay Presidency at Rs. 200, and in the Madras Presidency at Rs. 800. Even the largest of these sums is not equal to what would be paid by the highest officers of Government at one and a half per cent. on their salaries, as, for instance, the Governor General, the Governors of Madras and Bombay, the Commander-in-Chief, the Lieutenant Governors, Members of Council, Chief Justices, and, possibly, a few others; but, excepting the salaries paid to these officers, the highest salary ordinarily paid to a Government officer in India is Rs. 50,000 per annum. Two per cent. on this sum would be Rs. 1,000 and one and a half per cent. would be Rs. 750. As there would be no justification for a lower maximum limit of tax on the trading and professional classes than on the salaried classes, we think it will evidently be right to raise the maximum tax on traders and others similarly assessed to the highest sum named in any of the License Acts—being that adopted at Madras, namely, Rs. 800. For this purpose, it will be necessary to add one class in the Bengal Presidency, and two classes, assessed at Rs. 500 and Rs. 800 respectively, in the Bombay Presidency. According to this scheme, the few high officials already mentioned would be the only persons who would pay more than Rs. 800 per annum. The number of traders and professional men with incomes exceeding Rs. 50,000 is very small; and the additional revenue which we should obtain by making them pay more than the maximum license fee of Rs. 800 would be financially insignificant. It does not seem worth while to add more classes in the License Acts, merely for the purpose of making a few rich traders and professional men pay as much as the highest officials. Following the precedents of Acts XXI of 1867 and IX of 1868, we think that it would be right to exempt the military servants of Government, not in civil employment, whose pay and allowances do not exceed Rs. 500 per mensem, as well as all other salaried persons in the receipt of less than Rs. 100 per mensem. We think that it will be also expedient to shade off the rate of tax on the lower salaries up to Rs. 600 per mensem, by giving a drawback in the manner adopted in the English Income Tax Acts. We contemplate no interference with the minimum tax at present leviable under the License Acts.

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9. If these proposals be adopted, there will still remain a certain class of comparatively rich persons, such as fund-holders and house-proprietors, who will contribute little or nothing to the Imperial revenues, and, in the absence of an income tax, this inequality could hardly be avoided. The landlords of Upper India have been recently subjected to additional taxation by rates on their profits from land, amounting generally to something less than two per cent. on their incomes, and thus fairly corresponding to the burden imposed on the trading classes. In the lower provinces of Bengal, the cess lately imposed on the land is shared between the land-holder and his tenants; and, as the former enjoys the advantage of a fixed and light land revenue assessment, he certainly does not pay to the State as large a share of taxation as his less fortunate brethren in the rest of the Presidency. It cannot be left out of sight, however, that persons interested in the land in Bengal have recently been subjected to considerable additional taxation; and we do not think it desirable, therefore, to raise any question as to this class in connection with the present measures.

10. To secure uniformity, and to avoid opening questions, the discussion of which can be no longer useful, we consider that the legislation necessary for the enactment of the measures above sketched should be effected in the Council of the Governor General. There were special reasons for our preferring that the License Acts should be passed by the local legislatures, but no such reasons exist in regard to the taxation of the official classes.

11. According to the best estimates which we have been able to make from an examination of the returns of the receipts under the former Income Tax and License Tax Acts, it is calculated that the changes now proposed may produce an addition to our revenues of about £200,000 per annum.

12. On receiving Your Lordship's authority so to do, we shall prepare for the introduction of a Bill to carry out these proposals early in the coming session of the Legislative Council of the Governor General, after its re-assembly in Calcutta, with a view to the new taxes coming into operation from the commencement of the financial year 1879-80. A draft of the proposed Bill will be submitted to Your Lordship as soon as possible with a separate despatch.

No. 117.]

No. 2057, dated 31st July, 1878.

*Office Memo by—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPT. OF FINANCE.*

The undersigned is directed to forward, to the Legislative Department, \* No. 16 (Separate Revenue), dated 22nd July 1878 the accompanying copy of despatch\* addressed to Her Majesty's Secretary of State for India, and to request that a Bill may be framed for imposing on the professional and official classes taxation in the manner indicated in the despatch.

2. The undersigned is, at the same time, to forward a copy of a letter No. 128A., dated 20th April 1878, from the Government of the North-Western Provinces and Oudh, and to suggest that provision may be made in the Bill for removing the doubts respecting the interpretation of Section 17 of the Northern India License Act, 1878.

No. 118.]

No. 402, dated 21st November, 1878.

*From—The Secretary of State for India,  
To—The Government of India.*

I have considered in Council your "very confidential" letter, dated the 22nd of July last, No. 16 (Separate Revenue), on the subject of the imposition of certain new taxes, to come into operation from the commencement of the financial year 1879-80.

2. Your object is to bring under taxation the wealthier portion of the professional and official classes with the view of "removing, as far as possible, all justification for the assertion that the poorer classes are unduly burdened, and at the same time obtaining somewhat greater equality in the incidence of taxation."

3. For these purposes you propose to add a class assessed at Rs. 800 to the schedule of the Bengal License Act, and two classes assessed at Rs. 500 and Rs. 800 to the schedule of the Bombay Act, so as to make the maximum license fee in all three Presidencies the same; to amend the three existing Acts

so as to include professional classes among those who are required to have a license; and to impose on all salaried classes, whether official or non-official, a tax of one and a half per cent., exemption being made in the case of military servants of the Government who are not in civil employment, if their pay and allowances do not exceed Rs. 500 per mensem, as well as of all other salaried persons in the receipt of less than Rs. 100 a month, and some allowance being made in the case of salaries below Rs. 600 a month, on the model of the Income Tax Act in this country.

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4. It is calculated that the changes now proposed may produce an addition to the revenue of about £200,000 per annum.

5. I might have felt some doubt as to the expediency of a measure imposing fresh taxation of which the receipts were likely to be so small, if I did not consider that there was some ground for the feeling that the operation of the Licensing Acts was partial, and that, while the proposed measures would be beneficial to the revenue, they would remove from the minds of the classes taxed under those Acts a sense of having been subjected to somewhat unequal treatment. I accordingly convey to you the sanction of Her Majesty's Government for the introduction of the needful legislation.

6. You express your intention of carrying the measure into effect by the passing of a Bill in Your Excellency's Legislative Council, with the view of securing uniformity and avoiding the opening of questions of which the discussion can no longer be useful. As it was thought proper to impose the license tax by means of Acts passed in the three Local Councils, it would have apparently been more consistent with the course that measures for their amendment should also be passed in those Councils rather than in that of the Supreme Government; but I leave it to your discretion to determine the point as you think best.

No. 119.]

No. 471, dated 27th January, 1879.

From—B. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPARTMENT OF FINANCE,  
 To—The Secretary to the Government of Bengal.  
 To—The " " " " Bombay.  
 To—The " " " " Madras.  
 To—The " " " " Panjab.  
 To—The " " " " North-Western Provinces and Oudh.

His Honour the Lieut.-Governor,  
 His Excellency the Governor,  
 His Grace the Governor,  
 His Honour the Lieut.-Governor,  
 His Honour the Lieut.-Governor.

I am directed to request that, with the premission of

the Government of India may be favoured, confidentially, and with the least possible delay, with an early preliminary report upon the working of the

License Tax imposed by

Bengal—Act I (B.C.) of 1872  
 Bombay—Act III of 1878  
 Madras—Act III of 1878  
 Panjab—Act II (India) of 1878  
 N.-W. P. and Oudh—Act II (India) of 1878

Bengal  
 Bombay  
 Madras  
 the Panjab  
 the N.-W. Provinces and Oudh.

2. Any difficulties experienced in the introduction of the tax should be noted, with the state of popular feeling in respect to it, and such statistics as are at hand should be given of the number of persons assessed in each class.

3. I am to ask particularly to what extent the assessment has been personally supervised by the superior Revenue or specially-appointed officers in each district or sub-division. If there has been anywhere default in this respect, the Governor General in Council especially desires that such officers may be directed now personally to visit the localities and ascertain that the work has been efficiently done, and that there has been no maladministration.

No. 120.]

No. 37, dated 11th February, 1879.

From—C. ROBERTSON, Esq., Secy. to the Govt. of the N.-W. Provinces and Oudh,  
 To—The Secretary to the Government of India, FINANCIAL DEPT.

In reply to your letter No. 471, dated the 27th January last, I am directed to submit, for the information of His Excellency the Governor General in Council, copy of the papers marginally noted, being a preliminary report upon the working of the License Tax imposed by Act II, 1878, in the North-Western Provinces and Oudh.

From Secretary, Board of Revenue, North-Western Provinces, No. 85-1V. B-51, dated 3rd February 1879, and enclosure.

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2. I am to state that from what the Lieutenant-Governor and Chief Commissioner has heard from the Inspector-General of Police and other officers who are in the habit of mixing with the people, His Honour is convinced that the tax is regarded with as much discontent and disaffection as the classes who pay it are capable of showing. But Sir George Couper does not think that the Government of India need be uneasy on that score. No tax could be devised which would be received with favour by the Native mercantile and trading community. His Honour is satisfied that this tax is as equitable a one as could possibly be devised, and that it is levied with care and discrimination; and, as long as this is the case, the Government need not be concerned because it is distasteful to a community who would vainly claim immunity from all taxation, and who, under the circumstances in which we are placed, would certainly be taxed far more heavily were they under the rule of one of their own countrymen.

No. 121.]

No. 85-IV-B-51, dated 31d February, 1879.

From—T. HOLDBERNES, Esq., *Offg. Secy to the Board of Revenue. N.-W. Provinces,*  
To—*The Secretary to the Government of the N.-W. Provinces and Oudh.*

Referring to your endorsement No. 15, under date the 30th ultimo, regarding the submission, at the earliest possible date, of the information required by the Government of India in the Financial Department (Separate Revenue), No. 471, dated 27th idem, I am directed to submit, first, two statements, marked A. and B., which show, respectively, for the North-Western Provinces and Oudh, the number of persons assessed under each class to the license tax. Secondly, two other statements marked C. and D., showing the estimate for each district of the united provinces, and the realisations up to date.

2. In reply to the enquiry as to what extent the assessment has been personally supervised by the superior Revenue Officers, I am desired to refer you to paragraph 2 of the Board's Book Circular No. 2-IV-B-116, dated 17th May last, and to the notifications of Government annexed thereto, from which the Supreme Government will observe that the powers conferred on Tahsildars under this Act were much less extensive than those exercised by these officials under Act VIII of 1877, and that the responsibility for the preparation of the lists of persons liable to be assessed was thrown on the Collector of the district and on those members only of his staff who exercised the powers of Assistant Collectors or Assistant Commissioners of the 1st class, while the Board desire that the final determination of the assessments under class I of the schedule should be invariably retained by the Collector in his own hands. The necessity of a fair and equitable assessment was further insisted on in the Circular issued by the Board in December last, at the special instance of His Honour the Lieutenant-Governor, and two copies of which Circular are appended. These papers will, it is trusted, show that the wishes of the Government of India, on this head, in the penultimate paragraph of the Government Order, have been anticipated, while precaution was taken from the very first to ensure that the duty of assessment should be in the hands of the most experienced officers only.

Lastly, I am to state that no difficulties in the introduction of the Act have been brought to the notice of the Board, nor, whatever the under-current of feeling may be as regards *individuals*, has there been any popular discontent manifested. On the contrary, it is believed that the introduction of this form of taxation is, and not unnaturally, not viewed with disfavour by those classes who have hitherto borne exclusively the burthen of taxation.

The object at which the Board aim in future is to dispense, as much as possible, with those inquisitorial measures which in all Oriental countries give opportunities for extortion, and it was with this view specially that the instructions in paragraph 3 of the Circular were framed. It is hoped that lists, once carefully prepared under proper supervision, little more than a proper scrutiny of these will be required in subsequent years.

A.

No. 122.] Statement showing the total number of persons assessed in the North-Western Provinces in each class under the License Act II of 1878.

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DIVISION.	DISTRICT.	UP TO QUARTER ENDING 30TH SEPTEMBER 1878.			DURING QUARTER ENDING 31ST DECEMBER 1878.			TOTAL.		
		Class I	Class II	Class III	Class I	Class II	Class III	Class I	Class II	Class III
MEERUT	Dera Dun	18	218	389	..	..	..	..	..	..
	Sahasnagar	8	134	150	..	..	..	..	..	..
	Muzaffarnagar	53	1,180	1,833	..	..	..	..	..	..
	Meerut	8	130	136	..	..	..	..	..	..
	Bulandshahr	145	1,552	2,068	..	..	..	..	..	..
	Aligarh	8	145	270	..	..	..	..	..	..
	TOTAL	280	3,369	4,846						
KUMAON	Kumaon	12	112	615	..	..	..	..	..	..
	Gurhal	..	88	94	..	..	..	..	..	..
	Tara Pargana	..	..	..	..	..	..	..	..	..
	TOTAL	12	145	709						
ROHILKHAND	Bijnour	..	..	..	..	..	..	..	..	..
	Moradabad	..	..	..	..	..	..	..	..	..
	Budaun	23	692	1,401	..	..	..	..	..	..
	Bareilly	6	148	622	..	..	..	..	..	..
	Shahjahanpur	25	592	1,850	..	..	..	..	..	..
	TOTAL	54	1,432	3,878						
AGRA	Muttra	..	52	180	..	..	..	..	..	..
	Agra	11	459	887	..	..	..	..	..	..
	Farakhabad	43	380	816	..	..	..	..	..	..
	Mainpura	..	..	..	..	..	..	..	..	..
	Etawah	..	..	..	..	..	..	..	..	..
	Etah	1	49	78	..	..	..	..	..	..
	TOTAL	55	890	1,911						
JHANSI	Jalaun	24	31	18	..	..	..	..	..	..
	Jhansi	5	368	807	1	18	33	6	336	890
	Lalitpur	2	118	661	..	6	167	2	124	828
		TOTAL	31	517	1,486					
ALLAHABAD	Cawnpore	170	332	1,503	..	..	..	..	..	..
	Fatehpur	10	647	2,519	..	..	..	..	..	..
	Banda	8	291	631	..	..	..	..	..	..
	Allahabad	79	1,333	6,322	..	..	..	..	..	..
	Hamirpur	..	..	..	..	..	..	..	..	..
	Jaunpur	1	..	..	..	..	..	..	..	..
	TOTAL	268	3,602	10,973						
BENARES	Gorakhpur	107	1,316	3,180	..	..	..	..	..	..
	Easti	..	..	..	..	..	..	..	..	..
	Asamgarh	..	29	59	..	..	..	..	..	..
	Mirzapur	53	766	2,508	..	..	..	..	..	..
	Benares	150	816	2,411	..	..	..	..	..	..
	Ghazipur	49	1,030	1,909	..	..	..	..	..	..
	TOTAL	358	3,967	10,067						
	GRAND TOTAL	1,008	12,913	33,864						

NOTE.—With the exception of Jhansi and Lalitpur, all the other district returns, for the quarter ending 31st December 1878, have not been received.

W. H. DAWE,  
for Officiating Secretary.

## B.

Sep Rev Pro., June 1880, Nos 1104 to 1227. No. 123.] *Statement showing the total number of persons assessed in Oudh in each class under the License Act II of 1878.*

Division.	District.	UP TO QUARTER ENDING 30TH SEPTEMBER 1878			DURING QUARTER ENDING 31ST DECEMBER 1878			TOTAL.		
		Class I.	Class II	Class III	Class I	Class II	Class III	Class I	Class II	Class III.
RAJ BAREILY	Ree Bareil ..	5	202	217	11	497	696	16	699	913
	Sultampur ..	1	70	225	8	143	684	9	213	909
	Partabgarh ..	6	516	832	4	40	92	10	566	924
	TOTAL ..	12	788	1,274	23	680	1,472	35	1,468	2,746
FYZABAD	Fyzabad ...	88	614	1,436	...	...	...	...	...	...
	Bahraich ...	2	15	66	...	...	...	...	...	...
	Gonda ...	4	178	498	...	...	...	...	...	...
	TOTAL	44	807	2,000	...	...	...	...	...	...
SITAPUR	Sitapur ..	1	89	148	...	...	...	...	...	...
	Hardoi ..	3	80	844	2	288	1,613	5	868	1,957
	Khert ..	24	257	857	32	32	179	24	289	1,036
	TOTAL ..	28	376	1,347	...	...	...	...	...	...
LUCKNOW	Unao ..	7	157	308	...	...	...	...	...	...
	Bera Banki ..	41	528	1,593	...	...	...	...	...	...
	Lucknow ..	...	...	...	...	...	...	...	...	...
	TOTAL ...	48	685	1,901	...	...	...	...	...	...
GRAND TOTAL		132	2,556	6,522	...	...	...	...	...	...

W. H. DAWE,  
for Officiating Secretary.

## C.

No. 124.] *Progress up to the Quarter ending 31st December 1876 in collecting the License Tax in the North-Western Provinces.*

Division	District.	Estimate.	Net collections to end of preceding quarter		Collections during the quarter.		Total collections to date	
			Rs	A. P.	Rs	A. P.	Rs	A. P.
MEERUT	Dehra Dun ...	12,000 0 0	7,366	0 0	...	...	...	...
	Saharanpur ...	49,000 0 0	3,656	0 0	...	...	...	...
	Muzaffarnagar ...	33,000 0 0	36,521	0 0	...	...	...	...
	Meerut ...	80,000 0 0	4,374	0 0	...	...	...	...
	Bulandshahr ...	61,000 0 0	60,863	0 0	...	...	...	...
	Aligarh ...	85,000 0 0	5,308	0 0	...	...	...	...
TOTAL		3,20,000 0 0	1,18,098	0 0	...	...	...	...
KUMAON	Kumaon ...	6,500 0 0	5,811	0 0	...	...	...	...
	Garhwal ...	862 0 0	800	0 0	...	...	...	...
	Tarai Parganas ...	6,900 0 0	...	...	...	...	...	...
TOTAL		13,262 0 0	6,611	0 0	...	...	...	...
ROHILKHAND	Bijnor ...	24,253 0 0	...	...	15,420	0 0	15,420	0 0
	Moradabad ...	47,786 0 0	...	...	39,412	0 0	39,412	0 0
	Budann ...	32,508 0 0	19,656	0 0	14,042	0 0	33,698	0 0
	Bareilly ...	85,672 0 0	5,816	0 0	30,292	0 0	35,608	0 0
	Shahjahanpur ...	20,436 0 0	19,502	2 11	1,224	8 0	20,726	10 11
TOTAL		1,60,656 0 0	44,474	2 11	99,390	8 0	1,49,864	10 11
AGRA	Mattrā ...	47,268 0 0	1,336	0 0	32,274	0 0	35,610	0 0
	Agra ...	72,843 0 0	13,286	0 0	35,049	0 0	48,335	0 0
	Farrukhabad ...	52,269 0 0	16,997	5 0	20,379	0 0	37,876	5 0
	Mainpuri ...	34,781 0 0	...	...	13,758	0 0	13,758	0 0
	Etawah ...	42,073 0 0	...	...	38,625	0 0	38,625	0 0
	Etah ...	27,613 0 0	1,062	8 1	19,002	0 0	20,064	8 1
TOTAL		2,76,996 0 0	32,681	8 1	1,59,487	0 0	1,92,168	8 1
JHANSI	Jalaun ...	25,700 0 0	5,260	0 0	...	...	...	...
	Jhansi ...	9,300 0 0	9,256	0 0	710	12 0	9,966	12 0
	Lalitpur ...	4,100 0 0	3,805	0 0	457	0 0	4,262	0 0
	TOTAL	39,100 0 0	18,321	0 0	...	...	...	...

\* Represents collections up to the 31st December 1876.

## C—continued.

Progress up to the Quarter ending 31st December 1878 in collecting the License Tax in the North-Western Provinces.

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Division.	District	Estimate.			Net collections to end of preceding quarter.			Collections during the quarter.			Total collections to date		
		Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
ALLAHABAD	Cawnpore	1,11,462	0	0	40,680	5	4	..	..	..	..	..	..
	Fatehpur	33,000	0	0	20,192	6	9	..	..	..	..	..	..
	Banda	15,665	0	0	7,328	11	5	..	..	..	..	..	..
	Allahabad	58,500	0	0	58,871	0	0	..	..	..	..	..	..
	Hampur	18,906	0	0	..	..	..	..	..	..	..	..	..
	Jannpur	49,200	0	0	200	0	0	47,470	0	0	47,670	0	0
	TOTAL	2,86,134	0	0	1,28,573	9	6	..	..	..	..	..	..
BENARES	Gorakhpur	55,650	0	0	60,042	6	3	..	..	..	..	..	..
	Basti	13,500	0	0	..	..	..	..	..	..	..	..	..
	Azamgarh	36,500	0	0	614	0	0	..	..	..	..	..	..
	Mirzapur	38,461	0	0	39,443	0	0	..	..	..	..	..	..
	Benares	73,634	0	0	45,330	0	0	..	..	..	..	..	..
	Ghazipur	54,521	0	0	31,522	0	0	..	..	..	..	..	..
	TOTAL	2,72,266	0	0	1,68,451	6	3	..	..	..	..	..	..
	GRAND TOTAL	1,88,513	0	0	5,17,210	10	9	..	..	..	..	..	..

Note—The other District Returns, for the quarter ending 31st December 1878, have not been received

\* Represent Collections up to 15th December 1878

The figures in column 5 represent the gross collections during the quarter ending 31st December 1878, as no returns of charges have yet been received by the Board

W. H. DAWE,  
for Officiating Secretary.

No. 125.]

D.

Progress up to the Quarter ending 31st December 1878 in collecting the License Tax in Oudh.

Division.	District.	Estimate			Net collections to end of preceding quarter.			Collections during the quarter.			Total collections to date		
		Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
RAJ BAREILY	Rae Bareilly	14,822	0	0	5,145	4	0	11,746	0	0	16,891	4	0
	Sultanpur	9,417	0	0	1,791	3	3	5,837	0	0	7,628	3	3
	Partabgarh	10,433	0	0	10,841	0	0	..	..	..	10,841	0	0
	Total	34,672	0	0	17,777	7	3	17,583	0	0	35,360	7	3
FYZABAD	Fyzabad	21,861	0	0	22,068	7	1	..	..	..	..	..	..
	Bahraich	9,196	0	0	776	8	10	..	..	..	..	..	..
	Gonda	17,356	0	0	5,587	2	9	..	..	..	..	..	..
	Total	48,413	0	0	28,432	2	8	..	..	..	..	..	..
SITAPUR	Sitapur	7,210	0	0	1,269	0	0	..	..	..	..	..	..
	Hardoi	11,500	0	0	2,621	8	3	9,308	0	0	11,929	8	3
	Khari	8,800	0	0	9,815	0	0	1,064	8	0	10,879	8	0
	Total	27,510	0	0	13,705	8	3	..	..	..	..	..	..
LUCKNOW	Unao	10,000	0	0	..	..	..	..	..	..	..	..	..
	Bara Banki	12,000	0	0	4,475	0	0	..	..	..	..	..	..
	Lucknow	45,000	0	0	19,945	12	4	..	..	..	..	..	..
	Total	67,000	0	0	24,420	12	4	..	..	..	..	..	..
	GRAND TOTAL	1,77,595	0	0	84,335	14	6	..	..	..	..	..	..

The figures in column 5 represent the gross collections (see Statement for North-Western Provinces).

The other district returns, for the quarter ending 31st December 1878, have not yet been received.

W. H. DAWE,  
for Officiating Secretary.



No 126 ]

No. 555—5, dated 15th February, 1879.

Sep Rep Pro, June  
1880, Nos 1104 to  
1227

From—*The Honourable E. W. Ravenscroft, C S.I., Chief Secy. to the Govt. of Bombay,*  
To—*The Secretary to the Government of India, Financial Department.*

I have had the honour to receive your "Immediate and very Confidential" letter No. 471, dated 27th January 1879, in which you ask that the Government of India may be favoured confidentially, with the least possible delay, with an early preliminary report upon the working of the License Tax imposed by (Bombay) Act III of 1878 in Bombay.

2. In your second paragraph you ask whether any difficulties were experienced in the introduction of the tax, and enquire as to the state of popular feeling in respect to it. In reply I am desired to say that no difficulties were experienced in introducing the tax. This may be attributed to the care with which all arrangements in connection therewith were prepared. These arrangements were as follows. A very able and experienced officer, Mr W. G. Pedder, in whose judgment and discretion the Governor in Council places complete reliance was selected to travel through the Presidency, and supervise generally the working of the law, in communication with the different Collectors. Then, the Collectors themselves were directed to give their close personal attention to this very important branch of their duties, and to send their lists of proposed assessments, through Mr. Pedder, for the approval and sanction of Government. By this means, the Governor in Council feels assured that nothing was left undone to secure the fair demands of the State, as well as the liberal working of a new and somewhat distasteful measure, through all the districts of this Presidency.

3. With reference to the popular feeling in respect of the license tax there can be no doubt that much unpopularity is alleged to exist. A certain sort of unpopularity does really exist which is inseparable from any direct and new tax which may be imposed in this country. But this unpopularity is not deep-seated nor widely-spread, and would become lessened if the tax were made permanent so that the people became accustomed to it.

4. There are, however, special grounds, on account of which there has been much expression in Bombay of dissatisfaction with respect to the Act as it now stands. First amongst these is the exemption of the official and professional classes. The people who are called on to pay seem to say that an invidious distinction is made between them and certain classes, the reasons for whose exemption they cannot understand, whilst many of the public officers of the higher grades, when recovering the tax from their poorer neighbours, appear to feel that they also should assist in bearing burdens which ought to fall on all. Next, under the Act as it at present stands, sufficient difference is not made between the different classes. For instance, the highest amount of tax which can be levied is Rs. 200 from persons assessed under class I. This is the sum which a shop-keeper, who makes a profit of Rs. 10,000 a year, and a Joint Stock Company, which makes a profit of Rs. 2,00,000, would pay. This is an anomaly which ought to be remedied. In my letter No. 332, dated 30th January 1878, to your address, I asked that this Government should "be permitted to include the official and professional classes, and to augment the maximum payment from Rs 200 to Rs 500." But in paragraph 10 of your letter No. 1010, dated 16th February 1878, you said that the Governor General in Council regretted that he could not consent "to the exceptional modification of the License Tax which is proposed by the Government of Bombay." So far as public opinion can be gauged, it appears to confirm the view previously expressed by this Government as above stated.

5. With reference to the realisations from the new tax, the expectations of this Government have not in any way been disappointed. But until the appeals, of which large numbers have been lodged, have been decided, it is impossible to say accurately what the net proceeds will be. On this point a further report will be submitted hereafter.

6. The statistics called for at the close of paragraph 2 of your letter under acknowledgment will be found in the accompanying statement:—

No 127.] Statement showing the number of persons proposed to be assessed during the year 1878, under each of the classes of the License Tax Act, in the several Collectorates of this Presidency.

Divisions	Class I Rs. 200.	Class II Rs. 150	Class III Rs. 100.	Class IV Rs. 80.	Class V Rs. 60	Class VI Rs. 40	Class VII Rs. 30	Class VIII Rs. 25	Class IX Rs. 20	Class X Rs. 15	Class XI Rs. 10.	Class XII Rs. 7	Class XIII Rs. 5.	Class XIV Rs. 3.	Class XV Rs. 2.	TOTAL
<b>City of Bombay</b> .. .. .	1,221	419	510	562	1,107	1,223	971	625	1,400	2,089	2,663	2,642	3,507	5,147	4,044	23,180
<b>NORTHERN</b>																
<b>Divisions.</b>																
Ahmedabad .. .. .	82	11	84	12	46	189	277	103	535	736	1,433	1,722	4,142	8,975	14,683	32,885
Kaira .. .. .	20	..	14	10	49	109	143	21	285	809	1,338	1,320	4,838	6,595	14,919	30,607
Panch Mahals .. .. .	..	1	2	6	27	34	31	77	139	268	412	750	1,438	2,321	5,537	5,537
Broach .. .. .	23	11	23	14	67	126	115	68	234	372	690	1,172	2,324	4,837	9,179	19,455
Surat .. .. .	150	19	113	25	150	427	194	146	862	785	1,611	1,364	2,513	4,549	7,508	20,405
Thana .. .. .	15	5	36	30	60	123	103	58	256	205	655	553	1,185	7,732	14,481	14,481
Kolaba .. .. .	5	5	8	16	22	49	60	97	71	167	304	210	1,343	621	2,951	5,929
<b>Total</b> .. .. .	247	52	230	113	421	1,067	923	716	3,320	3,314	6,504	6,743	17,089	30,537	59,133	1,29,299
<b>CENTRAL</b>																
<b>Divisions.</b>																
Nasik .. .. .	10	10	37	33	70	109	137	100	226	337	642	587	1,392	2,737	5,833	12,310
Khandesh .. .. .	80	53	125	116	239	328	256	225	628	546	928	1,105	2,467	4,736	12,269	24,101
Ahmednagar .. .. .	19	15	36	23	52	156	153	96	307	282	752	672	1,272	3,198	5,413	12,446
Poona .. .. .	42	27	41	36	102	218	212	114	523	590	1,303	1,291	2,600	4,320	20,239	22,265
Sholapur .. .. .	27	21	96	49	112	147	144	167	254	223	674	471	1,716	1,831	3,839	9,791
Satara .. .. .	24	19	49	46	105	121	176	151	327	550	958	1,051	2,316	4,033	9,867	19,823
<b>Total</b> .. .. .	212	145	384	303	680	1,079	1,078	853	2,280	2,638	5,262	5,177	11,763	21,505	47,460	1,00,739
<b>SOUTHERN</b>																
<b>Divisions.</b>																
Kanara .. .. .	7	9	21	22	41	65	76	79	219	301	426	337	1,318	2,076	4,308	9,305
Kandgi .. .. .	14	13	13	34	49	73	37	112	166	456	663	915	1,831	2,743	7,682	14,826
Belgaum .. .. .	26	29	64	41	116	134	152	123	336	403	1,235	852	1,707	3,518	7,326	16,562
Ratnagiri .. .. .	10	2	15	20	24	62	79	29	95	174	240	337	1,194	3,814	2,146	8,241
Dharwar .. .. .	38	36	64	60	106	189	197	184	406	500	1,271	1,227	2,688	6,257	10,254	22,422
<b>Total</b> .. .. .	90	89	182	177	386	523	541	477	1,242	1,834	3,835	3,668	8,738	17,408	32,216	71,855
<b>SINDH.</b>																
<b>Divisions.</b>																
Kutch .. .. .	63	18	36	45	83	147	152	68	343	440	1,115	1,556	4,022	9,654	13,587	31,339
Hyderabad .. .. .	9	2	18	11	31	76	100	60	231	275	732	1,154	2,309	6,234	11,703	23,046
Shikarpur .. .. .	38	20	30	32	69	91	128	119	237	558	1,225	1,592	3,835	10,412	25,079	43,826
Upper Sind Frontier .. .. .	..	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..
Tuar and Parkar .. .. .	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
<b>Total</b> .. .. .	110	40	84	89	184	317	392	257	883	1,354	3,294	4,913	11,091	28,966	57,467	1,09,446
<b>GRAND TOTAL</b> .. .. .	1,880	745	1,390	1,244	2,728	4,199	3,905	2,923	8,180	11,029	21,558	23,143	52,188	1,03,553	2,00,340	4,38,970

D. MACKENZIE,  
 Col. Chief Secretary to Government.

1879-80.]

LICENSE TAX.

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Sep. Rep Pro, June  
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1227

No. 128.]

No. 358, dated 26th February, 1879.

From—C. G. MASTER, Esq., Acting Chief Secretary to Government, Madras,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

With reference to your "immediate and very confidential" letter No. 471, dated the 27th January 1879, I am directed to forward, for submission to the Government of India, copy of the Proceedings of the Board of Revenue, dated 21st February 1879, No. 1856, containing the information desired upon the working of the license tax imposed by Madras Act III of 1878.

No. 129 Extract from the Proceedings of the Board of Revenue, Madras,—No. 1856,  
dated 21st February 1879.

Read—

Government Order No. 183, dated 4th February 1879.

The Board will endeavour to reply to the reference, as fully as is possible, with the information now before them.

In paragraph 4 of their Proceedings recorded with Government Order, dated 26th February 1878, No. 45, the Board roughly estimated the proceeds of the license tax at Rs 11,22,975. According to the latest information available, the total receipts may now be estimated at Rs. 8,34,000, of which Rs. 6,62,000 had been collected by the end of January last.

In explanation of the apparently large falling-off from the Board's original estimate, which, however, did not profess to be more than a rough calculation based on inadequate data, it is to be noted that though the limits adopted in the Act corresponded with those taken by the Board, there was an important variation in the detailed classification of incomes; and if the Board's calculation be corrected in accordance with the classification adopted in the Act, the result will be as follows:—

Income.		Persons	Rate	Amount
			Rs	Rs.
Rupees	40,000 and upwards	39	800	31,200
"	35,000	5	700	3,500
"	30,000	21	600	12,600
"	25,000	23	500	11,000
"	20,000	20	400	8,000
"	15,000	47	300	14,100
"	10,000	117	200	23,400
"	5,000	569	100	56,900
"	2,500	1,728	50	86,400
"	1,250	6,350	25	1,58,750
"	500	24,124	10	2,41,240
"	200	70,190	4	2,80,760
TOTAL		1,03,230	..	9,27,750

Returns of assessment have not been received from the Kistna district and a few municipalities, but the amount may be safely taken at Rs. 8,76,660, or only Rs 51,090 short of the Board's original estimate corrected with reference to the provisions of the Act. According to the latest estimates by Collectors, the collections will fall short of the assessment given above by Rs 42,884; but Collectors' estimates usually err on the side of safety. No explanations have been received by the Board from any of the districts in which short collections are expected.

In this Presidency no special officers have been appointed to supervise the administration of the Act. The collection of the tax in municipalities having been entrusted to the Municipal Corporations, except in the case of Ootacamund, Coonoor and Cochin, the assessment has also been left in their hands. Elsewhere the assessment has, as a rule, been entrusted to tahsildars under the supervision of the divisional officers, and nothing has come to the Board's notice to lead them to believe that there has any been laxity in the exercise of this supervision.

No return of the number assessed under each class has been received from this district of Kistna or the municipalities in Vizagapatam, Bellary, North

Arcot and Tinnevely; but particulars so far as available are given in the sub-joined statement.—

Sep Rev Fro., June 1880, Nos' 1104 to 1227.

Class	Rate of assessment	By DISTRICT OFFICERS		By MUNICIPALITIES.		TOTAL.		PERCENTAGE	
		Number of persons.	Amount assessed	Number of persons	Amount assessed	Number of persons.	Amount assessed	Column 7 to total	Column 8 to total
1	2	3	4	5	6	7	8	9	10
	Rs.		Rs		Rs.		Rs.		
I	800	2	1,600	33	26,400	35	27,000	0.037	3.48
II	700	...	...	2	1,400	2	1,400	0.002	0.18
III	600	3	1,800	5	3,000	8	4,800	0.009	0.62
IV	500	...	...	8	4,000	8	4,000	0.009	0.52
V	400	5	2,000	16	6,400	21	8,400	0.023	1.08
VI	300	18	5,400	31	9,300	49	14,700	0.053	1.90
VII	200	46	9,200	77	15,400	123	24,600	0.133	3.27
VIII	100	248	24,800	216	21,600	464	46,400	0.501	5.98
IX	50	938	46,650	538	26,900	1,471	73,550	1.590	9.48
X	25	3,413	85,325	1,213	30,300	4,625	1,15,625	5.000	14.90
XI	10	15,330	1,53,300	3,315	33,150	18,645	1,86,450	20.155	24.03
XII	4	54,497	2,17,988	12,560	50,260	67,057	2,68,228	72.488	34.56
TOTAL	...	74,495	5,48,063	18,013	2,28,090	92,508	7,76,153	100.00	100.80

The Board have little information before them with regard to the state of popular feeling in respect to the tax; but as no more than 171\* appeals have as yet been presented to the Board, as the final appellate authority, it may be inferred that no widespread discontent prevails. At the same time it must be remembered

that both the income and the license taxes were much disliked, and the present tax is open to similar objection on account of the inquisitorial nature of the enquiries necessary for assessment, the impossibility of feeling sure that even the most inquisitorial enquiry will elicit the information required for an equitable assessment, and the consequent wide opening afforded for fraud on the part of the local subordinate officers who must necessarily be relied on for much of the information required.

No. 130.]

No. 257, dated 7th April, 1879.

From—D. BARBOUR, Esq., *Offg. Secy. to the Govt. of Bengal, Financial Dept.,*

To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.

I am directed to acknowledge the receipt of your letter No. 471, dated 27th January last, calling for a preliminary report upon the working in this province of the license tax imposed by Act I (B C) of 1878.

2. In reply, I am desired to submit herewith, for the information of the Government of India, copy of a report† on the subject by the Board of Revenue, and also a copy of this Government letter No. 599, dated 5th March 1878, which placed the detailed working of the Act under the Board of Revenue, and gave special instructions regarding the duties to be performed and the supervision to be exercised by the District Collectors. The enumerators referred to in paragraph 3 of the above letter were abolished in April 1878, and authority was given for the employment in their stead of additional circle officers, on the ground that it was sound policy to incur a large expenditure rather than risk the injustice and oppression which might spring from the employment of an insufficiently paid agency.

3. This decision has caused the expenditure of the year to exceed the original estimate; but the Lieutenant-Governor is satisfied that the additional expenditure was absolutely required, as great difficulty was experienced in creating suddenly an agency sufficiently trustworthy to carry out in a satisfactory manner the difficult duty of assessment. Even with the increased expenditure thus sanctioned, circle officers were in several cases convicted of taking bribes and practising extortion on an extensive scale; and it cannot be hoped that the cases which were detected were the only cases that occurred.

Sep Rev Pro., June  
1880, Nos. 1104 to  
1287

4. The difficulties experienced in creating an agency for assessment, and in carrying out the assessment, led to the work of collection being postponed to the end of the year; for this reason the collections during the year are not likely to exceed Rs. 21,50,000, though the total receipts on account of the year will probably amount to Rs 26,00,000.

5. In conclusion, I am to add that popular feeling was very much opposed to the tax, but that the difficulties experienced in working it were, as a matter of course, very much greater in the first year than they would be in the second and subsequent years.

No. 131.] No. 288B, dated 17th March, 1879.

From—W. H. GRIMLEY, Esq, Secy. to the Board of Revenue, Lower Provinces,  
To—The Secretary to the Government of Bengal, Financial Department.

In continuation of this office letter No. 111B., dated 3rd February 1879, and with reference to Government order No. 75, dated 8th idem, I am directed to submit, for the information of Government, the accompanying statement A, showing the total number of assesses up to the end of January 1879 under each class and grade in the several districts in Bengal.

2. I am also to submit statements B, C and D—(1) showing the total number of licenses issued and the total amount collected up to January under each class and grade; (2) the number of objections; and (3) appeals preferred, decided and pending, according to the latest returns received in this office.

3. The following is a summary of the total number of assesses, the total number of licenses issued, and the total amount collected under each class and grade.

Total number of assesses under—

Class	I, grade 1	..	..	..	..	..	..	..	..
"	I, " 2	..	..	..	..	..	..	..	619
"	II	..	..	..	..	..	..	..	268
"	III	..	..	..	..	..	..	..	1,882
"	IV	..	..	..	..	..	..	..	4,770
"	V	..	..	..	..	..	..	..	19,815
"	VI, grade 1	..	..	..	..	..	..	..	118,965
"	VI, " 2	..	..	..	..	..	..	..	450,823
									43,367
									TOTAL
									640,489

Total number of licenses issued under—

Class	I, grade 1	..	..	..	..	..	..	..	..
"	I, " 2	..	..	..	..	..	..	..	278
"	II	..	..	..	..	..	..	..	169
"	III	..	..	..	..	..	..	..	718
"	IV	..	..	..	..	..	..	..	1,868
"	V	..	..	..	..	..	..	..	7,591
"	VI, grade 1	..	..	..	..	..	..	..	50,950
"	VI, " 2	..	..	..	..	..	..	..	184,679
									23,095
									TOTAL
									269,348

Total amount collected under—

Class	I, grade 1	..	..	..	..	..	..	..	Rs.
"	I, " 2	..	..	..	..	..	..	..	1,39,200
"	II	..	..	..	..	..	..	..	34,275
"	III	..	..	..	..	..	..	..	72,240
"	IV	..	..	..	..	..	..	..	93,580
"	V	..	..	..	..	..	..	..	1,54,525
"	VI, grade 1	..	..	..	..	..	..	..	2,57,788
"	VI, " 2	..	..	..	..	..	..	..	3,70,036
									23,123
									TOTAL
									11,44,767

4. The total number of objections and appeals preferred, decided and pending are given below :—

	Total number of objections and appeals preferred.	NUMBER OF CASES DECIDED		Struck off without hearing	Total.	Total number pending
		In which original was upheld.	In which modified			
Objections ...	103,212	16,906	20,532	8,430	45,868	57,344
Appeals. ...	5,313	1,334	1,110	237	2,681	2,632

5. As regards the state of popular feeling in the interior in respect to the imposition of the tax, it appears to the Board that the best evidence procurable will be supplied by the accompanying extract taken from the report on Native papers, which is submitted to Government by the Government Translator.

6. The Board desire to reserve their further remarks for the annual report when they will have received the detailed district reports for which they have called in their Circular letter No. 315B., dated 28th ultimo, of which copy is annexed.

No 132.] Statement A showing the number of assesses under each class and grade in the several districts in Bengal up to the end of January 1879.

DIVISION	DISTRICTS.	CLASS I.					CLASS VI.		Total number of assesses	REMARKS	
		Grade I.	Grade II.	Class II.	Class III.	Class IV.	Class V.	Grade I.			Grade II.
BENGAL.	<i>Western Districts.</i>										
	BURDWAN	Burdwan ..	24	1	52	140	530	4,078	17,439	1,355	22,315
		Bankura ..	2	2	18	59	458	1,733	1,255	3,028	
		Burdham ..	1	2	12	40	317	1,320	4,303	2,864	6,559
		Midnapore ..	8	54	113	280	1,410	7,460	16,640	13,235	38,200
		Hooghly with Howrah ..	10	3	55	181	1,001	6,038	17,558	1,454	24,334
	Total ..	43	62	234	654	3,267	19,348	67,579	16,354	97,550	
	FRESH WATER	<i>Central Districts.</i>									
		24-Pergunnahs ..	46		74	207	936	9,454	25,906		36,635
		Calcutta ..	4	4	24	94	531	4,200	21,514		23,261
Yussoo ..		4	4	44	133	698	4,512	26,852		33,645	
Moorsshedabad ..		9	4	43	84	323	2,685	13,979		16,967	
Total ..	66	12	185	518	2,516	21,161	87,961		112,399		
BENGAL.	<i>Eastern Districts.</i>										
	BANKURA AND COOCH BEHAR	Dinagopore ..	8	59	53	139	409	2,359	6,714	5,448	15,181
		Rajshahya ..	8	4	34	65	263	2,015	9,422		11,811
		Bangalore ..	33	...	73	179	701	4,725	27,544		33,655
		Bojra ..	1	1	13	31	105	529	3,005		3,650
		Pubna ..	9	1	19	57	239	1,345	11,490		13,059
		Darjeeling ..	9	2	23	57	100	472	891		1,614
		Jalpigore ..	4	2	51	91	245	1,317	3,864		5,274
		Total ..	62	66	264	619	2,118	12,559	63,130	5,448	84,254
		DACA	<i>Eastern Districts.</i>								
Dacca ..	10		2	39	139	693	4,435	14,579	...	19,898	
Faridpore ..	19		33	75	137	477	3,205	14,167	1,100	19,213	
Mymensing ..	21		...	87	212	793	6,693	31,768	...	39,681	
Tipperah ..	8		1	26	67	263	2,258	13,088	...	14,740	
Total ..	58	36	236	555	2,245	16,680	78,650	1,100	98,450		
CHITTAGONG	Chittagong ..	2	3	14	43	78	693	1,940	3,977	6,650	
	Meckhily ..	2	3	13	13	47	471	1,763	778	3,667	
Total ..	2	5	17	56	125	1,164	3,693	4,755	9,717		
BENGAL.	<i>BEHAR.</i>										
	PATNA	Patna ..	59	...	82	164	657	3,314	12,329		16,659
		Gya ..	11	24	39	177	486	1,931	4,345	6,755	16,739
		Shahabad ..	23	...	77	157	734	3,343	7,421		11,751
		Mosuffurpore ..	44	4	101	246	817	3,357	13,366		17,226
		Durbhanga ..	46	...	121	358	1,106	4,333	16,134		24,220
		Saran ..	69	...	77	181	655	2,889	5,949		9,779
		Chumpran ..	8	1	18	18	75	301	1,756		2,179
		Total ..	259	39	535	1,390	4,641	19,164	61,353	6,755	83,945
		BENGAL.	<i>BIHAR.</i>								
MONGHYR	Monghyr ..		46	...	101	266	1,137	5,501	16,835		23,918
	Bhagulpore ..		8	4	46	143	637	4,309	16,330		21,573
	Patna ..		23	2	56	107	421	2,308	12,541		15,765
	Maidah ..		4	3	34	79	313	1,913	6,944	5,714	14,980
Total ..	78	19	273	664	3,079	19,463	69,123	6,714	87,437		
ORISSA.	<i>ORISSA.</i>										
	Cuttack ..	11	...	17	31	213	1,310	7,475		9,065	
	Pooree ..	4	3	24	39	221	1,179	3,833	1,683	5,333	
Total ..	19	14	55	115	611	3,705	16,538	1,683	23,635		
ORISSA.	<i>CHOTA NAGPORE.</i>										
	<i>South West Frontier Agency.</i>										
	CHOTA NAGPORE	Hazaribagh ..	16	...	30	103	494	2,611	6,445		9,701
		Leharogya ..	12	2	43	120	459	2,717	7,010		10,365
		Siugbhoom ..	3	2	9	23	86	568	3,109	1,653	5,443
Manbhoom ..		3	...	13	25	182	935	2,477		3,634	
Total ..	30	4	95	270	1,219	6,531	19,044	1,653	26,143		
<b>GRAND TOTAL</b>		<b>619</b>	<b>268</b>	<b>1,628</b>	<b>4,770</b>	<b>18,815</b>	<b>1,18,066</b>	<b>4,60,833</b>	<b>43,357</b>	<b>6,40,459</b>	

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Demand not shown in the return

Demand under each class and grade has not been shown in the return, details have been called for

Sep Rev No. 132.] Statement B showing the number of licenses and the amount collected under each class and grade in the several districts of Bengal under the License Tax Act I (B C) of 1878 up to the 31st January 1879

DISTRICTS	CLASS I		CLASS II		CLASS III		CLASS IV		CLASS V		CLASS VI				Total number of licenses	Total amount collected
	Grade I		Grade II		Number of licenses	Amount collected	Number of licenses	Amount collected	Number of licenses	Amount collected	Grade I		Grade II			
	Number of licenses	Amount collected	Number of licenses	Amount collected							Number of licenses	Amount collected	Number of licenses	Amount collected		
<b>BENGAL</b>																
<i>Western Districts</i>																
Burdwan	2	1,000	4	800	0	900	49	2,410	172	8,340	1,684	6,420	4,367	5,734		
Bankura					1	180	3	150	20	400	361	1,404	308	771	182	163
Berhampur			1	200	10	1,400	34	1,700	174	9,360	799	4,695	1,689	3,375	1,138	1,138
Misnapore			3	600	19	1,900	79	8,900	400	9,330	3,441	17,205	7,849	16,699	5,741	5,741
Hooahly with Howrah							1	75	70	600	473	2,333	2,600	5,010		
<b>Total</b>	<b>2</b>	<b>1,000</b>	<b>8</b>	<b>1,600</b>	<b>20</b>	<b>4,000</b>	<b>166</b>	<b>8,325</b>	<b>842</b>	<b>16,850</b>	<b>5,961</b>	<b>29,508</b>	<b>16,814</b>	<b>33,623</b>	<b>7,061</b>	<b>7,061</b>
<i>Central Districts</i>																
24-Pergunnahs	10	5,000	3	700	14	1,400	53	2,650	224	4,450	3,233	11,115	7,217	14,430		
Calcutta	124	63,000	91	18,200	167	10,700	330	19,000	517	12,925	581	5,916	75	310	23	58
Nuddea			3	600	4	500	33	1,655	219	4,800	1,730	6,777	9,033	18,070		
Jessore			2	1,000	2	480	10	1,070	33	1,850	231	4,030	1,937	3,838	10,110	20,200
Meorshahad			3	1,000	4	900	16	800	82	1,640	1,780	5,400	4,982	11,760		
<b>Total</b>	<b>139</b>	<b>69,000</b>	<b>99</b>	<b>19,900</b>	<b>200</b>	<b>20,700</b>	<b>531</b>	<b>26,006</b>	<b>1,373</b>	<b>28,060</b>	<b>7,766</b>	<b>34,940</b>	<b>32,390</b>	<b>65,901</b>	<b>23</b>	<b>58</b>
<i>Eastern Districts</i>																
Dumapore	4	2,000	22	4,400	31	3,100	42	2,100	133*	3,075*	1,286	6,430	4,671	9,143	2,509	2,509
Rajshahy	2	1,000	1	300	17	1,700	35	1,750	138	2,760	1,043	5,215	6,745	11,491		
Rangpore	4	2,000	3	600	10	1,600	41	2,000	423	1,909	9,544	9,562	19,125			
Bogra			1	500	7	700	15	700	61	1,640	401	2,005	2,203	4,466		
Patna	4	2,000	6	800	8	800	19	900	87	1,740	514	3,670	2,698	7,397		
Darjeeling	2	1,000	1	300	7	700	22	1,100	83	1,673	39	449	95	191		
Jalpigoree			13	1,300	44	2,200	120	2,400	411	4,555	2,364	4,429				
<b>Total</b>	<b>17</b>	<b>8,500</b>	<b>29</b>	<b>6,985</b>	<b>98</b>	<b>9,800</b>	<b>218</b>	<b>10,830</b>	<b>658</b>	<b>17,193</b>	<b>6,162</b>	<b>30,768</b>	<b>33,166</b>	<b>66,942</b>	<b>2,509</b>	<b>2,509</b>
<i>Chittagong</i>																
Dacca			4	400	4	400	4	200	19	1,093	483	2,410	2,050	4,641		
Purcellpore			2	200	0	300	30	600	473	2,792	1,250	2,501				
Baekergunge	2	1,000	4	800	11	1,100	23	1,100	146	2,920	1,300	6,000	4,125	5,340	270	270
Myensing	2	1,000	7	700	23	1,100	202	4,040	2,410	14,061	13,758	25,512				
Tippah			3	300	3	300	3	150	37	740	700	5,500	3,500	7,300		
<b>Total</b>	<b>4</b>	<b>2,000</b>	<b>4</b>	<b>800</b>	<b>27</b>	<b>2,700</b>	<b>58</b>	<b>2,900</b>	<b>473</b>	<b>9,481</b>	<b>5,770</b>	<b>28,853</b>	<b>23,681</b>	<b>47,994</b>	<b>270</b>	<b>270</b>
<i>Chittagong</i>																
Chittagong	1	500	2	400	5	500	8	400	45	960	618	3,390	1,399	2,738	2,841	2,841
Noahally			1	200	3	300	14	700	65	1,100	670	3,500	2,699	5,398	1,236	1,236
<b>Total</b>	<b>1</b>	<b>500</b>	<b>3</b>	<b>600</b>	<b>8</b>	<b>800</b>	<b>22</b>	<b>1,100</b>	<b>103</b>	<b>2,060</b>	<b>1,288</b>	<b>5,890</b>	<b>4,098</b>	<b>8,136</b>	<b>4,077</b>	<b>4,077</b>
<b>BEHAR</b>																
Patna	3	1,500	4	800	17	1,700	60	3,200	259	5,120	1,479	6,800	2,807	6,616	4,861	4,861
Gya	14	7,000	41	4,100	89	4,400	358	7,160	2,120	10,610	4,861	9,732				
Moradpore	30	15,000	5	600	79	7,800	132	6,670	469	9,389	3,260	10,400	9,489	19,661		
Darbhanga	2	1,000	4	600	12	1,200	42	2,100	211	4,620	2,077	10,887	6,333	13,046		
Saru	3	1,500	21	1,170	62	2,635	242	4,842	1,026	5,125	1,719	3,909				
Champaran	9	4,500	26	2,400	83	4,150	310	6,200	1,725	7,620	3,007	10,615				
<b>Total</b>	<b>61</b>	<b>30,500</b>	<b>111</b>	<b>8,200</b>	<b>359</b>	<b>18,800</b>	<b>475</b>	<b>24,815</b>	<b>1,429</b>	<b>35,538</b>	<b>10,734</b>	<b>53,926</b>	<b>30,885</b>	<b>61,794</b>	<b>4,861</b>	<b>4,861</b>
<i>BRASSLAH</i>																
Monghyr	20	10,100	42	4,200	117	5,850	409	9,275	1,969	9,840	5,176	10,383				
Bhagpore	1	500	2	200	4	200	5	60	262	1,460	1,365	2,700				
Purneah	18	9,100	30	3,600	80	4,016	353	7,000	1,192	11,648	22,916					
Maddia	1	500	2	400	13	1,300	43	2,150	310	6,700	2,653	10,266	7,188	14,317		
Sontal Pergunnahs			1	200	6	600	16	760	122	2,440	1,293	6,340	4,104	9,308	2,468	2,468
<b>Total</b>	<b>40</b>	<b>20,200</b>	<b>73</b>	<b>6,000</b>	<b>260</b>	<b>10,286</b>	<b>259</b>	<b>12,986</b>	<b>1,264</b>	<b>29,904</b>	<b>7,902</b>	<b>39,012</b>	<b>29,361</b>	<b>66,903</b>	<b>2,493</b>	<b>2,493</b>
<i>ORISSA</i>																
Cuttack	8	4,000	11	1,100	19	950	110	2,200	634	3,170	3,392	6,784				
Pooree	4	2,000	6	600	24	2,400	39	1,200	221	4,420	1,179	5,895	3,863	7,707		
Balsore	1	500	6	1,200	19	1,200	41	2,960	187	2,740	1,994	4,422	4,730	9,460	1,467	1,467
<b>Total</b>	<b>13</b>	<b>6,500</b>	<b>23</b>	<b>2,900</b>	<b>43</b>	<b>4,550</b>	<b>89</b>	<b>4,360</b>	<b>468</b>	<b>9,360</b>	<b>2,867</b>	<b>14,687</b>	<b>11,975</b>	<b>23,951</b>	<b>1,467</b>	<b>1,467</b>
<b>CHOTA NAGPORE</b>																
<i>South West Frontier Agency</i>																
Hazaribagh			3	400	4	400	20	1,000	160	3,000	900	4,600	3,566	5,113		
Lohardugga			1	200	2	200	9	400	49	980	632	3,150	1,415	2,871		
Singbhum			6	600	6	600	44	2,200	44	860	815	3,675	1,637	3,074	739	739
Manbhum			1	500	4	600	16	750	112	2,240	743	3,715	1,979	3,959		
<b>Total</b>	<b>1</b>	<b>500</b>	<b>3</b>	<b>600</b>	<b>10</b>	<b>1,200</b>	<b>40</b>	<b>2,400</b>	<b>355</b>	<b>7,100</b>	<b>2,590</b>	<b>12,960</b>	<b>7,607</b>	<b>15,917</b>	<b>739</b>	<b>739</b>
<b>GRAND TOTAL</b>	<b>278</b>	<b>1,39,200</b>	<b>189</b>	<b>84,275</b>	<b>718</b>	<b>73,240</b>	<b>1,868</b>	<b>64,630</b>	<b>7,891</b>	<b>1,64,625</b>	<b>59,860</b>	<b>2,67,785</b>	<b>1,64,679</b>	<b>3,70,030</b>	<b>24,006</b>	<b>24,006</b>

\* In those instances in which the collections do not correspond with the number of licenses shown under each class and grade multiplied by the value of the licenses, district officers have been asked to reconcile the discrepancies. For instance, if the number of licenses in class IV against the district of Dumapore is multiplied by the value of the licenses (Rs 30), it will be seen that the amount represented should be Rs 3,000 and not Rs 3,075.

No. 134] Statement C showing the number of objections preferred in each district, how they have been disposed of, and how many are pending.

Sep Rev Pro. Jano 1880, Nos 1104 to 1227.

Divisions	Districts	Total number of objections preferred	NUMBER OF CASES DROPPED				Total number of cases pending	REMARKS.	
			In which the original assessment was upheld	In which the original assessment was modified	Struck off without hearing	Total			
BENGAL	<b>Western Districts</b>							The information given is up to end of—	
	Burdwan	2,911	207	706	258	1,166	1,746		January
	Bankura	387	33	23	6	59	327		Ditto
	Hoerbhoom	73	33	11	3	72	1		Ditto
	Midnapore	5,663	1,298	1,169	765	3,247	3,316		Ditto
	Hooghly with Howrah	2,538	378	505	176	1,060	1,442	Ditto.	
	<b>TOTAL</b>	<b>12,486</b>	<b>1,968</b>	<b>2,745</b>	<b>1,199</b>	<b>5,905</b>	<b>6,531</b>		
PENNAR	<b>Central Districts</b>							January No return received.	
	Palpurnanna	2,010	316	277	118	711	1,299		January
	Calcutta	4,824	583	1,177	297	2,057	2,617		January
	Jessore	5,856	691	688	761	2,330	3,638		Ditto
	Moorechabad	2,129	604	280	148	1,072	1,027		Ditto
	<b>TOTAL</b>	<b>14,949</b>	<b>2,234</b>	<b>2,602</b>	<b>1,314</b>	<b>6,160</b>	<b>8,460</b>		
BANKSWALEE COOCH BEHAR	Dinagopore	1,840	385	690	100	1,365	255	January.	
	Rajshahye	2,218	308	818	353	971	1,255	Ditto	
	Rangpore	4,998	786	928	323	1,976	2,993	Ditto.	
	Bogra	68	3	6	—	10	6	Ditto.	
	Pubna	116	25	77	6	108	7	Ditto	
	Darjeeling	3,643	424	696	298	1,418	2,628	Ditto.	
	Jalpigore	54	11	24	14	49	5	Ditto	
		183	6	149	8	163	20	Ditto	
	<b>TOTAL</b>	<b>12,197</b>	<b>1,994</b>	<b>3,116</b>	<b>1,967</b>	<b>6,076</b>	<b>7,121</b>		
DACA	<b>Eastern Districts</b>							December. January. Ditto December January.	
	Dacca	806	34	11	2	47	758		December.
	Furzedpore	7,548	640	828	698	1,651	5,998		January.
	Buckergumpore	2,204	331	465	323	1,726	419		Ditto
	Hymestigh	858	89	74	60	323	735		December
	Tippurah	6,803	1,302	178	824	3,004	4,805		January.
	<b>TOTAL</b>	<b>18,268</b>	<b>2,008</b>	<b>1,643</b>	<b>1,828</b>	<b>6,610</b>	<b>12,775</b>		
CUTTACK SOBA.	Chittagong	696	251	31	71	353	943	January.	
	Nonkholy	900	326	157	328	809	61	Ditto.	
	<b>TOTAL</b>	<b>1,696</b>	<b>577</b>	<b>188</b>	<b>397</b>	<b>1,163</b>	<b>454</b>		
PATNA	<b>BEHAR</b>							January Ditto Ditto Ditto Ditto Ditto Ditto Ditto	
	Patna	9,757	446	3,484	309	4,144	5,613		January
	Gya	1,441	449	353	218	1,228	119		Ditto
	Shahabad	2,940	814	1,007	179	2,000	1,959		Ditto
	Mosurpore	5,890	1,047	919	251	2,417	3,663		Ditto
	Durbhanga	3,253	1,684	1,015	339	4,150	4,115		Ditto
	Saran	1,323	316	324	89	940	913		Ditto
	Champaran	32	6	24	1	31	1		Ditto
	<b>TOTAL</b>	<b>31,165</b>	<b>4,794</b>	<b>8,041</b>	<b>2,084</b>	<b>14,658</b>	<b>16,976</b>		
BHAUGPORE	Monghyr	In this district objections have been taken up as appeals vide Commissioner's No 418C.T. dated 19th February							
	Bhagulpore	2,278	652	530	107	1,399	686	January.	
	Purnea	326	193	19	64	191	45	Ditto	
	Maidah	4,746	593	632	116	1,510	3,335	December	
	Southal Pergunnah	1,798	524	370	247	1,151	637	January	
	<b>TOTAL</b>	<b>9,047</b>	<b>1,966</b>	<b>1,761</b>	<b>634</b>	<b>4,141</b>	<b>4,906</b>		
ORISSA.	Cuttack	696	146	106	—	252	443	December.	
	Poore	32	10	13	—	33	—	Ditto.	
	Baitore	349	80	133	46	249	—	January.	
	<b>TOTAL</b>	<b>906</b>	<b>236</b>	<b>241</b>	<b>46</b>	<b>533</b>	<b>443</b>		
CHOTA NAGPORE	<b>South-West Frontier Agency.</b>							January No return received January Ditto.	
	Hasaribugh	1,064	319	686	15	1,018	51		January
	Lohardugg	363	108	78	116	299	367		January
	Mughboom	144	45	49	7	103	41		Ditto.
		<b>TOTAL</b>	<b>1,771</b>	<b>466</b>	<b>809</b>	<b>137</b>	<b>1,412</b>		<b>359</b>
	<b>GRAND TOTAL</b>	<b>1,03,212</b>	<b>16,908</b>	<b>20,623</b>	<b>8,430</b>	<b>65,898</b>	<b>27,344</b>		



Sop Rev. Pro, June 1880, Nos. 1104 to 1227.

No. 135 ] Statement D showing the number of appeals preferred in each district, how they have been disposed of, and how many are pending.

DIVISIONS	DISTRICTS.	Total number of appeals preferred.	NUMBER OF APPEALS DECIDED				Total number of appeals pending	REMARKS	
			In which order appealed against was upheld.	In which order appealed against was reversed.	Struck off without hearing	Total.			
BENGAL	<i>Western Districts.</i>							The information given is up to end of— Blank January Ditto Ditto Ditto.	
	BURDWAN	Burdwan	1				1		
		Bankoora	5				5		
		Berhampur Midnapore Hooghly with Howrah	208 6	38 3	13 2	3	64 2		
TOTAL		223	38	15	3	66	107		
PRASIDENCY	<i>Central Districts.</i>							January No return is submitted January Ditto No return received	
	PRASIDENCY	24 Pargunnahs	17	8	2		10		7
		Calcutta	62	17	16	1	34		48
		Jessore	64	16	51	4	61		53
Moorsshedabad									
TOTAL		183	41	49	5	95	88		
RAJSHAH AND COOCH BEHAR	<i>Eastern Districts.</i>							Blank January Ditto Ditto Ditto Ditto Ditto	
	RAJSHAH AND COOCH BEHAR	Dinapore	89	6	1		7		32
		Rajshahye	16	2	3	2	7		9
		Rungpore	6	5	1		6		6
Bogra		61	3	8		11	60		
Fulbari		3	2	1		3	25		
Darjeeling Jalpigore		26							
TOTAL		150	18	14	2	34	116		
DACCA	<i>Eastern Districts.</i>							January Blank January Ditto Ditto	
	DACCA	Dacca	12	1	2	5	8		4
		Faridpore	17			2	2		15
		Backergunge	83	18	10	3	31		62
Mymensingh Tippurah		1					1		
TOTAL		123	19	12	10	41	89		
CHITTAGONG	<i>Eastern Districts.</i>							Blank January	
	CHITTAGONG	Chittagong	17	11		3	14		3
TOTAL		17	11		3	14	3		
PATNA	<i>BBHAR</i>							January Ditto Ditto Ditto Ditto Ditto Ditto	
	PATNA	Patna	11	2			2		9
		Gya	119	28	24	12	64		65
		Shahabad	108	23	11	1	36		71
		Moxferpore	161						161
		Darbhanga	89	14	5		19		60
		Saran	152	37	78	1	116		36
Champanan		36	16	12		30	6		
TOTAL		644	123	130	14	265	378		
BHAGPUR	<i>BBHAR</i>							January December January Ditto Ditto	
	BHAGPUR	Monghyr	3,679	953	615	189	1,656		1,563
		Bhagalpore	3	4	1		5		3
		Purneah	61	23	6		29		32
		Maidah	42	17	2		18		23
Southal Pargunnahs		40	9	2	2	13	27		
TOTAL		3,860	1,005	623	191	2,022	1,628		
CHHISA	<i>CHHISA</i>							Blank December January	
	CHHISA	Cuttack	1		1		1		
		Poore Balsore	165	75	61	8	144		21
TOTAL		166	75	62	8	145	21		
CHOTA NAGPORE	<i>South-West Frontier Agency</i>							January No return received. Ditto Ditto.	
	CHOTA NAGPORE	Hazaribagh	112	4	1		5		107
		Lohardugga	21						21
		Singbhom Manbhoom	14	1	1	1	3		11
TOTAL		147	5	2	1	8	139		
GRAND TOTAL		5,313	1,334	1,110	237	2,681	2,622		

No. 136.] *Extract from Report on Native Papers for the week ending the 14th December 1878.*

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*Hindu Ranjika, 4th December 1878. Page 7, paragraph 16.*—It was an evil moment, observes the *Hindu Ranjika*, in which the license tax was inaugurated, and Lord Lytton gave his assent to it. Like fishermen, the assessors drag both large and small fish into their nets. There has been a disgraceful instance of this lately. The firm of *Latchmipat Singh Bahadur* has been assessed at Rs. 500, and in addition to this the Manager, Babu Koramal Dugar, has been assessed in the like sum. Now, every one here knows that the Babu has no business of his own, so that we fail to understand how he comes to be taxed. Our readers can imagine the distress by which people must be overtaken if, added to the present scarcity of food, such illegal proceedings are carried on.

*Bharat Mohir, 5th December 1878. Page 8, paragraph 18.*—Adverting to the recent sentence of a license tax officer to three months' rigorous imprisonment, the *Bharat Mohir* wishes that some other examples were made. The mode of collecting the license tax is as fearful as the tax itself. Many people have been obliged to give up their calling and trade on account of the oppressions of tax officers. There is no salvation for the poor, judging from the rigorous way in which some of the well-wishers of Government have been fixing assessments. Govinda Babu, Moulvi Azhar and some other divisional officers, who are educated and good men, do not act thus, but have regard to the poor.

*Sulabha Samachara, 7th December, 1878. Page 9, paragraph 22.*—The license tax, remarks the *Sulabha Samachara*, may be regarded as a permanent source of revenue to the State and a permanent source of distress to the people. No satisfactory mode of assessment has been resolved on. Assessors do as they like, not taking the trouble to enquire into the condition of the people taxed. Hundreds of appeals have been preferred. The plan of assessment adopted in the case of the income tax should be adopted the statements of people being taken on oath.

No. 137.] *Extract from Report on Native Papers for the week ending the 21st December 1878.*

*Dacca Prakasha, 15th December 1878. Page 8, paragraph 20.*—The *Dacca Prakasha* has heard complaints that the license tax is being imposed on laborers and *coolies* (porters), as also on all classes of traders without distinction. The Government has made a mistake in treating the ordinary petty trader in the same way as the big *mahajan* or merchant who carries on a flourishing export business in these times of famine pressure. It is unwise to place the assessment of incomes in the hands of ill-paid assessors, or village *panchayats* composed of men of no good report. Great oppression has been the result. We pray that petty traders be exempted; also that other and better means than those now employed be adopted for making the assessments. Let the facilities for appeal be extended and made less expensive. We agree with our contemporary, the *Sulabha Samachara*, in its recommendation that attestations and verifications on oath, as in the case of the income tax, should be adopted.

No. 138.] *Extract from Report on Native Papers for the week ending the 25th January 1879.*

*Bharat Mohir. Page 3, paragraph 6.*—The same paper writes as follows in an article headed "Oppression in connection with the license tax":—"On the strength of the assurance that the proceeds of the tax should only be expended for purposes of famine relief, the opposition to the license tax was not so decided as it was in the case of the income tax. Now that a portion, if not the whole, of the cost of the Cabul war is to be thrown upon the Indian exchequer, it is not difficult to predict to what purposes the Famine Insurance Fund will be diverted. We, however, do not believe that Government will so readily break its promise. Without, however, attempting to forecast what may come in the future, the way in which the license tax is being assessed and levied has really frightened and pained us. From all sides complaints reach us regarding the oppressions committed in this connection. Even the petty vendors of edible herbs, vegetables, and other necessary articles of food, who hawk about their goods from door to door, have not escaped assessment. We may here enumerate the leading defects of the License Tax Act. These are: (1) the Act, while

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it lightly touches the pockets of the wealthy merchants and mahajans, spend all its force upon the large number of petty traders and shopkeepers with small capitals; (2) the Collectors are empowered to hear objections against the assessments. Now, this is a provision we have long protested against, but since Government has adopted it, who is competent to point out its error? It is almost a superhuman task to attempt to make Government *see*. We do not see why a measure, which would benefit the many at the expense of a few, while leaving other interests *untact*, should not be accepted and acted upon. What Government has once put on paper is indeed *unalterable*; but does it not behove them to see whether the assessments that are being made under the license tax are proper and equitable? The information at our disposal enables us to state that the poor tradesmen are being exceedingly harassed by this impost. Considering that the well-being of these men depends in a great measure on the experience and impartiality which the license tax collectors may bring to bear upon their work, it is exceedingly desirable that only honest and intelligent men should be appointed as such. But it is to be regretted that this is not the case in a great many places. The mode of assessment which we describe below does not commend itself to our minds. The Collector proceeds to a village and summons the chowkidars of the adjacent villages. From them information is obtained regarding the condition of the inhabitants. It is well known from what class of people these rural functionaries are generally selected. The summoning by a license tax officer affords them the best opportunity for rendering a good office or gratifying a spite. A man with an yearly income of Rs. 30 is described as possessed of Rs. 200, while one possessed of that amount gets credit for a fourth of the sum. There are tax collectors who make enquiries of everybody that comes in their way; nor are instances of corruption uncommon. It behoves Government to enquire

*Murshheedabad Patrika, 17th January 1879. Page 6, paragraph 10.*—The *Murshheedabad Patrika*, of the 17th January, notices the hardship occasioned by the inequitable assessments made under the License Tax Act. Even people earning a mere pittance by selling the milk of their one or two kine, or the dung cakes used as fuel, have got notices of assessment. There is indeed provision for appeals, but it is a mistake to prefer any, for they are, as a rule, dismissed. It would go a great way to mitigate the rigours of the measure, if the grounds on which they had been assessed were explained to the people held liable to the impost.

No. 139.]

No. 599, dated 5th March, 1878.

*From*—A MACKENZIE, Esq., Secretary to the Government of Bengal, Revenue Department,  
*To*—The Secretary to the Board of Revenue, Lower Provinces.

I am directed to state, for the information of the Board of Revenue in the Department of Assessed Taxes, that the Bill for imposing license fees upon trades, dealings, and industries throughout the territories subject to the Lieutenant-Governor of Bengal having now become law as Act I (B.C.) of 1878, the Lieutenant-Governor has decided to place the detailed working of the measure under the control and direction of the Board of Revenue; and I am to forward a set of rules for districts other than Calcutta (prepared in communication with Mr Buckland) to which the Lieutenant-Governor has given his assent under Section 39 of the Act.

2. The Government is particularly desirous that the district officers should retain, as much as possible in their own hands, the supervision of operations under the Act in their respective districts. They may employ any competent gazetted subordinate to assist them in details, but they must not be content to make over the whole working of the Act to a Deputy Collector. The success of this measure, as a permanent measure of taxation, depends very much upon the manner in which it is introduced, and upon the care and completeness of the first assessments. Collectors must therefore look upon their duties in connection with the Act as having the first claim for the present on their time and attention.

3. The rules prescribe generally the mode in which the assessments under the Act are to be conducted. The intention is that the circle officer should be ordinarily a Sub-Deputy Collector already in Government employ, his place

being taken by a temporary substitute appointed in the usual way. If there be no Sub-Deputy available, the Collector must appoint, to be circle officer, some respectable person, with good local knowledge, and able to give reasonable security for his conduct. The salary of such locally-entertained officers may range from Rs. 50 to Rs. 100. The enumerators are to be men of the mohuriz class on Rs. 10 to Rs. 15 per mensem. They will, as pointed out in Rule 12, have no power of assessing or classifying licensees. After they have once ascertained the fact that the apparent earnings of a licensee are over the legal minimum of Rs. 100 per annum, they will have only to enter his name in the list. The circle officer will make all further enquiries and assess the licensees. The employment of enumerators is only necessary, because the introduction of a minimum limit of taxable income has made the census lists to a great extent inapplicable as the basis of operations. The Collector must satisfy himself by every means open to him that the circle officers' assessments are correct. He should specially and personally check the assessments in Classes I to IV, and depute trustworthy subordinates, European or Native, to test the assessments in the lower grades in all cases where the circle officer is not of the rank of a sub-divisional officer. In their tours next cold season, the Collector and his subordinates must devote the greater portion of their time to testing, revising, and completing the lists of licensees.

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4. In some districts Collectors may, from their knowledge of local circumstances, be able to suggest modifications in the mode of working the Act set forth in the rules. The Lieutenant-Governor would wish the Board to give full consideration to all such local suggestions.

5. The Lieutenant-Governor will leave to the Board the duty of fixing the strength of the various kinds of establishment required, feeling sure that Mr. Buckland will exercise a wise economy while giving to each district a staff sufficient for the work in hand. Generally speaking, it will be advisable that the staff of a district should be made strong enough to complete the whole work of the assessment of licensees and publication of the lists by the end of September at latest, so as to leave six months clear within the year for the work of collection. When a sufficient time for collection purposes is secured, it is obvious that it is better to appoint only as many officers as will be able to go over the district properly by a fixed date rather than to entertain a very large staff in order to complete the assessments within a needlessly limited period. A small staff will gain experience as it goes on, and produce better results than a large staff of inexperienced hands working for a short period only.

6. The employment of municipalities and punchayets under Section 27 of the Act is not compulsory. The question of making use of their agency is a matter which it is left to the district officers and the Board to settle in each case. But any proposals to realise the tax through these bodies under Section 28 must be referred for the orders of Government.

7. The Board are requested to arrange with the Superintendent of Government Printing in Bengal and with the Superintendent of Stamps and Stationery for the preparation of the necessary forms and registers. A separate account of all outlay incurred in connection with the Act must be kept, and all such expenditure must be charged as costs of collection. Care must be taken that no charges incurred in connection with the Act are thrown upon the ordinary provincial services. The Board may consult the Accountant General as to the best mode of securing this.

8. The Board are requested to issue any subsidiary directions that seem to them necessary and to report to Government from time to time the progress of operations under the Act and the cost of establishments sanctioned.

9. The Board are further requested to place themselves in communication with the Chairman of the Commissioners of the town of Calcutta, and to submit a set of draft rules suited to the circumstances of that place, and with reference to the special provisions of Part IV of the Act.

10. Copies of this letter and of the rules will be forwarded direct to all Commissioners and Collectors for information; and the Accountant General and the Superintendent of Government Printing will be informed of these orders.

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No. 3F., dated 17th June, 1879.

No. 140 ] *From*—LEPEL GRIFFIN, Esq, *Secretary to the Government of the Punjab,*  
*To*—*The Secretary to the Government of India,* FINANCIAL DEPARTMENT.

In reply to your confidential circular No. 471, dated 27th January, calling for an early preliminary report on the working of the license tax imposed by Act II of 1878 in the Punjab, I am desired to forward, for the information of the Government of India, a copy of a letter No. 574, dated 6th ultimo, from the Financial Commissioner, and to observe that the collections have closely approached the first estimates, and that in the Lieutenant-Governor's opinion the work has been on the whole fairly done by the agency employed. The complaints, and in many districts they have been loud, have been mostly due to the exceptional character of the year, which, with its extreme, and in some places unprecedented, high prices, made the class most largely affected by the tax the least able to pay it. The Lieutenant-Governor considers that in an average year the Rs. 100 minimum is certainly not too low; and in good years the Rs. 72 limit originally suggested would not have pressed too hardly.

2. The Lieutenant-Governor would allow the results of the present year's work to be reported fully before making any definite proposals for change. The practical working of the Act brings to light real difficulties, and the officers engaged in the work, of themselves, apply the remedies which are possible. Inequality of assessment is one of the commonest causes of dissatisfaction, and this can be easily removed.

3. His Honour is inclined to attribute the large number of appeals in Umballa to the factions which existed among the officials there; the malcontents doubtless prompted the people to appeal.

4. In Sialkot His Honor remarks that the taxation should have been revised by the Deputy Commissioner and not left entirely to tahsil officials.

5. The suggestion in the Financial Commissioner's 7th paragraph is one that could easily be carried out, and, the Lieutenant-Governor thinks, might have a good effect, as when the first tax of a similar character was imposed in 1859-60.

No. 574, dated 6th May, 1879.

No. 141.] *From*—*The Secretary to the Financial Commissioner, Punjab,*  
*To*—*The Secretary to the Government of the Punjab.*

On receipt of your No. 350 of 30th January 1879, forwarding a copy of a preliminary report on the license tax of 1878 confidential letter from the Government of India, dated 27th January, calling for a preliminary report on the working of the license tax of 1878-79, Commissioners were called on to report on the points embodied in the following enquiries:—

“What practical difficulties, if any, have arisen in the assessment and collection of the tax?”

Points enquired into. “What is the feeling of tax-payers and of the people generally in regard to it?”

“By what agency have the assessments been made, and to what extent have they been examined and revised by superior authority?”

“To what extent have the collections differed from the assessments?”

“To what extent have Deputy Commissioners and Assistant Commissioners, during the last few months, enquired into the assessments in towns and villages?”

“What was the result generally of their enquiries?”

2. The confidential replies of Commissioners were received during March, but as statistics of the collections up to the end of February were being compiled in this office from the monthly returns, the Financial Commissioner deemed it expedient to wait for the completion of these before reporting on the subject.

3. A detailed return of the persons assessed under each grade and occupation will be duly prepared in connection with the report on the results of the tax for the entire year 1878-79, and this cannot be undertaken for some time to come; but as the Government of India letter, paragraph 2, asks only “for such statistics as are at hand of the number of persons assessed in each class,” it will be sufficient here to advert

to the estimates of assessments prepared early in the year and collected in the Financial Commissioner's circular 56 of 9th August 1878, when orders were issued to proceed with the collection of the tax.

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Results of preliminary estimates.

4. The totals of that return were as follows:—

	No. of persons.	Estimated tax. Rs.
Class I ...	570	83,250
Class II ...	19,865	3,28,940
Class III ...	334,395	5,39,584
<b>TOTAL</b> ...	<b>354,830</b>	<b>9,51,774</b>

During the collection of the tax in the cold season, when officers were on tour, the assessments were in many cases revised, and the result of the return for February was that the demand was Rs. 10,08,700, or about half a lakh in excess of the original estimate, and of this Rs. 9,18,585 had been collected. The exact figures for the Ferozepore district have not been ascertained, but the collections have been entered approximately at Rs. 34,000, from previous return, when there was very little left outstanding. This left a balance of Rs. 90,115, some of which will have been collected during March; but of the amount collected about Rs. 30,000 has been refunded, on petitions of objection and appeal, and a further sum has been refunded in March. The cost of collection has been very small, as most of the work was done by the regular establishments.

Revision during collections.

Cost of collection.

The net result of the tax will accordingly be from 9 to 9½ lakhs of rupees, which is a close approximation to the sum it was estimated to yield.

Yield of tax.

Local reports summarised.

Difficulties in assessment and collection.

The Commissioner of Delhi notices that a preliminary difficulty was created by the urgent call for an estimate of the probable yield of the tax immediately on the promulgation of the Act, before time could be found for detailed enquiry. The original estimates were accordingly rather hurriedly prepared, chiefly by Tahsildars, and in the case of the city of Delhi, especially, they were found too high, and numerous reductions and refunds became necessary.

Delhi.

In the Rohtak district the assessments were too high. Numerous objections were filed, and the assessments had to be reduced by one-tenth.

Rohtak.

In Ambala, out of 25,000 persons assessed 13,000 filed objections, of which 4,226 were accepted and some Rs. 15,000 of assessments were reduced. The extraordinary number of objections in this district appears to have been due to a somewhat too high and unequal assessment having been made in the first place, and to a great number of the poorest artisans having been assessed who ought to have been excused altogether, and who, in a year of scarcity, found it very difficult to pay. A spirit of general opposition to the tax was thus aroused, and, as the Deputy Commissioner from the first accepted appeals freely, they naturally poured in in great numbers.

Ambala.

The Deputy Commissioner says: "There has been a universal spirit of opposition and freemasonry, as it were, displayed." The Deputy Commissioner thinks the stamp duty on objection petitions is too low, and that this and the influence of petition-writers caused unnecessary objections to be filed.

The Deputy Commissioner points out, as also do several other officers, that the scale of fees is not sufficiently graduated, and in particular that there should have been a grade between the 10 and the 25 rate. This defect lessens the power of appellate authorities to afford relief, while it encourages assessing officers to tax high in order to make the fee approach the 2 per cent. limit.

In the Jullunder Division similar difficulties were felt, as regards assessments, though no difficulties occurred in the collection of the tax.

Jullunder.

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The Commissioner says the first assessments were hurriedly made and were consequently rather rough and unequal; he adds that, in a year of scarcity, the minimum of Rs 100, under the Act, makes taxation descend too low, and fall upon people who cannot afford to pay. The strongest feeling against the tax is, he says, due to this cause.

The Commissioner of Amritsar thinks the limit too low and would raise it to Rs. 200, and that the better classes have not been taxed sufficiently high.

Amritsar.

The city of Amritsar did not show as high an estimate as the Financial Commissioner expected, and the causes of this have not yet been fully ascertained, but the assessments have been revised to some extent.

The Deputy Commissioner of Sialkot thinks villages were over-assessed, and towns under-assessed, as a rule, and he thought this was because the tahsil officers preferred to tax people at a distance from tahsil head-quarters.

Sialkot.

The Commissioner of Lahore reports that in Gujranwala and Ferozepore no difficulties occurred, but in Lahore the assessments were unequal; objections and appeals were numerous and large refunds had to be made.

Lahore

Rawalpindi

The Commissioner of Rawalpindi says no practical difficulties have arisen.

The Commissioner of Mooltan states that there was no difficulty in the collection of the tax, and though appeals and objections were numerous, the "irritation caused by the levy of a new tax has been as slight as could be expected." He adds that many of these difficulties were made without any sufficient ground.

Mooltan.

In the Derajat no difficulties arose; few appeals were made: the result of revision was in the main to confirm the original assessments.

Derajat

The Commissioner of Peshawar notices that there were some inequalities in the original assessments of the city of Peshawar, but these were eventually put to rights by the Deputy Commissioner.

Peshawar

The feeling of the people

6. II.—What is the feeling of the tax-payers and of the people generally in regard to the tax?

The general reply on this point is that every tax is objected to by the persons affected by it. The persons on whom the license tax falls are non-agriculturists, consequently the agricultural classes, who already pay land-revenue and cesses, regard with a feeling approaching to satisfaction a tax that falls on their non-agricultural neighbours.

The Financial Commissioner agrees with Colonel Davies, Commissioner of Jullunder, in thinking that the strongest feeling against the tax is due to its having in many cases descended too low upon people who, in a year of scarcity like the present, are in real poverty and unable to pay any tax, however small, without difficulty.

The Financial Commissioner also agrees with Colonel Birch, Deputy Commissioner of Sialkot, that the kind of satisfaction which the agricultural classes experience in seeing the non-agriculturists taxed has been much shaken in some districts by the assessment of agriculturists as traders, because they own carts or camels which they occasionally hire out, or because they sell milk of their milch kine.

Colonel Birch says a clear line ought to be drawn separating agricultural from non-agricultural occupations, as the tax is intended to fall on the latter only.

The privilege of objecting and appealing has been freely exercised in a large number of districts, and the objectors have been chiefly in the lower grades.

It is remarkable that in the district of Ambala every second person assessed filed an objection, while in the adjoining district of Ludhiana the objections were only 2 per cent.

The difference in this instance may be partly due to local circumstances; but looking at the number of objections and appeals in the province generally, there is reason to believe that the hurried preparation of the first lists of tax-

payers and the long period that elapsed before the collection of the tax was proceeded with, and also the high price of food during the year, caused a greater amount of objection to the assessments than would otherwise have shown itself.

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7. The Deputy Commissioner of Gurdaspur, and some other officers, too, notice that "the feeling of the people seemed to be strongly in favor of assessments being fixed openly, at a meeting of the brotherhood, either of themselves or by a superior revenue official." The Financial Commissioner is of opinion that some such system should be aimed at, and that it could be carried out without much difficulty. He believes that such a plan worked well in Lahore when the first trades tax was imposed in 1859-60.

The Commissioner of Peshawar remarks that inequality of assessment causes greater discontent than the taxation itself or the amount of it.

8. III.—By what agency have the assessments been made; to what extent Agency employed Revision and have they been revised by superior authority; to contract. what extent have district officers revised assessments during their tour, and with what results?

These points may conveniently be considered together.

The agency employed has been for the most part the ordinary revenue agency. The first lists of assessments were prepared by tahsildars with the aid of the tahsil officials and patwaris for rural tracts. In towns the assistance of Municipal Commissioners and Honorary Magistrates was obtained; special officers were in no case employed in the preparation of the *assessment* lists. What little expenditure was incurred was merely for subordinate agency for office work, copying registers, &c., and some expenditure was authorised for collection, the details of which cannot at present be given.

Deputy Commissioners had not much opportunity of revising the lists in the first instance, but they, in most cases, compared the results with the income tax and license tax returns of former years. All the assessment schedules came before the Financial Commissioner for approval, and in many cases anomalies were removed or explained, and the results of this preliminary revision were embodied in the abstract estimate of August 1878 already alluded to.

In the course of the collection of the tax that then ensued, Deputy Commissioners discovered many inequalities and omissions in the assessment lists which they remedied. Consequently, the district demand in the February return differs in most cases from the demand shown in August 1878.

In some cases a substantive enhancement resulted, *e.g.*, in Jhang, Hoshiarpur, Jullunder, Amritsar, Lahore, Simla, Rawalpindi and Jhelum. In a few cases there was a net reduction, but in all it is believed there was a great equalisation and a fairer distribution of the incidence of the tax. The diaries of officers received lately show that a good deal was done during the winter months to examine the working of the tax. The experience thus gained will be useful in the administration of the tax for the year 1879-80, the collections for which commenced in February in accordance with the Act. In most districts the assessment was fairly supervised in the end by superior Revenue Officers.

At first it was often not sufficiently supervised owing to the hurried way in which assessments had to be made in order to reply to the urgent calls for estimates of income.

In the end also, in some districts where much work was thrown on district officers by the war, or where officers were changed, their assessment was not so well supervised as it might have been.

On the other hand, in some districts, supervision was very complete and careful.

9. It is represented by a number of officers that the collection of the two years' taxes within so short a time of each other, very often at the same time, was felt as a grievance. The Commissioner of Mooltan was so strongly impressed with this view that he suspended the collection of the second year's tax till April, and, practically, it has been impossible in most places to act up to the letter of the law, which requires the tax for 1879 to be paid before the 1st of February; all that could be done was to *commence* the collections in January and to complete them as soon as practicable. The mixing up of the two years'



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collections has, moreover, tended to cause some confusion in accounts. The fact is that the one month allowed by Sections 9 and 10 of the Act for the revision of the lists and the collection of the tax is too short a time for the proper performance of the work.

The remaining point in the enquiry as to the difference between the actual and the estimated yield cannot be fully discussed in this preliminary report, as the figures for the year are not complete. Some of the differences have already been noticed. A more detailed notice must be reserved till the district reports and returns for the year are received

10. In conclusion, it appears that, though the tax cannot be said to be a popular one with any class, and though a better graduated scale of fees would afford relief to tax-payers as well as an increased yield to the State, no violent opposition to it has come to light, nor have anything like widespread abuses and maladministration been reported.

11. The chief point for consideration is whether the minimum limit of Rs. 100 is, for a tax of this kind, too low. It will be remembered that the limit originally suggested by the Honourable the Lieutenant-Governor was Rs. 6 a month or Rs. 72 a year, and that the limit of Rs. 100 was determined (inferentially) by Section 13 of the Act. The manner in which this provision was to be worked was explained in the Financial Commissioner's circular 14 of 13th March 1878.

Considering that the Legislature have allowed the Act to remain in force as it stands for the present year, that collections are now proceeding in accordance therewith, that the detailed returns and reports for 1878-79 have not yet been received, and that this is a mere preliminary report, it would be premature at present to make any definite proposal as to whether the limit of Rs. 100 should be raised or not. But upon the whole Mr. Lyall is not at present inclined to think Rs. 100 too low in most years, though it was no doubt low in a year of scarcity like the past year, but he doubts very much if the mode of calculating income is, in many districts, correct, and he doubts whether there is enough uniformity in the principles of assessment of different districts.

Mr. Lyall suggests that an officer of experience should be specially appointed to make a tour to visit each district and to see that uniformity of principle and of pitch of assessment is secured, and also to report points of doubt for the orders of higher authority.

No. 142 ]

No. 2, dated 13th March, 1879.

*From—The Government of India,*

*To—The Secretary of State for India.*

In our Confidential despatch No. 16, dated 22nd July 1878, we submitted to Your Lordship proposals for imposing certain new taxes on the official and professional classes, and those proposals were sanctioned by Your Lordship in your Financial despatch No. 402, dated 21st November 1878.

2. We have, however, thought it desirable, temporarily, to suspend action in regard to this subject, and not to impose the proposed additional taxation at the present time. Circumstances have much altered since our despatch of the 22nd July last was written. In consequence, principally, of the great further loss by exchange that has taken place, our financial position, which then appeared satisfactory, has become in the highest degree uncertain.

3. For the reasons stated in our Confidential despatch No. 34, dated the 28th January 1879, we were obliged to contemplate the probability that it may become necessary to impose new taxation to a serious amount. The measure proposed in July had for its chief object "the removal, as far as possible, of all justification for the assertion that the poorer classes are unduly burdened, and at the same time, obtaining somewhat greater equality in the incidence of taxation." The measure was not declared to be financially necessary, and it was calculated that it would only produce an addition to the revenue of about £200,000 per annum. Its adoption, at the present time, would not strengthen our financial position to any important degree, and it might possibly embarrass us hereafter, if we should be obliged to impose further direct taxation.

4. Nor, under present circumstances, while India is engaged in war, do we think it politically expedient to bring forward any projects of further taxation. Our motives might easily be misunderstood and misrepresented, and inconvenient discussions and controversies might be encouraged.

5. There has also been another practical objection to legislating on this subject. The Viceroy did not reach Calcutta until nearly the end of December; and during the last two months it has always been possible that he might be obliged, by events connected with the war, to return to the Punjab. It was undesirable to run the risk, in the absence of real necessity, of having to proceed with new measures of taxation while he was absent from the Council.

6. We hope that Your Lordship will think that we have exercised, under these circumstances, a wise discretion in deciding to take no action in regard to the proposed measure for the present.

No. 143.]

No. 276, dated 24th July, 1879.

*From—The Secretary of State for India,  
To—The Government of India.*

In my despatch of the 21st November 1878, No. 402, I informed Your Excellency that while I might have felt doubt as to the expediency of imposing fresh taxation, unless the receipts were likely to be larger than you estimated from the measures proposed in your Confidential letter of the 22nd of July, No. 16 (Separate Revenue), yet, considering that there was some ground for the feeling that the operation of the Licensing Acts was partial, and that the suggested alteration of the law would remove from the minds of the classes taxed under those Acts a sense of having been subjected to somewhat unequal treatment, I deemed it right to sanction the introduction of the needful legislation.

2. I now learn, from your further Confidential letter, dated the 13th of March last, No. 2 (Separate Revenue), that you have thought it desirable, temporarily, to suspend action in the manner proposed, owing to the change of circumstances which has occurred since your recommendations were made. Admitting the force of the motives which led Your Excellency to this conclusion, I approve of your decision.

No 144 ]

Dated 16th June, 1879.

*From—H. W. I. Wood, Esq., Secretary to the Bengal Chamber of Commerce,  
To—The Secretary to the Government of India, FINANCIAL DEPARTMENT.*

I am instructed by the Committee of the Chamber of Commerce to send you, as usual, their half-yearly report,\* and especially requested to draw your attention to the address of the President at the general meeting held on the 30th ultimo, and to say that the views therein expressed regarding the license tax have their unanimous and entire support and approval.

I am further instructed by the Committee to say that in their judgment public confidence in the financial administration of the Government of India has been seriously shaken by the manner in which the famine taxes have been appropriated to the general purposes of the State, and to express their earnest hope that the long enduring trust of the people of this country in the good faith of the British Government may not be destroyed nor imperilled by persistence in a policy which amounts in fact to a confiscation of the famine fund.

It has been reported to the Committee that some of the circular orders that have been issued by the Board of Revenue in connection with the collection of the license tax are of an unusual character, and that compliance with them involves a most serious injustice to the tax-payers.

The Committee, unwilling to accept any secondary evidence on the point, applied to the Board on the 4th instant for copies of *all* these circular orders, but they have as yet received no reply. I am therefore desired by the Committee to request you will oblige them by instructing the Board to place those orders at their disposal.

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No 145 ]

No. 1608, dated 8th July, 1879.

From—R. B. CHAPMAN, Esq., C S I., Secy. to the Government of India, DEPT OF FINANCE,  
To—The Secretary to the Bengal Chamber of Commerce.

I am directed by the Governor General in Council to acknowledge the receipt of your letter, dated the 16th ultimo, forwarding a copy of the report of the Bengal Chamber of Commerce for the half-year ending the 30th April last.

2. In this letter you request attention to the address of the President of the Chamber at the general meeting held on the 30th ultimo. You state that the views expressed by the President regarding the license tax have the unanimous approval of the Committee of the Chamber; and you request that the Board of Revenue may be directed to furnish the Committee with copies of the circulars issued by them on this subject, it having "been reported to the Committee that some of the circular orders that have been issued by the Board of Revenue in connection with the collection of the license tax are of an unusual character, and that compliance with them involves a most serious injustice to the tax-payers." I am directed to say, in reply, that the attention of the Government of Bengal (with which, as you are aware, the administration of the license tax rests) has been called to the remarks made by the President of the Chamber and to the request of the Committee, and a further communication on this subject will be made to you hereafter.

3. Your letter states that in the judgment of the Committee of the Chamber, "public confidence in the financial administration of the Government of India has been seriously shaken by the manner in which the famine taxes have been appropriated;" and the hope of the Committee is expressed that "the trust of the people of this country in the good faith of the British Government may not be destroyed or imperilled by persistence in a policy which amounts, in fact, to a confiscation of the famine fund."

4. That there should be differences of opinion on questions of public policy is inevitable. The Government not only does not complain of honest criticism of its measures, but it fully recognises the high utility of such criticism not only to the public interests but to the Government itself. While, therefore, the Governor General in Council regrets that the policy of the Government should have been, as your letter appears to him to show, completely misunderstood, he has been glad to receive that letter. It satisfies him that the Government had not succeeded in explaining with sufficient clearness the real nature of the measures which it had taken; and whether this want of success is rightly attributable to the Government or not, the fact is one which it is useful that the Government should know.

5. His Excellency in Council hopes that the circular lately addressed to the Local Governments regarding the present financial position of the Government, and a copy of which is herewith forwarded, will give to the Chamber of Commerce information on the principal points on which the policy of the Government appears to have been misapprehended.

6. With regard, however, to the remarks which Mr. Yule, the President of the Chamber, has made in his address, regarding the application of the taxes imposed for the protection of the country against famine, I am to say that the substance and manner of those remarks are such that His Excellency in Council must decline to discuss or to reply to them. He can only express his astonishment and regret that a gentleman holding such a post should have thought it becoming to charge the Government of India with deliberate dishonesty and bad faith, and contemptuous disregard of solemn promises and duties, or to countenance the imputation that its conduct has been "not only faithless but cunning"

7. His Excellency in Council does not believe that such language as this is approved by a body of gentlemen like the Bengal Chamber of Commerce, long distinguished for its honourable feeling and its intelligence.

No 146 ]

No. 1609, dated 8th July, 1879.

From—R. B. CHAPMAN, Esq., C S I., Secy. to the Govt. of India, DEPT. OF FINANCE,  
To—The Secretary to the Government of Bengal.

I am directed by the Governor General in Council to forward copies of a letter, dated the 16th ultimo, from the Secretary to the Bengal Chamber of Commerce to my address, and of the reply thereto.

2. I am to request that His Honor the Lieutenant-Governor will favour the Government of India with any remarks which he desires to make with reference to the statements of the President of the Chamber regarding the manner in which the license tax has been assessed and collected in Calcutta and the neighbouring Suburban Municipality. I am also to ask the attention of the Lieutenant-Governor to the request of the Committee of the Chamber to be furnished with copies of the circulars issued by the Board of Revenue on the subject of the license tax.

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No. 147.

No. 620, dated 19th November, 1879.

From—H. L. HARRISON, Esq., *Offy. Secy. to the Govt. of Bengal, Financial Dept.,*  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

With reference to your letter No. 1609, dated the 8th July last, and its enclosures, I am directed to submit the accompanying copy of the papers noted on the margin, together with the following statement of the Lieutenant-Governor's views and remarks on the allegations made by Mr. Yule, the President of the Chamber of Commerce, in connection with the administration of the License Tax Act in Calcutta and the Suburban Municipality.

- (1) Board's letter No. 1074B, dated 18th October 1879  
(2) Letter from the Chairman of the Corporation of the Town of Calcutta addressed to the Board of Revenue, No. 113, dated 17th July 1879  
(3) Board's report on the administration of the license tax in Bengal during 1878-79  
(4) Government Resolution thereon, dated 11th November 1879

2. It seems to Sir Stewart Bayley that, as the incidence of the Act on the lowest classes has been considerably modified by the recent orders of the Government of India, fixing Rs. 250 as the minimum taxable income, and as a long time has now elapsed since attention was drawn to Mr. Yule's statements, it is hardly necessary to comment at any length upon it. It will be obvious that Mr. Yule was in some respects misinformed, as his remarks at page 6 of the Chamber's printed report for the half-year ending 30th April last, to the effect that the Act was left to be carried out by the ordinary assessing officers, are obviously incorrect. In Calcutta, as elsewhere, special assessors were entertained on salaries rising from Rs. 80 for the express purpose of making the assessments in the first instance. On the other hand, it is no doubt correctly contended by Mr. Yule that the Chairman of the Corporation, being at the same time Commissioner of Police, could not afford the time requisite for any close and minute supervision over their proceedings.

3. As regards the latter part of paragraph 2 of your letter, I am to say that the Chamber applied to this Government as well as to the Board of Revenue for copies of certain rulings supposed to have been issued with reference to the administration of the Act. The required orders were described so vaguely that *bona fide* difficulty was experienced in finding out what was required; but eventually the circulars required were traced out and supplied to the Chamber. Nothing has been subsequently heard on the subject, but, so far as can be ascertained, no circular of an unusual or improper character was ever issued.

4. With reference to the remark in the concluding paragraph of the Board's letter No. 1074, dated 18th October, the Lieutenant-Governor desires me to say that the report sent up by the Chairman of the Corporation is one of the enclosures submitted herewith. It seemed to Sir Stewart Bayley that this report was not palpably or glaringly incomplete; and as it came to his knowledge that the Chairman of the Corporation was in weak health, and that his time was very fully taken up, especially with the new elections under the Calcutta Municipal Act, which were imminent, the Board were informed that no further general report from the Chairman need be insisted on, but that they might ask either officially or demi-officially for any definite information on any particular point regarding which fuller details might be requisite.

No. 148.

No. 1074B, dated 18th October, 1879.

From—P. NOLAN, Esq., *Offy. Secretary to the Board of Revenue, Lower Provinces,*  
To—The Secretary to the Government of Bengal, Financial Department.

With reference to Government Order No. 496, dated 18th August 1879, and connected correspondence, regarding the allegations of the Chamber of

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Commerce in connection with the administration of the Bengal license tax in Bengal, I am directed to submit the following observations of the Board.

2. The allegations in question are contained in a speech made by Mr. Yule, and are to be found at pages 5, 6, 7 and 8 of the report of the Committee of the Chamber of Commerce for the half year ending 30th April 1879.

3. Mr. Yule states that neither the Chairman of the Corporation of the Town of Calcutta nor the Collector of the 24-Pergunnahs can attend to the working of the Act. They therefore appoint a Deputy, the Vice-Chairman, who appoints other deputies until at last the administration of the Act is left to be carried out by ordinary assessing sircars. Mr. Yule remarks that as the duty of working the Act was "jerked down" the different grades of functionaries from collectors to sircar, the lists which the latter prepared were "jerked up" the same grades until they reached the collector, who approved the lists without hearing anything about them. Mr. Yule's statement is sufficient to show that he had taken no trouble to make himself acquainted with the subject. The lists were prepared in Calcutta by circle officers who are employed on salaries varying from Rs. 80 to Rs 250 per mensem, and in the Suburban Municipality by officers of a similar position. They were submitted for the approval of the Chairman before publication, and in Calcutta this duty did not receive proper attention from Mr. Metcalfe. The Board have commented on the character of the assessment in Calcutta in paragraphs 33 to 37 of their annual report on the administration of the license tax now before Government.

4. Mr. Yule complains of the manner in which the assessment was published. On this subject too he appears to have been either ignorant or misinformed. Under paragraph 28 of the rules for the administration of the Act in the town of Calcutta, special notices were served on those assessed in the first four classes, although no such special notice was required by law, and the list of assessments in the other classes was published in the manner prescribed by Section 15 of the Act. The lists were conspicuously posted at all the appointed places, as was evident to any intelligent person passing along the streets, and it would not have been easy to serve a personal notice on each assessee in the lower classes without incurring an expenditure entirely out of proportion to the proceeds of the tax.

5. With regard to Mr. Yule's description of the "three barrelled" messages which he says were received with such dissatisfaction, it is not easy to understand precisely to what grievance the speaker referred. He probably referred to the triple penalty prescribed by the law against defaulters, according to which, when a demand was not paid within the prescribed time, the tax collector had to give notice that he would realise the tax with the triple penalty and the costs of issuing the process. The penalty is undoubtedly severe in itself; but as the penalties levied amounted to only Rs. 5,753 in Calcutta, there is evidently no very widely spread cause for Mr. Yule's declamation on this point.

6. The opinion of the Board upon the general administration of license tax in Calcutta is expressed in their annual report above referred to, and therefore they think it unnecessary to occupy the time of Government with any further observations.

7. The reply of the Board has been delayed pending the receipt from the Chairman of the Corporation of the Town of Calcutta of a full explanation of the high assessment and small realisations, the number of successful objections, and other salient features of the license tax work in his jurisdiction which the Government have since, in orders No. 578, dated 4th October 1879, thought it fit to dispense with.

No. 149.

No. 113, dated 17th July, 1879.

From—W. M. SOUTTAR, Esq, Chairman of the Corporation for the Town of Calcutta,  
To—The Secretary to the Board of Revenue, Lower Provinces.

I have the honor to submit, for the information of the Board, a report on the working of the Bengal License Tax Act of 1878, along with statements\* in the prescribed forms.

\* Deponated

2. A report for the twelve months' working, April 1878 to March 1879, was due on the 1st of May; but as I explained at the time, the work of revision and collection was so onerous during May and June, that it was quite impossible for either the office or myself to prepare a report. As it was, many of my regular duties had to be sacrificed to license tax work.

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3. I am now able to report on the working and results of the Act for the whole fifteen months during which the tax was leviable. There is thus at least a gain in completeness. But in order that the Board may be put to no inconvenience, two sets of figures are submitted. They can be summarised thus:—

	Number of licenses.	Collections.	No of objections disposed of
		Rs.	
Up to March 1879	6,018	2,05,049	3,284
„ June 1879 ..	17,396	3,41,089	5,789

4. The Act having come into operation on the 1st of April 1878, the town was divided into eighteen circles, corresponding to the Municipal Wards. On the 22nd of that month, circle officers were appointed to assess the town. They formed the following staff:—

	No. of circle officers, &c.	Salary per month.	Amount.
		Rs.	Rs.
2 Circle Officers	.. .. .	225	450
1 Do.	.. .. .	175	175
5 Do.	.. .. .	150	450
4 Do.	.. .. .	130	520
2 Do.	.. .. .	100	200
2 Do.	.. .. .	80	160
28 Enumerators	.. .. .	25	700
	TOTAL	.. .. .	2,655

NOTE—After the 15th of August one Inspector only was retained on Rs 150. On the 15th April 1879 three Inspectors were appointed on Rs 100 each.

5. The assessment was carried out under Mr. Metcalfe's orders and supervision on the principles laid down in the Act, and amplified or explained in the Board's rules and rulings.

6. As the schedule (B) for Calcutta is not complete in itself, but is supplemented by the third schedule of the Calcutta Municipal Act of 1876, being that which is applicable to municipal licenses on professions, trades and callings, the work of assessment was not quite so simple as outside Calcutta. Evidence of this is to be found in the results.

7. Mr. Metcalfe elaborated a very complete scheme for tabulating the results of the assessment, and hoped for the assistance of the Commissioners in checking them. I submit herewith copies of the forms he had prepared.

8. The Commissioners, however, disapproved of the proposal, considering that the duties proposed would be invidious, and that their position as both assessors and judges in appeal would be anomalous. They decided that the work of compilation and revision should be completed by the subordinate establishment under the orders of the Chairman and Vice-Chairman.

9. Had the decision been different, a most effective check would have been obtained, but it is not to be wondered at that the Commissioners decided as they did.

Result.

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10. The assessment was completed by the end of August, and amounted to Rs. 11,00,099 upon a total of 31,764 assessments. These figures were added to during subsequent months. These were finally classed and graded as under (*vide* Statement I) :—

Class	No. of Assessment.	
I.—Grade I	1,311	
„ I.—Grade II	607	
„ II	918	
„ III	574	
„ IV	2,514	
„ V	5,605	
„ VI—Grade I	13,071	
„ VI.—Grade II	7,815	
„ VI.—Grade III	418	
	<u>32,833</u>	Rs. 11,08,594

11. The lists were published under Section 15 in both English and Bengali. This publication was personally supervised by the License Officer, Mr. Shircore, in every one of the eighteen circles. The provision of the rules were carefully complied with, and the attestation of a Commissioner of the ward in every case obtained.

12. Special notices in Form F were also sent to licensees falling within the first five classes, as provided by Rule 28. These notices were, in almost every case, sent by post, many I fear never reaching their destination.

13. Statement II gives class by class particulars of the demand, collections, remissions, refunds and balances. The totals may be reproduced here :—

Demand.	Collections.	Percentage.	Remissions.	Refunds.	Balance.
12,19,357	3,41,089	27 9	8,07,743	5,016	65,507

14. The considerations connected with the large proportion borne by the demand and remission figures to those of collections are elsewhere discussed. Here I need only

further note one circumstance that tended greatly to increase the remission figures, *viz.*, the exemption of Tea Companies and of all companies that paid road and public works cess. As these companies fell under the first class, the reduction under this head alone was enormous.

15. The total amount of refunds is not great, nor will it be observed is that of fines, &c, being Rs. 5,757 only. The fines imposed by me were at the low rate of 10 per cent. on the amount of tax assessed, with one rupee as the minimum. But I found so much uncertainty hanging over the question of first notice, that it became my rule to remit the fine freely when parties came in promptly on getting the second notice, and thus especially in the lowest grades, where the only notice given had been of the general kind. I look forward to much more effectual notice being given in the current year, and, in that case, shall not hesitate to inflict appropriate penalties for default of payment. I do not, however, suppose that the infliction of heavy fines, as a rule, is intended, or that they are looked to as a substantial source of revenue.

16. The following statement gives particulars of petitions of objection :—

Months	Pending	Filed.	Decided	Pending
August		24		24
September	24	350	124	250
October	250	743	437	561
November	561	724	491	794
December	794	1,112	467	1,440
January	1,440	717	411	1,746
February	1,746	29	437	1,309
March	1,308	85	837	506
April	506	231	646	91
May	91	1,105	1,173	24
June	24	683	687	
		<u>5,789</u>	<u>5,789</u>	

17. Of the 5,789 petitions of objection received, 523 were upheld, 3,758 were reduced, and 1,008 exempted or cancelled. Statement IV of those annexed shows the disposals by classes and grades. In June 6,600 assessments were also cancelled as irrecoverable for reasons other than that of limitation, that is to say, because the assessee could not be found, had failed, absconded, were dead, &c. A subsidiary statement classifies these cases.

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18. I need only add that no case was struck off without special report.

Results.

19. The financial results of these operations were as follows.—

	Rs.	A.	P.
Amount transferred from one class to another	...	1,10,763	2 8
Amount remitted	... ..	8,07,743	14 8
Amount collected	... ..	3,41,089	9 9

20. The whole expenditure on account of establishment was Rs. 23,152-5-9, being equal to a percentage of 6·8 on the amount realised. It would thus seem as if the 8 per cent. allowed by Government were sufficient to meet the cost of collection. It was, however, far from being so, as the 6·0 per cent. represents only the cost of the extra special establishment, and does not include any charge for proportion of pay of the Superintendent, Warrant Department, whose chief duties for months were in connection with the realisation of the license tax; nor is anything included as charge for the labour similarly given of the Collector, who gave much valuable assistance to which neither I nor the Municipality and still less Government had any claim of the Secretary or of the Chairman. For several months I had to give three or four hours' work a day to license tax, and it must not be forgotten that Mr. Metcalfe's labour in the assessment of the tax were also arduous. Over and above all this there is the work gratuitously given by the Commissioners who constituted Appeal Benches. There were 102 sittings (three Commissioners at each), and they generally lasted for several hours.

21. From this it is evident that the 8 per cent. arrangement is a very good one for Government and a very poor one for the Municipality.

22. It may be noted that in license tax of 1867-68, the percentage, which the cost of establishment bore to the total realisations in Calcutta, was 4·4. I should have liked to compare the cost in other years also, but the figures are not readily available to me. They will be so to the Board.

23. The large number of reductions and exemptions was commented upon in a recent resolution of the Board. I then said: "The reductions and exemptions fairly justify the inference drawn by you. The assessment was evidently made with insufficient care. But the part that the orders given play in the result must not be overlooked. Assessment, according to the classification, without the application of the check of actual income, led to hundreds of merchants and contractors (Class I), brokers (Class II), dealers in gold or silver (Class IV), braziers, coppersmiths and farriers (Class V), and many others besides being classed far higher than their income was found on enquiry to warrant. But I have never supposed that any other result was considered possible."

24. Besides the wholesale exclusion of all Tea and Cess-paying Companies, the enormous reduction in the original assessment may therefore, as stated, be set down as due partly to the strict application of the rules for assessment, partly to careless work on the part of the assessing officers, and partly to the bad state of trade. I cannot, however, suppose that the figures ever imposed upon anybody. The amount realised from the license tax in the year 1867-68 was but Rs. 4,68,929.

25. As regards the first of these causes, I have already submitted suggestions for some changes in the rules. The chief is, as has been indicated, a freer grant to the assessing officers of discretion in applying the check of actual income, so that every merchant or contractor may not be perforce placed in class I, every broker in class II, and so on.

Suggestions for the future.



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26. The careless work on the part of the assessing officers was due partly to inexperience, partly to haste which was necessary, and therefore excusable, but in some part also it was probably due to causes for which no excuse can be offered.

27. The whole of the work of last year will tell in favor of this year's assessment, but I have on this occasion got four Inspectors working who are intelligent and, I think, trustworthy. From their revision I am hopeful of good results.

28. Petitions of objection were disposed of partly by the Chairman and partly by Benches consisting of not less than three Commissioners. Up to March the number of objections dealt with by the Chairman and the Benches together amounted to 3,284. For the month of April I took most of the 646 objections myself, and during May and June I took all, being in number 1,859. By this time, I need hardly say, the objections were mostly barred by limitation if that rule could have been strictly enforced. But this was impossible, and there was, therefore, a real economy of time and power, and especially of trouble to the assessee effected by my dealing at once with the whole case, *i. e.*, as regarded both limitation and the merits. The increase of my own work was necessarily great, but I do not grudge this in the face of the advantages obtained. These, I may say, include a much more prompt and successful realisation of the assessment than was, as a rule, found possible through the Benches.

29. I must not be understood to depreciate the great amount of good work which the Appeal Benches did. The amount of it has been already given, and the self-denial with which Commissioners—many of them very busy men—gave up much of their time to the performance of their unpaid, thankless and most disagreeable duties, deserves not only my own grateful acknowledgments, but, as I think, those of the Board and Government. It is, moreover, a valuable safe-guard as regards the working of such an Act that the executive working of it can be checked and revised in this way; and speaking as head of the executive responsible for the working of the Act, I should always wish to have such Benches available for the trial of certain cases. But I do not think that objections to assessment are, as a rule, best dealt with by Benches, sitting (practically) in public at the Town Hall.

30. There is to begin with a great difficulty, and one which I could not altogether get over, do what I could, in making sure of three Commissioners to form a Bench. If there is failure to form a Bench, the trouble to the 50 or 60 assessees, who have attended with their books, is very appreciable, and was often complained of. Most assessees again have a strong objection to their books being made so public as their examination by a Bench of Commissioners necessitates. This complaint was not unfrequently made to me, and in such cases I, of course, did what I could to remove it by keeping them on my own file. There are other objections I might cite if it were necessary. But it will, I think, be agreed that the assessment of the tax with the necessary inquiries into the income and examination of accounts ought to be, as far as possible, a confidential proceeding, and that it is, therefore, best placed in the hands of one person. If that person is, on the one hand, too prone to support his subordinates, or, on the other, too easy as regards reducing assessments, it may be very desirable that there should be some such authority as a Bench available; but it is not to be supposed that Government would place such work as the collection of a license tax in Calcutta in the hand of any one other than well fitted for the duty, and my experience, not only in connection with the present license tax, but as Collector of the last year's income-tax in Calcutta, enables me to say with some certainty that, on the whole, the assessees prefer to deal with one person, and will even accept a higher assessment than they contend for rather than go before a Bench.

31. During the past year I was so busy with work which was new to, and pressed very heavily upon, me that I did not care to make any change in the existing arrangement until, as I have said, I took all the petitions of objection myself. But in future if the collection of the tax remains under my superintendence, while I should

think the best course to do as much as I can myself, I should wish to frame and work the Benches somewhat differently from heretofore. I should ask two of the Commissioners to sit with me in cases where I desired assistance, and I would have our sittings in my own room and not in the Town Hall. The Vice-Chairman could take my place whenever necessary. I believe that an arrangement of this sort would be at once more acceptable to the assesses and more advantageous to all concerned.

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32. I do not think it is necessary for me to say much as to the complaints against the Act's working. Those which have been made through the Press are as well known to the Board and Government as to me, while many of them have been already reported and discussed; they do not require further review here. The reductions and exemptions which had to be made in the assessment will be taken as showing that the complaints were not without foundation. At the same time the observations I have made regarding the mode of assessment must not be overlooked. In the nature of things, maintaining the principle of classification by profession or trade, and disregarding income, it was impossible to avoid the result of finding that many who were in their proper class professionally were entitled to stand in a lower one when income had to be considered. So long as the law and the rules remain what they are this result is absolutely unavoidable.

33. A class of objections, which necessarily was not much before the authorities or the public after the Act was passed, was that brought by assesses whose income just brought them in at the foot of a class, against the justice of an assessment, which took the same amount of tax from them as from those at the top of the class. The merchant making but a little over Rs. 25,000 a year could never, in my experience, be brought to see that he should justly be charged the same as another whose income was several times as great. My answer that this was the principle of the tax as distinguished from an income tax had no effect on natives, and not much more, so far as I could gather, on Europeans, though they might more readily accept it. But I am bound to say that there was many a one declared he would rather have an income tax.

34. It may be said that this feeling had not a very sound foundation, prompted as it was by the fact not that the person complaining was over-assessed, but that somebody else was in his opinion under-assessed. The fact remains nevertheless, that I had constant complaints of this kind. I may add that, during the last year of income tax which I had the privilege of collecting as Officiating Collector of Calcutta, I had not one complaint of this sort for fifty I had last year. It will not be forgotten that the assessment on that occasion was the same as it had been in the year preceding. I am not called on to discuss the question whether any inference can safely be drawn from the absence and presence of complaint under the two different systems of taxation; I state but the facts.

35. The great number and amount of reductions and exemptions may be held to show that though there may have been after all cases in which an unduly heavy assessment was levied, yet there were an immense number in which oppression of this kind was avoided.

36. The question—in how many cases excessive assessments were actually realised—cannot be answered; but I will venture to express my belief that they were few in comparison with the whole number. I think there is some reason for coming to this conclusion.

37. It is pretty certain that very few in or above the Rs. 25 class paid their assessment, if excessive, without complaint and inquiry; it may safely be presumed that there was intelligence or knowledge of the world enough for that among the assesses of those higher grades. The only question of consequence is as regards the Rs. 12 and lower classes. But as regards them I think there is ground for having a fairly clear conscience. In the first place, the immense number of reductions and exemptions in these classes, as many as 2,555, will be considered. In the second, it will not be forgotten that these people are all quite well accustomed to coming about the tax office in connection with their municipal license and other taxes. I do not believe that many

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who had a real grievance would have abstained from bringing it to the notice of myself or the Secretary, or some one of the several superior officers who were available to them. There may have been some difficulty in getting at me, but this difficulty cannot be of much account when it is remembered that for months I was sitting for several hours every day disposing of license tax petitions of all sorts, a great proportion being from the poorest class. This was thoroughly well known; and I do not think it likely that those who had a grievance would hang back when it was notorious all over the town that scores or even hundreds of assesseses of their class had obtained access to the Chairman, and had their grievances more or less abated.

38. There is a further consideration of consequence which goes to strengthen my view. I had a great deal of assistance from Commissioners in the shape of reports upon cases that came in any way to their knowledge, and it was very generally known to the assesseses that such assistance could be obtained from the Commissioners of their wards, or from others to whose notice they could bring their case. This was done in hundreds of cases; and I may take the opportunity of referring here to the very great assistance which I got in this way. I am bound also to add that the reports were, as a rule, ascertained on inquiry to be just and, with the exception of some, which I received from one Commissioner, founded on careful inquiry. This is one recommendation of the system of collection through the Municipality which must not be under-valued.

39. As to the question whether when the parties succeeded in reaching the Bench of Commissioners or me, they got justice, I will only say that I believe, in the great majority of cases, they did, and that, as far as my own experience goes, they were almost without exception content to pay the tax imposed. This result was, in great measure, reached not by unduly low assessments, my tendency being if anything the other way, but by a very free remission or reduction of the threatened fines; and as the great majority of petitioners had never in fact had proper notice of the assessment, I had little hesitation in showing this amount of mercy. I thought it was of more consequence to sacrifice a little with the result of keeping the people content than to add a few hundred or even thousand rupees to the amount of collection.

40. It is satisfactory to be able to say that, although there was a good many attachments, there can have been no oppression committed by selling the property of recusant tax-payers, because there was not a single such sale. Many were threatened, and in several cases the property was brought to office for the purpose of sale; but in every case I was able to realise the amount of a just assessment and any costs which might have been incurred upon getting the person before me.

41. There were several strikes in connection with the tax. The first was of the Native farriers or *nalbands*, who evinced in this way their disinclination to pay Rs. 12 as the amount of their tax. On getting at the leaders, I found that the great number of those who were best off were paid servants of the livery stable-keepers on fixed wages. Their independent earnings in mornings or evening work did not in any case, so far as I could ascertain, amount to more than enough to place them in the second grade of the class VI. Nor did any of the others, with the possible exception of one or two, rise out of the same class. It was a profitable compromise, therefore, to accept Rs. 2 from every *nalband* with annas 8 for costs of notice of demand, &c. As usual, in these Native trade unions, by the decision of the union, *every one* had to pay, so that money was gained in this way, which could not have been obtained at the regular way. I cannot, I may say, understand why these men came to be placed in the fifth class.

42. The *bhisties'* strike had in part to do with the terms of their service under the Public Works Department as well as with the license tax, but the latter was apparently the last straw; they considered that they should not be assessed at all. I found that they were almost, without exception, servants either of the Public Works Department (for road watering) or of private firms, or individuals on fixed pay. The amount made by *ticca* work was inconsiderable,

their total earnings, as a rule, being about Rs. 8 a month. I found that almost all of them were exempt from the tax. They thereupon returned to work

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Tailors.

43 I had little to do with the tailor strike, as most of them live, and had been assessed, in the suburbs.

44 The carters struck at the very close of the year, consequent upon the attachment of some of their carts and bullocks. The great majority had escaped assessment altogether, and those assessed were most refractory. As in the other cases I got at their leaders and mahajans as soon as possible through the Police, and agreed to reduce the rate from Rs. 5 per cart, an absurdly high assessment, to Re. 1 only. They accepted this rate, and engaged that every cart-owner should pay it, whether assessed or not, so that the amount lost in reducing the lowest rate all over from Rs. 2 to 1 was more than made up for. They also agreed to go on paying after June, and they have done so to the extent of several hundred rupees.

Carters

45. There was thus a good deal gained as regards last year's tax, but there will be far more as regards the present, as the carters come in and pay up cheerfully at the time of taking out their municipal license. The two can be worked together, so that few will escape.

46. In concluding this report, I must mention that there were two cases in which license tax officials were prosecuted and convicted. Both were bailiffs engaged temporarily at the end of the year when work pressed, yet both were well recommended and men of means. The offence in both cases was the same, levying for their own benefit from assesseees more than was in fact due from them. The first, Abdoos Sumnud, was sentenced to four months' rigorous imprisonment and died in jail. The second, Behary Lall Seal, was sentenced to three months' rigorous imprisonment, and is at present undergoing his sentence. These were the only cases that came to notice. I fear it can hardly be affirmed that none other occurred.

Criminal prosecutions

47. It may be well to add that the Commissioners are in no way responsible for this report.

*Report on the Administration of the License Tax in Bengal for the year 1878-79.*

[DEPOSITED.]

No. 150 ]

Dated 11th November, 1879

*RESOLUTION—By the Government of Bengal, Financial Department.*

Read—

Report of Board of Revenue on the Administration of the License Tax for the year 1878-79.

Read also—

The rules sanctioned by Government under Section 39 of the Act for the year 1878-79 for Districts other than Calcutta.

Read also—

The rules similarly sanctioned for the Town of Calcutta.

**RESOLUTION.**—The year under report, strictly speaking, terminated on the 31st March, 1879; but in order to show the full operation of the law, the Board have carried on their report to the 30th June, on which date all collections on account of the year 1878-79 terminated, except where warrants had been already issued.

2. The total demand of the tax under all classes is shown as Rs. 47,34,937

Results of the tax.

This, however, as well as the total number of the assesseees and the aggregate amount of remissions, is fallacious, and it was found necessary, for convenience of account, when an assessee was reduced on objection from one class to another to show him first as assessed under the higher class, then to show the whole of

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that amount as remitted, and a fresh assessment as made in a lower class. This necessarily leads to the same assess<sup>e</sup>e being shown twice over, and to gross instead of net remissions being exhibited. The actual collections up to 31st March appear to be Rs. 20,85,150; remissions up to 31st March, Rs. 14,39,635; refunds, Rs. 25,397. The refunds however, though separately shown in Statement VII, are evidently included in the remissions, as the balance outstanding on the 31st March 1879 was Rs. 12,10,146, an amount which is arrived at by omitting columns 31 to 39, which include the refunds. Even, thus, however, it is to be feared that the figures are not accurate. They have not been compared with those of the Accountant General, and his returns show the total collections of the year as only Rs. 20,19,027. Moreover, in the next statement (VII), this same outstanding demand is shown as Rs. 12,98,060, differing by Rs. 87,914, from the figures as shewn in statement VII. Out of this demand, a further sum of Rs. 5,87,176 was remitted and Rs. 5,80,597 were realised, while Rs. 1,30,287,—Rs. 76,283 of which belonged to Calcutta,—lapsed.

3 Thus, if the figures given are correct, the total demand must be raised, to Rs. 48,22,851, of which Rs. 26,65,753 were collected, Rs. 20,26,811 remitted, and Rs. 1,30,287 were eventually irrecoverable by lapse. A further sum of Rs. 86,716 was realised from fines, raising the total receipts under the Act to Rs. 27,52,469. As the Accountant-General does not show the realisations for each year separately, these figures cannot be tested with his accounts, but up to the 31st March he only shows the receipts from all sources, fines of course included, as Rs. 20,19,027, as already stated.

4 The License Tax Act I (B C) of 1878 provides a separate procedure for the collection of the tax in Calcutta and in the rest of the provinces under the Act different for Calcutta and the rest of Bengal. and the classification even is different below the first three classes. In the rest of Bengal the fee for class IV is Rs. 20, for class V, Rs. 5, and for class VI, Rs. 2 and Re. 1. In Calcutta the fee for class IV is Rs. 25, for class V, Rs. 12, and for class VI, Rs. 5, Rs. 2, or Re. 1. It is necessary, therefore, to follow the Board's report in separately reviewing the measures taken to assess and collect the tax for other districts and for Calcutta.

5 Taking first the administration of the Act in other districts, the Board point out that, while the law charges the Administration of the Act in the interior District Collectors with the duty of assessment, no subordinate agency was in existence which could be utilised for the purpose of making the necessary local enquiries and preparing the lists. It was necessary to create such an agency, and also to organise it at a cost which would not absorb any undue proportion of the collections. This was an obvious difficulty, especially in the first year of the tax; and while some cases have no doubt been brought to light in which the circle officers, as the newly-created assessors were called, have abused their powers, and others in which they have displayed great want of judgment, the Lieutenant-Governor considers that, as a body, considering the onerous nature of the work entrusted to them, its novelty, and the unpopularity necessarily inherent in their office, they have discharged their difficult duty with success and credit.

6. The number of circle officers appointed in Bengal was 264, and they had to select the assesses from among a total population of 60,415,224, inhabiting 177,045 villages. On an average, therefore, each circle officer had a population of about 230,000 persons, living in about 680 villages, as the ground-work of his enquiry. The number of villages visited by these officers is shown as 154,634, which gives an average of about 590 a head; and the average number of assessments made, including double assessments, was 3,170. These figures are sufficient to show that the circle officers had no light task; and if in many cases their assessments had to be largely revised on objection, it would not be fair hastily to conclude that their work was, under the circumstances, badly done. Allowing for the very disagreeable nature of the duties which they had to discharge, the wonder is not that so many complaints against them were made, as that, relatively, the complaints were so few. The Board bring out very clearly the reasons of the excessive number of objections which were inherent in the nature of the tax the first year. The tax was to be essentially non-inquisitorial, *i.e.*, the circle officers were to make a hypothetical assessment, and persons

complaining were to prove the grounds of their complaint. Since enquiry was not to be made before assessing, and in no other way could either speed be secured or inquisition avoided, it was a foregone certainty that objections must be numerous, and many of them justifiable; in other words, the assessments were essentially tentative to be corrected by objections. These conditions must be remembered as accounting for much of the dissatisfaction and the large number of remissions; but they are mainly restricted to the first year's working of it, and may be expected to greatly diminish, if not to disappear in the following years.

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7. The figures in the foregoing paragraph, which are taken from the Board's report, do not allow for the assistance derived from municipal agency under Section 27 of the Act.

Use made of municipal agency.

The earliest intention seems to have been, to appoint enumerators under the circle officers for the purpose of preparing the first lists of persons chargeable. The village punchayets under Act VI (B.C.) of 1870 were to be regarded as equivalent to enumerators (Rule 21), and their returns were to be made to the circle officers. Eventually, few, if any, enumerators were appointed, as it was thought dangerous to entrust them with so much power; and the Board report (paragraph 6) that where the chowkidari punchayets were employed to assess villages, the work was so badly performed that it had to be done over again. As far, therefore, as the enumerators and the village punchayets are concerned, the circle officers received little or no help, but the assessments made by the municipal committees and union punchayets, under Act V (B.C.) of 1876 were returned direct to the Collectors (Rule 20), and apparently in these, the largest and most important places liable to taxation outside Calcutta, the circle officers had little, if anything, to do. It is a defect in the forms and statistics prescribed by the Board that they furnish no information regarding the extent and quality of the work done by municipal committees and union and village punchayets. It is not possible, therefore, to estimate the assistance received from them by the circle officers. The Board confine their report on this subject to certain statistics of eight municipalities, given in paragraph 38, and also to remarking that, "in the 24-Pergunnahs, where there are 20 municipalities, the Collector found that the assessments in the small municipalities were correctly made through this agency; but the result was not so in the larger municipalities, in the 24-Pergunnahs, and in other districts" (paragraph 6).

The Lieutenant-Governor fears that this the first attempt to employ municipal agency in assessing imperial or provincial taxation has not been very successful; and though unquestionably such agency has at its disposal more perfect means of information than any available to the ordinary circle officers, yet, when the municipality derives no benefit from the tax, and when the sympathies of the assessors are entirely on the side of the assessee, it is to be feared that the knowledge is not used in the interest of the general tax-payer so much as for the benefit of clamouring fellow-townsmen; but as the matter is one of much importance, it is to be hoped that the Board will be in a position to report fully on the subject next year.

9. The circle officers' original assessments were not, as has been said, intended to be inquisitorial. They were to estimate on general information, and any

System of assessment, objection and appeal

assessee who was aggrieved was to be allowed to lodge an objection on an anna stamp. These objections might, under Section 32 of the law, be made over to any Assistant or Deputy Collector, or such other officer as the Local Government might from time to time appoint. As a fact, the Board report that the rule was for the circle officer himself to hear all objections under classes V and VI, while those in higher classes were heard by the Collector or his deputies. When an objection was heard by any officer subordinate to the Collector, an appeal lay to the Collector. The total number of objections preferred was 277,681, or 33 per cent. on the aggregate of assessee, 840,507. As these figures include double assessments, the true percentage would be somewhat higher.

10. Of these 277,681 objections, 141,613 were disallowed, 131,089 wholly or partly allowed, and 4,979 were pending at the close of the year. The frequency of these objections has already been explained; but, as the Board

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remark, the number of objections wholly or partly allowed shows that the circle officers were not unwilling to modify their original assessments; no figures, however, are given in the report or in the statements in the appendix showing the number of objections under each class, and therefore the readiness of the circle officers to revise their own assessments cannot be contrasted with that of other officers to do it for them.

11. The number of appeals to Collectors was only 4,473, out of the 277,681 objections out of which an appeal might arise. There could be no appeal, however, when a Collector heard an objection himself, and it is evident from paragraph 21 of the Board's report that some Collectors heard objections themselves, and also, as no figures are given showing how many of the 131,089 objections were wholly and how many partially allowed, it is impossible to make out any precise percentage of appeals on objections liable to appeal, as in the case of objections compared with assessments; but, on the whole, the number of appeals was comparatively small, and indicates that as a rule the orders passed on objections gave satisfaction.

12. It seems to the Lieutenant-Governor that where the Act has worked badly in any district of Bengal, it has been greatly due to the want of adequate primary supervision by the Collector of the District. When a number of officers are deputed to carry out a new and difficult duty, such as the assessment of traders under the License Tax Act, it may safely be anticipated that the action of each can be improved and strengthened by a comparison with the work of others, and that it will be a great assistance to each assessor to know how others are working. For this assistance the assessors were evidently in the main dependent on the Collectors. Each Collector had under him on an average six circle officers, and it was important that he should, at an early stage in the proceedings, contrast their work, and check those who were comparatively over-assessing, while correcting the undue leniency of others. Some Collectors appear to have discharged this duty with much care and with the best results, and the Lieutenant-Governor is glad to observe that the Board consider that the Collectors generally gave much of their time and attention to the revision of the assessment of the tax; but in some districts the circle officers were left too much to their own resources, and on the whole it is certain that, whether from pressure of other business, or from trusting to the possibility of correcting errors at a future stage of proceedings, many Collectors failed to give sufficient time and attention to the guidance of circle officers in the first instance, and thus led to much unnecessary trouble at a subsequent stage of the work. The law, as already remarked, allowed the Collector to make over his duties to his subordinates, but the rule (No. 13) and the Board's orders (paragraph 5 of report) required the Collectors and subordinate officers to do the work of supervision and even of checking the assessment list, as far as possible, personally. That they could not satisfactorily perform this duty themselves in all districts may be accepted; but where their duties were too onerous to permit this, it would perhaps have been better had an experienced Deputy Collector been told off to supervise the work of the circle officers, as in the case of the road cess valuations, and the Collector's duties been thereby lightened.

13. The total number of persons assessed, including double assessments, was 840,507, and the total estimated population, 60,415,224. This represents an average of one assessee to every 71 persons. The proportion in different districts is, however, very different, and indicates great diversity of assessment. Thus, in Manbhoom only 1 in 239 was assessed, but in the adjacent and poorer district of Singbhoom, 1 in 22; in Saran, 1 in 171; in Maldah, 1 in 31; in the Patna Division, as a whole, 1 in 112, in the Bhagulpore Division, 1 in 67; in Bogra, 1 in 169, in Rungpore, 1 in 58. Similar inequality is manifest in dealing with the objections that were preferred and the amounts eventually collected. In Beerbhoom the assessments were about the average, and the percentage of objections small—18.6 per cent. But, of these, 1,442 were altogether disallowed, and only 315 partially or wholly successful. In Midnapore, on the contrary, where the Board consider that the Act was very well supervised, the objections were 22.3 per cent., and 6,023 were successful, against 3,761 unsuccessful. In Hooghly the objections were very numerous, 38.3 per cent., and yet 11,288 were

allowed, against only 8,648 rejected. In Patna, as remarked below, the results were still more unequal, while in Singhbhum again, where the assesseees were so numerous, only 14.6 per cent. objected, and 1,368 were unsuccessful against 740 successful.

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14. The License Tax Act of 1867, with a minimum of Rs. 200, produced Rs. 15,45,541, or less than five-ninths of the present Act. Under that Act, income derived from land was exempted, but official incomes were taxed. In the district of Mozufferpore, however, the present Act produced nearly seven times as much as that of 1867; in Furreedpore, six times as much; in Bhagulpore, five times as much; and Malda and Balasore, nearly four times as much. In Bogra, on the contrary, it produced only in the ratio of 2 to 3; in Chittagong, 10 to 19; and in Patna, 7 to 9, while in Manbhoom and Noakholly it was nearly the same. All these five districts the Board consider to have been under-assessed.

15. The explanation from Bogra is that the tax on trade operations originating in Bogra was in many instances payable elsewhere. This explanation the Board consider unsatisfactory, and the Lieutenant-Governor entirely concurs. It can hardly be doubted that Bogra was under-assessed.

16. As regards Chittagong, Mr. Cotton contends that, while the people as a whole are well off, the wealth is very much distributed, and the average comfort which is enjoyed is mainly derived from agriculture. It is undoubtedly true that cultivation is much sub-divided in Chittagong; still, even judging by the productiveness of the Act of 1867, the collection was very small, as they also were, though in a somewhat less degree, in Noakholly.

17. The final outturn of the tax, as regards Patna, fully merits the censure passed upon it by the Board. In the first instance, only 1 in 101 of the population was assessed, but of these 89.7 per cent. objected. With such an enormous proportion of objections, large proportion of rejections might have been anticipated, but, on the contrary only 1,618 objections were rejected, against 12,186 wholly or partially allowed. Mr. Toynbee, the Officiating Collector, evidently considers that the assessments were very badly made, and that it was owing to the thorough and searching inquiry made by him in hearing objections that such wholesale remissions had to be given. The Board remark that in that case Mr. Toynbee ought to have found out the mistakes that were being made at an earlier period, and that in either case he is responsible for the bad results. It appears that Mr. Toynbee took great pains to do justice to objectors, hearing a very large number of objections himself, and evidently allowing much weight to pleas for exemption. Still Sir Steuart Bayley cannot but consider the ultimate result as eminently unsatisfactory. The trade of the city of Patna is far larger than that of Serajgunge or of any other city or mart in Bengal, except Calcutta. Every test that bears on the question, the registered railway and river traffic, and the information collected for the purpose of compiling the Trade Report of 1876-77, combine to show that, as regards trading wealth, it stands high among the Bengal districts. It yields far more excise revenue than any district in Bengal, the town of Calcutta of course being excepted, and, as the Board point out, it was fourth in the yield of License Tax in 1867. Moreover, it stands fourth in the order of districts in the revenue derived from non-judicial stamps, which is perhaps the best index of all to trading wealth, while it only stands 19th in the amount of population as ascertained at the census of 1871. It cannot, therefore, be supposed that Patna has been adequately assessed, when the total yield under the present tax has been only Rs. 35,741, and it stands 28th in the order of productiveness of the Lower Bengal districts. The Collectors are entrusted with the supervision of the Act, as they are the officers most qualified by position and experience to reconcile the somewhat conflicting interest of the revenue, *i. e.*, the tax-paying community in the bulk, with those of the individual tax-payers; and it is their duty no less to protect the former against a leniency which is unjust to the general tax-payer, than to guard against undue severity of assessment on the individual. Mr. Toynbee appears to have lost sight of the one obligation in his anxiety to carry out the other;



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and his remark that assesseees are entitled to the benefit of a doubt as much as criminals shows a fundamental misconception of the spirit in which an Act like the License Tax which it was desirable to make as little inquisitorial as possible should be worked. If the onus of removing all doubt as to the taxable income of an assessee is to be thrown on the assessor, as it is on a public prosecutor of proving the guilt of the accused, an amount of inquisition and of compulsory production of testimony would be necessary, which would be a far heavier penalty on tax-payers than any honest and rational over-estimate of their income.

18. The Board and the Commissioner of Chota Nagpore agree in considering that Manbhoom also was under-assessed, and the Lieutenant-Governor entirely concurs. Judging from the average assessment of each assessee, it does not appear that those who were assessed were much under-assessed, but rather that the number of assesseees was very much below the probable number in the district.

19. The Lieutenant-Governor regrets to observe that the Commissioner of Bhagulpore and the Board are also of opinion that the work was very badly done in Bhagulpore and Monghyr. In Bhagulpore two circle officers out of six are reported to have misconducted themselves, one having been degraded, and the other prosecuted. In Monghyr the total result, judged by figures, is not abnormal. Monghyr is a great trading district, and an original assessment of Rs. 1,68,403 is not, at a glance, disproportionate. Out of this amount, 56 1 per cent. was collected, which again is only a little below the average of the whole province; but the Collector appears to have erred precisely in the opposite way to the Collector of Patna. As the latter would give the benefit of any doubt in favor of the assessee, so the former directed his assessors to give any doubt against the assessee, leaving him to object. The Board remark that the conduct of the Monghyr Collector is still under consideration.

20. The total cost of collection up to the 30th June is shewn by the Board as Rs. 3,34,069, or 12·1 per cent. on the total income. There are no means of checking this by the Accountant-General's figures; but up to the 31st March that officer shows the total cost under the Act as Rs 2,79,340. In Noakholly the percentage of cost on collections was 40 1; in Chittagong 38·2; and in the Sonthal Pergunnahs 34 2. Columns 5, 7 and 9 in Statement X, giving the details of the cost of establishment, are evidently imperfectly filled up; and column 10, which professes to be the total of these columns, is much in excess of them. Taking this column, however, as correct, as it appears to be, the expenditure was thus made up:—

	Rs.
Salaries of circle officers and their subordinates, including peons . . . . .	2,69,753
Travelling allowances . . . . .	57,270
Postage . . . . .	1,931
Stationery . . . . .	506
Contingencies . . . . .	5,609
TOTAL . . . . .	3,34,169

21. Turning now to the town of Calcutta, which, as above remarked, was assessed and collections in separate rules and with some difference of classes, it appears that the results were almost as unsatisfactory as at Patna. The License Tax Act of 1867, with a minimum of Rs. 200, brought in a revenue of Rs. 466, 236, and the assessments under the present Act originally stood at Rs. 12,19,357, including double assessments. The number of assessments made was 32,883, and the number of objections only 5,789, or about 19 per cent. But it appears from paragraph 17 of the report of the Chairman that 6,600 assessments had also to be cancelled as unrecoverable for reasons other than limitation. These reasons were that the assesseees were dead, or had left the place, or were undiscoverable, and, in the absence of further explanation, this circumstance, in a city where house-rate and license tax are collected for municipal purposes, involves a far severer condemnation of the negligent manner in which the assessments were originally made than any official censure could convey. Eventually, therefore,

Rs. 8,07,744 were remitted, or two-thirds of the entire demand; and the collections were only Rs. 3,35,331, leaving uncollected Rs. 76,283, which lapsed on the 20th June.

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22. The report is submitted by the Chairman, who ascribes the wholesale remissions to the following causes:—(a) Tea companies and other companies paying road cess were declared exempt by Government. Nearly all these exemptions were in the highest classes. (b) The bad state of trade. Many large houses and traders, who would, as a rule, pay in the highest class, were working during the year at a loss or at a nominal profit, and whenever they cared to claim exemption they were in a position to substantiate their claim. (c) The law required certain classes of occupations to be assessed, in the first instance, in the first, second, or third class, and hence the assessors were compelled to place them higher than their income justified. (d) The assessments, making every allowance for the above causes, were badly made.

23. The Lieutenant-Governor would make a liberal allowance for causes (a) and (b). The income from Calcutta is derived to a great extent from European companies, firms, houses, and traders, and the stagnant state of trade must have considerably diminished the legitimate productiveness of the Act. The third cause (c), as the Board point out, is not entitled to much weight, as the assessments in class I may be in the first or second grade, and the largest remissions were in class I, grade 1. They also add that the Chairman had power, under section 12, to classify assesses according to estimated income in the first instance, and prior to objection. This seems to the Lieutenant-Governor to be open to question. His Honour does not think section 12 necessarily implies that the consideration of income should be imported into a classification, so far as trades are definitely specified in Schedules A or B, until expressly urged in objection under section 18.

24. Be this as it may, however, it is admitted that the assessments were also carelessly done: but, before finding fault with the late Chairman on this account, it must be remembered that he was left alone to bear the burden of supervision by himself. The Commissioners, whose aid was invited by him, rendered very valuable and praiseworthy assistance in hearing appeals; but they declined to assist the Chairman in revising the assessments on account of the invidious character of the duties, and because the position of both assessors and judges in appeal would be anomalous. The Lieutenant Governor concurs with the Board in the opinion that this decision is to be regretted, and that the local knowledge which the law expressly intended to be available in making assessments in municipalities was thereby lost. The result was that the entire work of supervision was thrown upon the Chairman, who being at the same time Commissioner of Police, had clearly no leisure to discharge the duty satisfactorily.

25. Mr. Souttar seems to be of opinion that, all things considered, the orders passed on objections were right and proper, and not unduly lenient, and in any case the Municipal Commissioners, who gave their time gratuitously to the tedious and thankless task of hearing appeals, are deserving of the best thanks of Government. Whether undue leniency was displayed or not it is difficult for Government to judge. The outturn of the tax in Calcutta was undoubtedly very disappointing; but it is not easy to determine how far the exemptions and the depressed state of trade, which would evidently act upon Calcutta profits more than upon that of traders in the interior, justified the result.

26. The Board conclude their very interesting report with the remarks of the Commissioners on the unpopularity of the Act. The opinion is universal that the License Tax was very unpopular because it was a direct tax, and all direct taxes must be unpopular; but that it would have been less so had its incidence on all classes been more equal, and had the assessments been more carefully made. On the other hand, the Commissioners of Patna, Dacca, and Chittagong, while admitting the unpopularity of the tax, seem to think that it did not give rise to so many complaints as might have been expected. The Board point out that the recent orders exempting all persons with incomes of less than Rs. 250 per annum will remove much of the disgust with which the Act was received, and also express an opinion that, "as a rule, the tax was imposed generally with sufficient

Unpopularity of the License Tax Act.

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leniency and consideration to prevent any real ground for complaint of gross unfairness or oppression."

27. The Lieutenant-Governor considers that, under the circumstances, the Board and the other executive officers of Governments, who were charged with the disagreeable task of carrying out the provisions of this Act in addition to their ordinary duties, deserve the acknowledgments of Government for the cheerful readiness with which they have accomplished the work. Sir Steuart Bayley observes that three of the Commissioners—Mr. Mangles, Mr. Peacock, and Lord Uxek Browne—are specially commended by the Board for the interest which they took in the supervision of License Tax work, and the names of the six Collectors who are also commended will be noted as usual in the Appointment Department.

No. 151.]

Telegram No. 1285, dated 14th June, 1879.

*From—Financial Secretary, Simla,*  
*To—Secretary to the Government of Bengal*  
*To— " " of Bombay.*  
*To— " " of Madras*  
*To— " " of the North-Western Provinces.*

Please telegraph as soon as possible the following facts according to latest information now available.—

*First*—Total number of persons assessed to License Tax in 1878-79 and total amount assessed.

*Second*—Total number of persons assessed whose annual profits were presumably less than 500 Rupees and total amount assessed upon them.

Copy to Punjab.

No. 152.]

Telegram No 214½, dated 16th June, 1879.

*From—Secretary, North-Western Provinces and Oudh,*  
*To—Financial Secretary, Simla*

In North-Western Provinces and Oudh, for 1878-79, total number persons assessed to License Tax, 181,562, and amount assessed, Rs. 16,36,232. Number persons assessed whose profits less than Rs. 500 was 133,607, and amount assessed Rs. 4,06,990

No. 153.]

Telegram No. 390 T, dated 19th June, 1879.

*From—Secretary, Bengal,*  
*To—Financial Secretary, Simla.*

Cannot give incomes below five hundred Rupees, that figure not corresponding to any grade in Bengal License Tax Schedules, but Board submits following :—“Total numbers assessed last year under Schedule A, seven hundred and thirty-nine thousand two hundred. Amount assessed twenty-five lakhs forty-six thousand three hundred. Numbers with profits under two hundred and fifty rupees are five hundred and ninety-five thousand nine hundred, paying nine lakhs ninety-nine thousand six hundred. Numbers with profits between two fifty and one thousand Rupees are one hundred and nineteen thousand nine hundred, paying five lakhs ninety-nine thousand five hundred. Total numbers assessed this year under Schedule B thirty thousand four hundred. Total assessment five lakhs forty-one thousand one hundred. Numbers with profits under two fifty Rupees are seven thousand nine hundred, paying fifteen thousand eight hundred Rupees. Numbers with profits from two fifty to six hundred are thirteen thousand one hundred, paying sixty-five thousand six hundred Rupees. Calcutta figures probably incomplete.”

No. 27 C, dated 24th June, 1879.

No. 154.]

*From—The Secretary to the Financial Commissioner, Punjab,  
To—The Secretary to the Government of the Punjab.*

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With reference to your No. 2 F of 17th June, asking for certain particulars regarding the License Tax of 1878-79 required by the Government of India, I am directed to report as follows.

2. The returns for the License Tax of 1878 are being kept separate from those of 1879, though the collections for 1878 extend up to 31st March 1879, and the collections for 1879 were commenced in February and March 1879. It is assumed that the enquiry relates to the License Tax of 1878

3. The estimate of persons taxable, prepared in July 1878, showed 3,354,830 persons. During the course of collection there were increases in some districts and decreases in others; but the number assessed in the end may be taken approximately at 350,000.

4. The total amount assessed was reported in the Financial Commissioner's confidential preliminary report of 6th May as Rs. 10,08,700, of which about 9½ lakhs had been collected up to the end of March 1879.

5. The class of persons with an income of presumably less than Rs. 500 a year corresponds with class III of the Schedule.

6. The monthly returns received from Deputy Commissioners show collections, but not numbers of tax-payers; but the estimate of July 1878, above referred to, showed the following:—

CLASS III — *Persons*, 334,395; *tax*, Rs. 5,39,584. These results may still be taken as approximately correct.

7. General returns for the year, and a report of the results in full detail, will shortly be compiled, and until then the above approximate information is all that can be given, and the Financial Commissioner trusts it will be deemed sufficient for the present.

No. 5 F., dated 30th June, 1879.

No. 155.]

*Endorsed by the Government of the Punjab.*

Copy of the foregoing forwarded to the Secretary to Government of India, Financial Department, in reply to No. 1265, dated 14th June, and in continuation of No. 3 F., dated 17th idem.

Telegram No. 134, dated 5th July, 1879.

No. 156.]

*From—Revenue Secretary, Madras,  
To—Financial Secretary, Simla.*

Your telegram of June 14th. Total number persons assessed to Licence Tax 1878, 107,978. Amount assessment, Rs. 8,27,399. Number persons assessed on incomes below Rs. 500, 79,797. Amount assessment, Rs. 3,10,902.

Telegram No. 2066, dated 16th June, 1879.

No. 157.]

*From—Financial Secretary Bombay,  
To—Financial Secretary, Simla.*

Your telegram of 14th. Total number of persons proposed to be assessed to License Tax in 1878-79, 438,970. Total proposed assessment, Rs. 29,25,985. Actual number assessed will be reported hereafter. Actual collection up to date is Rs. 21,73,435. Total estimated number of persons whose annual profits were presumably less than Rs. 500 is 379,234, and estimated assessment upon them is Rs. 11,34,310. Actual figures under the last two items will be communicated hereafter.

Telegram No. 2354, dated 9th July, 1879.

No. 158.]

*From—Financial Secretary, Bombay,  
To—Financial Secretary, Simla.*

My telegram of 17th ultimo. Total number of persons assessed to License Tax in 1878-79, 427,614. Total amount assessed Rs. 25,92,407. Total number of persons whose annual profits were less than Rs. 500, 374,656. Total amount assessed upon them, Rs. 11,24,145.

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Telegram No. 1867, dated 9th July, 1879.

No. 159 ]

From—Financial Secretary, Simla,  
To—Financial Secretary, Bombay.

What is minimum income liable to Bombay License Tax ?

Telegram No 2355, dated 9th July, 1879.

No. 160 ]

From—Financial Secretary, Bombay,  
To—Financial Secretary, Simla.

Your telegram of to-day. Minimum income liable to Bombay license tax is Rs. 100.

No 2372, dated 19th August, 1879.

No. 161.] From—R. B CHAPMAN, Esq., C.S I., Secy to the Govt. of India, DEPT. OF FINANCE,  
To—The Secretary to the Government of Bengal.

To—The " " " of Bombay.

To—The " " " of Madras

To—The " " " of the North-Western Provinces and Oudh

To—The " " " of the Punjab.

It is only lately that the Governor General in Council has received from the Local Governments statistics of the assessments made for the past year under the License Tax Acts of 1878. Although no formal or official complaints of hardship or oppression have reached the Government of India, the returns which are now before His Excellency in Council appear to throw grave doubt on the propriety of some of the provisions of the existing law.

2. It appears that altogether nearly two millions of persons have been assessed to the tax, of whom about 1,600,000 have incomes estimated at less than Rs 500 a year. The total gross amount yielded by the tax is about Rs. 90,00,000, of which sum about Rs. 36,00,000 is paid by these 1,600,000 persons, while about Rs. 54,00,000 is paid by the remaining 340,000 persons with incomes of Rs. 500 and upwards.

3. The minimum amount of taxable income, and the classes under which persons are assessed, and the fees which are levied, vary in different provinces, and the returns for one province are, therefore, not always easily comparable with those for another, but the same general result is everywhere apparent. There can be no doubt that a very large number of persons are being taxed, with comparatively small financial advantage to the State; and although, as above observed, no official complaints of oppression have reached the Government of India, it is notorious that there have been numerous expressions of public opinion highly unfavorable to the tax, so far as it affects the lower classes upon whom it falls; and it is impossible to call in question the fact that, in some parts of India at least, these unfavorable opinions have often been justified. It seems to the Governor General in Council clear that the present exemptions from liability to the tax should be much extended, and a higher amount fixed for the minimum taxable income.

4. The information actually in the possession of His Excellency in Council does not, however, enable him to decide what that amount should be, and he is anxious to obtain the opinion of in regard to the limit which it would be desirable to fix. I am to request that a statement may at the same time be furnished showing the number of persons assessed under each class and grade of the Act in force in and the total amount assessed on each of such classes or grades.

5. The time within which arrears of license tax for the past year could legally be collected has everywhere expired, and so large a proportion of the tax due for the current year has already in many provinces been collected that it would probably be desirable not to make any alteration in the existing law at present. It would be sufficient if the exemptions of the smaller incomes from liability to the tax come into effect from the beginning of next year.

6. The Governor General in Council cannot now say whether the condition of the finances will enable the Government to dispense hereafter, without

compensation from some other source, with any part of the revenue now derived from the license tax. But in the event of measures becoming necessary to make good the loss caused by the exemptions now contemplated, His Excellency in Council will be glad to be informed what sources might, in the opinion of <sup>be properly followed,</sup> whether by increasing the amount now imposed on the higher classes liable to the license tax; by extending similar taxation to the richer sections of the professional and official and landholding classes; or otherwise.

7. The Governor General in Council will be glad to learn the views of <sup>on any other points connected with the</sup> working of the License Tax Acts, and to receive any proposals which <sup>may think desirable for the improvement of the existing law.</sup>

8. His Excellency in Council trusts that <sup>will be able to communicate his views on the questions referred to in this letter</sup> by the end of the present month at latest, and he trusts that no avoidable delay will be allowed to occur in furnishing the information which has been asked for.

No. 2417, dated 19th August, 1879.

No. 162.] *From*—R. B. CHAPMAN, Esq., C.S.L., *Secy. to the Govt. of India, DEPT. OF FINANCE,*  
*To*—*The Chief Commissioner, Central Provinces.*

It is only lately that the Governor General in Council has received from the Local Governments statistics of the assessments made for the past year under the License Tax Acts of 1878, and in the Central Provinces, under order No. 1874, dated 16th March 1878. Although no formal or official complaints of hardship or oppression have reached the Government of India, the returns which are now before His Excellency in Council appear to throw grave doubt on the propriety of some of the provisions of the existing law and orders.

2. It appears that altogether nearly two millions of persons have been assessed to license and pandhari tax, of whom about 1,600,000 have incomes estimated at less than Rs. 500 a year. The total gross amount yielded by the taxes is about Rs. 90,00,000, of which sum about Rs. 36,00,000 is paid by these 1,600,000 persons, while about Rs. 54,00,000 is paid by the remaining 340,000 persons with incomes of Rs. 500 and upwards.

3. The minimum amount of taxable income, and the classes under which persons are assessed, and the fees which are levied, vary in different provinces, and the returns for one province are, therefore, not always easily comparable with those for another, but the same general result is everywhere apparent. There can be no doubt that a very large number of persons are being taxed, with comparatively small financial advantage to the State; and although, as above observed, no official complaints of oppression have reached the Government of India, it is notorious that there have been numerous expressions of public opinion highly unfavorable to the license tax, so far as it affects the lower classes upon whom it falls; and it is impossible to call in question the fact that, in some parts of India at least, these unfavorable opinions have often been justified. It seems to the Governor General in Council clear that the present exemptions from liability to the license tax and, perhaps, to the pandhari tax, should be much extended, and a higher amount fixed for the minimum taxable income.

4. The information actually in the possession of His Excellency in Council does not, however, enable him to decide what that amount should be, and he is anxious to obtain your opinion, whether it is desirable to raise the minimum income of persons subject to the pandhari tax; and, if so, to what limit. I am to request that a statement may, at the same time, be furnished showing the number of persons assessed under each class and grade of the Pandhari Tax Act XIV of 1867, and the total amount assessed on each of such classes or grades.

5. So large a proportion of the tax due for the current year has already been collected that it would probably be desirable not to make any alteration in the existing arrangements at present. It would be sufficient if the exemptions of the smaller incomes from liability to pandhari tax come into effect from the beginning of next year.

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6. The Governor General in Council cannot now say whether the condition of the finances will enable the Government to dispense hereafter, without compensation from some other source, with any part of the revenue now derived from the Pandhari Tax. But in the event of measures becoming necessary to make good the loss caused by the exemptions now contemplated, His Excellency in Council will be glad to be informed what course might, in your opinion, be properly followed, whether by increasing the amount now imposed on the higher classes liable to the Pandhari Tax; by extending similar taxation to the richer sections of the professional and official and landholding classes or otherwise.

7. The Governor General in Council will be glad to learn your views on any other points connected with the working of the Pandhari Tax Act, and to receive any proposals which you may think desirable for the improvement of the existing law.

8. His Excellency in Council trusts that you will be able to communicate your views on the questions referred to in this letter by the end of the present month at latest, and he trusts that no avoidable delay will be allowed to occur in furnishing the information which has been asked for.

No. 163.]

Telegram No. 2787, dated 12th September 1879.

*From—Financial Secretary,  
To—Lieutenant-Governor of Bengal.*

Governor General in Council understands that in Eastern Bengal and other districts high prices of food, owing to floods and other causes, press heavily on persons with small incomes, and that comparatively small portion of License Tax for current year has hitherto been collected. The delay in collecting, compared with other provinces, arises from the fact that the assessments in Bengal are made for the official and not for the calendar year as elsewhere. It is also desirable that the minimum taxable income which is now Rs. 100 in Bengal and Rs 200 in the adjoining North-Western Provinces and Oudh should be made to approximate so far as the law permits. Having regard to the classification of fees adopted in the Bengal Act, it will be necessary to fix the limit of taxable income in Bengal at Rs. 250. The Governor General in Council therefore authorises the Lieutenant-Governor to issue orders exempting from liability to License Tax all persons whose annual earnings are, in the judgment of the Collector, less than Rs. 250.

No. 318, dated 2nd September, 1879.

No. 164.] *From—C. ROBERTSON, Esq., Secy. to the Govt, North-Western Provinces and Oudh,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed to acknowledge the receipt of your very confidential letter No. 2372, dated 19th August, on the subject of the operation of the License Tax Act, and in reply to forward a copy of a letter from the Secretary, Board of Revenue, No. 1278A., dated 29th August, and of the enclosed statement, furnishing the information called for in paragraph 4 of your letter.

2. From this statement it will be apparent that the number of persons assessed, and the amount of fees realised under the various classes and grades during 1878-79, have been as follows:—

Class	Person.		Fees. Rs.
	No		
I . . . . .	2,493		3,94,684
II . . . . .	45,596		8,34,789
III, Grade 1 . . . . .	46,446		2,32,311
III Grade 2 . . . . .	87,483		1,74,978

Class III, grade 2 includes those persons whose annual income is assumed to be less than Rs. 250. If this class and grade be excluded, the totals are of persons, 94,535, and of fees assessed, Rs. 14,61,862.

3. The Lieutenant-Governor is decidedly of opinion that it is desirable for many reasons to diminish the number of persons affected by direct taxation, and it is evident from the foregoing figures that it can be very largely reduced without much sacrifice of revenue. The Junior Member has suggested that the

minimum of taxable income should be fixed at Rs. 250. If this suggestion be adopted, the persons in grade 2, class III would be exempt from taxation, the number of persons assessed would be diminished by nearly one-half, while the receipts would fall off by only Rs. 1,74,978. The limit of taxable income which Mr. Carmichael proposes is one that commends itself to His Honour the Lieutenant-Governor. If it were fixed at Rs. 500, then the whole of class III would be exempted, and the number of persons assessed would be further reduced by 46,446, paying Rs. 2,32,311; but it seems to His Honour that there is no good reason why the range of exemption should be so much extended. Such a change would greatly increase the deficit to be made good in other ways, and would unduly and unfairly favour the commercial classes at the expense of the over-burdened proprietors of land, all of whom are assessed to extra rates, however small their holdings may be.

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4. Assuming that the Government of India cannot afford to forego the income that would be lost by the exemption of persons in grade 2 of class III, it has now to be considered how the deficiency in receipts can be made good. The proposal made by the Junior Member with this object is two-fold. In the first place, he would transfer some trades to a higher class than that in which they now are ranked, and thus permit the imposition of a higher fee on the wealthiest members of it than they have at present to pay; and, secondly, he would raise the rate of assessment on the assumed income of persons in class I from 2 to 3 per cent. The grades in this class would then stand as follow:—

Grade.	Present fee.		Proposed fee	
	Rs.		Rs.	
1	500	750		
2	200	450		
3	150	300		
4	100	150		

Mr. Carmichael shews that, taking the figures for the North-Western Provinces alone, the result would be an income that would more than make up for the deficiency from exempting grade 2 of class III.

5. Mr. Carmichael's proposals for amending the classification of trades have His Honour's approval and concurrence. There is no sound reason why persons following a trade entered in class II, and making a profit as large as those in class I, should pay a lower fee; and if it has been found that the realisable profits are greater in any trade than was supposed when the classification was made, then the classification should be amended. On this point His Honour accepts the Junior Member's conclusions which are based on careful inquiry and the experience gained in working the present Act.

6. The proposal to raise the rate of assessment on persons in class I is one that requires some consideration. The objections to it are that it is very difficult to ascertain accurately the actual income of persons assessed; that assessments must always be more or less conjectural; that there is the possibility that some injustice may be done; and that by raising the rate the injustice is aggravated in cases of hardship. On the other hand, the wealthy traders in the 1st class are those who benefit most by the maintenance of peace and order, and who ought to contribute most liberally to the support of the Government which enables them to realise such profits, and to the prevention of famine which must impair commercial prosperity; and as the assessing agency becomes more experienced, and the position of each trader is more clearly elucidated, it may be hoped that cases of possible hardship will every year become rarer. On the whole, therefore, the Lieutenant-Governor would support the proposal to raise the rate of assessment on persons in class I.

7. His Honour would, however, not be content with this, but would extend famine taxation to officials and the professional classes. His Honour fails to perceive any good reason why these should be exempted as they now are. If famine prevention calls for special taxation, all classes of the community should be assessed to it alike, with due regard to their means of paying. His Honour, therefore, would recommend that a tax of 2 per cent. be imposed on the salaries of officials and on the income of professionals, exempting all such as are in respect of less than Rs. 250 per annum. If it be urged that such a measure would press severely on European servants of Government, who suffer from the lowness of the rate of exchange on England, it would be easy to give



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them some relief by permitting them to remit a portion of their salary at a favored rate.

8. If famine taxation were extended in the way proposed, it would then probably be found possible to give some relief to petty landholders, a class which has a much stronger claim to consideration than any section of the trading classes whose good feeling to the Government it is more important to foster, and which His Honour has every reason to believe is profoundly aggrieved by the recent addition to their burden. It must be remembered that at present every landholder, however petty his share in the mahal with which he is connected may be, must contribute his quota to the famine rate imposed upon it, and that he must pay irrespective of his profits. If the minimum of taxable income from trading is fixed at Rs. 250, it is hard that all profits from land without any minimum should be taxed.

No. 1278 N.-IV.-B, dated 29th August, 1879.

No. 165 ] From—J. S. MACKINTOSH, Esq., Secy. to the Board of Revenue, N.-W. Provinces,  
To—The Secretary to the Government of the North-Western Provinces and Oudh.

I am desired by the Junior Member to acknowledge the receipt of your confidential letter No. 301, dated the 23rd instant, Separate Revenue (License Tax) Department, forwarding a copy of a letter from the Government of India, in the Department of Finance and Commerce, No. 2372, dated 19th idem, and calling for suggestions with reference to the questions raised therein.

2. Before this reply reaches you, the Junior Member's report on the administration of the license tax for the past year ought to be in your hands, and I am to refer you to the pages of that report, and to the appendices which accompany it, as illustrative of what the Junior Member is now about to write.

3. There can be no doubt, as remarked in the letter of the Government of India under acknowledgment, that under the operation of the Act a very large number of persons are being taxed with comparatively small financial advantage to the State. A reference to Appendix VIII of the report will show that, of the total number of persons taxed under the schedule, no less than 74 per cent. are in class III, and that this very high percentage of persons brings in but 25 per cent. of the income. That however this state of things should have been brought about was, the Junior Member would submit, inevitable from the Schedule of the Act, while, again, the minimum fixed by this Government was in accordance with the experience of previous similar forms of direct taxation. Still the fact cannot be denied that the number of persons taxed in class III is out of all proportion great, compared with the income which they bring in, and the question for solution is how this state of things can be remedied, and how the income which will be lost by raising the minimum can be recouped otherwise to the State. And in connection with this, the first point obviously for decision is—What shall be the future minimum? Thus the Junior Member would fix at Rs. 250; in other words, he would not go below the first grade of the IIIrd class, and for the following reasons:—

(1) Taking throughout the figures of the North-Western Provinces only as exemplars, if we go higher than this, that is, if we exempt all persons whose annual earnings do not average Rs. 500, we leave, as Appendix VIII will show, but 40,916 persons on the schedule of the Act, *viz.*, 2,270 persons in the first class and 38,646 in the second, and it would seem absurd to legislate for the taxation of less than half a lakh of people.

(2) To pitch the minimum at a higher figure would be unfair to the proprietors of land, very many of whom with far less incomes than the minimum which at present obtains pay their quota towards the 2 per cent. famine rate.

4. Supposing then the revised minimum as proposed to be accepted, the next point to see is how it affects the schedule, (1) as regards persons, and (2) as regards income. Of the total number, 150,669 persons licensed under the Act in the North-Western Provinces, 72,945 persons are in the second grade of the third class. If, as is proposed, these persons be exempted, then the grand total will fall from 150,669 to 77,724, which is 25 per mille of the population of the

North-Western Provinces as against the 5 per mille taxed last year. Mr. Carmichael considers that we can hardly go lower than this as regards persons. As regards income, the 72,945 persons whom it is proposed to exempt represent fees to the extent of Rs. 1,45,895. And this is the loss which we have to make good, and this brings us to your second enquiry.

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5. The annexed exemplar schedule with explanatory memorandum attached will show how the Junior Member proposes to make good this loss. The principal differences between this and the present schedule are as follows:—

- (1) So soon a person enters the last grade of the first class, for which he will, as now, be eligible when his annual earnings are Rs. 5,000, he will become liable to a 3 per cent. rate,
- (2) The grades in this first class have been readjusted, calculated on that enhanced rate. There is in consequence no longer a Rs. 100 grade there as now.
- (3) Eleven of the trades and dealings hitherto specified by name in the present class II have, for reasons given in the explanatory memorandum, been moved up into class I, and one other trade added to that class.
- (4) The clauses at the end of classes II and III have been so altered as to catch all trades and dealings other than those specified by name in the schedule. This is a defect in the present schedule as regards class II. Trades and dealings not named specifically in that class or in class I can now only be assessed in class III, and thus many traders who could with every propriety have been assessed in class II are licensed only in class III. By the alteration proposed, no one practising any trade or dealing *whatsoever* can escape assessment, if liable to it in class II. Class I alone is special, so to speak.

(5) Artisans are shown separately from traders and dealers in class II.

6. It remains now to show that the alterations proposed will secure the end desired, *viz.*, recoup Government the loss of the Rs. 1,45,895 exhibited in paragraph 4. And the following table will show that the three per cent. rate in the first class will of itself more than effect this:—

*Table showing the actual results of assessments in the North-Western Provinces in class I of the schedule as compared with what those results would be if a 3 per cent. rate were applied to the incomes on which the present grades in that class are based.*

## CLASS I.

Grades as at present constituted at 2 per cent., with number of persons licensed and fees actually realised.			The same grades calculated on a 3 per cent rate on annual earnings, with fees which would be realised by such enhanced assessment on the same number of persons.		
Grade.	No of persons.	Collections.	Grade.	No. of persons.	Fees calculated on the higher assessment
Rs.		Rs.	Rs.		Rs.
1st Grade, 500 . . .	167	83,375	1st Grade, 750 . . .	167	1,25,250
2nd " 200 . . .	460	91,783	2nd " 300 . . .	460	1,38,000
3rd " 150 . . .	417	62,500	3rd " 225 . . .	417	93,825
4th " 100 . . .	1,226	1,22,576	4th " 150 . . .	1,226	1,83,900
TOTAL . . .	2,270	3,60,234	.....	2,270	5,40,975
Deduct present actual collections in class I . . .					3,60,234
Balance increase . . .					1,80,741

Thus, this Rs. 1,80,741 increase not only recoups us the Rs. 1,45,895 lost by the relinquishment of the assessments in the third grade of the third class (see paragraph 4), but also gives us a further surplus of Rs. 34,846, while the

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higher grades proposed for the first class in the revised schedule submitted, as also the general readjustment of that schedule, will, the Junior Member confidently hopes, bring in at least another half lakh of rupees.

7. It will be seen from the above that of the three alternatives proposed by the Government of India in paragraph 6 of their Secretary's letter, Mr. Carmichael has adopted the first, *viz.*, the suggestion to increase the amount at present imposed on the higher classes liable to the tax. He deprecates the extension of the Act to the professional, official and land-holding classes, to the last named entirely, as already bearing their full burthen of taxation. And if it be deemed necessary to impose taxation in the two first, such taxation should, he considers, take the form of an income tax. The license tax with its grade is, he considers, eminently fitted for the classes for whom it was designed, and for no others. It gives much less trouble and creates far less discontent than the income tax did. The calibre of the different traders can be, and is well gauged by the different grades of the classes under which they are licensed, and such grading is entirely in accordance with native ideas, which resent the inquisitorial measures attending the enforcement of an income tax proper.

8. The Junior Member would ask permission, in conclusion, to say a few words with reference to the expression of public opinion unfavorable to the tax, and to such opinions having on enquiry been found in some instances to be justified (paragraph 3 of the Government of India's letter). He would submit, with every deference, that all forms of direct taxation are admitted to be more or less objectionable and open in any country, and under the best forms of Government, to abuse. He would however, at the same time, in justification of the manner in which this Act has been worked in these provinces, call attention to the extracts from the reports of district officers which are given in his report on the administration of the Act, as bearing in themselves internal evidence of how carefully and conscientiously these officers have discharged their duty. There have undoubtedly been some failures as also some mistakes, as where are there not? But he would unhesitatingly affirm that the District Officers have, as a body, to use the Collector of Cawnpore's words, worked loyally for the people as for Government, and have endeavoured by every means in their power to carry out the orders of His Honour the Lieutenant-Governor as issued during last cold weather, "to hold careful local enquiries into all assessments, to ascertain that they had been fairly and judiciously made, that the rich had been assessed in proportion to their means, and the poor not made to pay exorbitantly." And the fact that in these united provinces, officers inquired *suo motu* into no less than 7,403 cases of assessments as effected, in addition to hearing and disposing of 62,409 objections preferred (*vide* Appendix VI of the Report) speaks volumes for their industry and loyalty.

9. The statement required by paragraph 4 of Mr. Secretary Chapman's letter is submitted as desired. It is simply a rescript of the totals of Appendix I to the report.

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*The proposed revised Schedule . see paragraph 5 of letter.*

CLASS I														
1. Companies registered under the Indian Company's Act		<table border="0" style="margin-left: auto; margin-right: 0;"> <tr> <td colspan="2" style="text-align: center;">Fee payable by license</td> </tr> <tr> <td></td> <td style="text-align: right;">Rs.</td> </tr> <tr> <td>First grade</td> <td style="text-align: right;">. 750</td> </tr> <tr> <td>Second "</td> <td style="text-align: right;">. 450</td> </tr> <tr> <td>Third "</td> <td style="text-align: right;">. 300</td> </tr> <tr> <td>Fourth "</td> <td style="text-align: right;">. 150</td> </tr> </table>	Fee payable by license			Rs.	First grade	. 750	Second "	. 450	Third "	. 300	Fourth "	. 150
Fee payable by license														
	Rs.													
First grade	. 750													
Second "	. 450													
Third "	. 300													
Fourth "	. 150													
2. Bankers														
3. Professional money-lenders														
4. Owners of cotton-screws														
5. Persons keeping shops for the sale of European goods														
6. Hotel-keepers														
7. Wholesale dealers														
8. Dealers in precious stones														
9. Sugar manufacturers or refiners														
10. Indigo manufacturers														
11. Tea ditto														
12. Contractors (thuckadars)														
13. Printers and publishers														
14. Manufacturers of lac														
15. Commission agents														
16. Dealers in grain														
17. Auctioneers														
18. Coach-builders														
19. Timber merchants														
20. Dealers in gold and silver lace														
21. Woollen manufacturers														
22. Silk ditto														
23. Confectioners														

No. 167.]

CLASS II.

Sep Rev Pro, June  
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1. Cloth-sellers . . . . .
2. Metal vessel-sellers . . . . .
3. Fuel-sellers (talwalas) . . . . .
4. Chaudris . . . . .
5. Letters-out of conveyances and cattle . . . . .
6. Brokers . . . . .
7. Bill-brokers . . . . .
8. Pawn-brokers . . . . .
9. Money-changers . . . . .
10. Druggists . . . . .
11. Harness-makers . . . . .
12. Dealers in metals not being merely artizans . . . . .
13. Tobacco-sellers . . . . .
14. Dealers in horses, cattle or elephants . . . . .
15. Persons carrying on trades and dealings specified in class I whose annual earnings are not so large as to warrant their assessment in that class, and persons carrying on other trades and dealings not specified in class I or in this class, but the annual earnings from which trades or dealings are sufficiently large to warrant their assessment in this class.

Fee payable by license.	
	Rs.
First grade . . . . .	75
Second „ . . . . .	50
Third „ . . . . .	25
Fourth „ . . . . .	10

No. 168.]

CLASS III.

- Artizans  
Tradets and dealers of every kind whose earnings are not so large as to warrant their assessment in class I or II.

} Fee payable by license,  
Rs. 5.

No. 168A.]

*Explanatory Memo.*

- Class I.—Nos. 12 to 22 of class I have been moved up into that class from class II, and No. 23, Confectioners, is a new entry. The net earnings from all these trades are often sufficient to justify the assessment of those practising them in class I. Where this is not the case, they can of course be assessed in the lower classes.
- Class II.—With the alteration in the wording of the clause at the close of class II, it becomes unnecessary of course to add other trades and dealings specifically by name to that class of the schedule.
- Class III.—Under class III it is proposed to show in future the assessment of artizans separately, and they will not of course be liable to assessment under any circumstances in classes I and II.

J. S. MACKINTOSH,  
*Secretary, Board of Revenue, N-W P*

NAINI TAL, }  
The 29th August 1879 }

No. 169.] *Statement showing the number of persons assessed under each class and grade of the Act (II of 1878) in force in the North-Western Provinces and Oudh, and the total amount assessed on each of such classes or grades.*

PROVINCE.	CLASS I										CLASS II					CLASS III			TOTAL OF ALL CLASSES									
	1ST GRADE		2ND GRADE		3RD GRADE		4TH GRADE		TOTAL CLASS I		1ST GRADE		2ND GRADE		3RD GRADE	4TH GRADE	TOTAL CLASS II		1ST GRADE	2ND GRADE	TOTAL CLASS III	Number of persons licensed	Fees paid					
	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid	Number of persons licensed	Fees paid	Number of persons licensed	Fees paid	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.	Number of persons licensed	Fees paid.				
N-W Provinces . . . . .	107	88,375	400	61,783	417	63,500	1,228	1,28,578	2,270	3,60,234	1,040	78,520	3,054	1,47,713	9,995	3,46,955	24,661	3,46,638	38,640	7,23,751	36,808	1,94,071	72,945	1,45,866	1,09,753	3,29,987	1,50,669	14,12,951
Oudh . . . . .	11	5,600	60	13,100	33	4,950	119	11,900	223	34,450	128	9,260	367	17,837	1,351	33,781	5,119	51,210	6,960	1,12,068	9,638	46,240	14,638	29,068	24,176	77,323	31,340	2,33,629
TOTAL	118	93,975	560	74,883	450	68,450	1,347	1,40,478	2,493	3,94,684	1,168	87,780	3,421	1,65,550	11,346	3,80,736	29,780	3,97,848	45,600	8,35,819	46,446	2,40,311	1,74,934	1,38,934	4,07,310	1,82,009	16,46,580	

NAINI TAL,  
The 29th August, 1879.

J. S. MACKINTOSH,  
Secretary, Board of Revenue, N-W P.

LICENSE TAX.

[1879-80

No. 3012-57, dated 3rd September, 1879.

Sep. Rev. Pro., June  
1880, Nos. 1104 to  
1227

No. 170.] From—J. B. PRILE, Esq., C.S.I., *Acting Chief Secy. to the Govt. of Bombay,*  
*Financial Dept.,*

To—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed by the Governor in Council to say, in reply to your letter No. 2372, dated 19th August, on the subject of the assessments under the License Tax Act of 1878, that if the Governor General in Council thinks it necessary to fix a higher amount for the minimum taxable income, the Government of Bombay consider that incomes below Rs. 200 per annum should be exempted from the tax.

2. If this course is adopted, the Governor in Council holds it essential, in justice to the provincial finances, that this Government should be allowed to legislate with a view to raising the maximum fee charged under the Bombay License Tax Act from Rs. 200 to Rs. 1,000 or at the very least to Rs. 500.

3. I am to add that this Government would earnestly deprecate any alteration in the minimum taxable income within the current year. It has been ascertained that more than four-fifths of the license tax for 1879 had been collected before the end of July, and probably a very small sum remained outstanding on the 1st of September. If a large proportion of the incomes taxed are exempted for the current year, extensive refunds will become necessary, and not only will money be needlessly relinquished, but the people will be led to doubt the stability of the intentions of Government and encouraged to resist the assessment of the remainder of the tax in future. The Governor in Council, therefore, trusts that any exemption on which the Government of India may decide may be introduced from January 1st, 1880.

4. As to the working of the license tax in Bombay, I am to say that the collections for 1879 have been made without any trouble or complaint, and that local opposition has been conciliated.

5. I am to inform you, in conclusion, that the information called for in your 4th paragraph is not yet complete, but it will be compiled and forwarded with the least possible delay.

No. 3469-87, dated 9th October, 1879.

No. 171.] From—J. B. PRILE, Esq., C. S. I., *Acting Chief Secy. to the Govt. of Bombay,*  
*Financial Dept.,*

To—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

With reference to paragraph 5 of my letter No. <sup>3012</sup>/<sub>57 Confid.</sub>, dated 3rd ultimo,

\* Deposited.

and your telegram\* of the 30th idem, I am directed to forward, for submission to the Government of India, the accompanying statement shewing the number of persons assessed to the license tax in this Presidency for the year 1878 under each class of the License Tax Act (Bombay Act III of 1878), and the total amount assessed on each of such classes.

2. I am at the same time directed to point out, in reply to the telegram above referred to, that the subject of paragraph 6 of your letter No. 2372, dated 19th August 1879, was treated of in paragraph 4 of this Government letter No. <sup>555</sup>/<sub>5 Confid.</sub> of 15th February last, and the other points alluded to in paragraph 7 of your letter were considered in paragraphs 2, 3 and 5 of the same letter from this Government, as well as in my letter No. <sup>3012</sup>/<sub>57 Confid.</sub>, dated 3rd ultimo.

3. I am to add that His Excellency the Governor in Council has at present nothing to add to, or modify in, the views expressed in the above-mentioned letters.

No. 172] Statement showing the number of persons assessed to license tax in the Bombay Presidency for the year 1878 under each class of the License Tax Act (Bombay Act III of 1878), and the total amount assessed on each of such classes.

	CLASS I, Rs 200		CLASS II, Rs 160		CLASS III, Rs 100		CLASS IV, Rs 80		CLASS V, Rs 60		CLASS VI, Rs 40		CLASS VII, Rs 30		CLASS VIII, Rs 25		CLASS IX, Rs 20		CLASS X, Rs 15		CLASS XI, Rs 10		CLASS XII, Rs 7		CLASS XIII, Rs 5		CLASS XIV, Rs 3		CLASS XV, Rs 2		TOTAL				
	Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.		Number of persons.				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs		
Bombay	472	86,810	142	30,270	316	30,310	372	21,220	798	47,637	982	80,082	707	21,080	468	11,240	1,322	24,350	1,009	22,577	2,314	23,107	2,184	15,207	2,364	14,285	7,321	23,457	3,869	5,733	34,908	409,843	4		
Ahmedabad	40	8,000	16	2,360	38	3,800	38	2,340	81	4,880	244	9,780	345	10,350	142	3,550	603	13,800	845	12,476	1,860	16,800	1,974	13,818	4,674	22,370	8,631	25,893	0	11,730	23,460	31,038	1,73,788	9	
Kaira	13	2,000	11	1,650	14	1,400	10	800	47	2,820	116	4,640	134	4,020	188	4,800	304	6,080	719	10,765	1,204	12,040	1,307	9,840	4,313	21,666	6,261	18,763	0	13,801	27,802	0	28,439	1,26,504	0
Fanch Mahals					3	800	9	240	24	1,440	34	1,380	29	870	30	760	75	1,600	120	1,880	241	2,410	378	2,646	727	2,835	1,441	4,323	0	2,305	4,910	0	5,416	25,974	0
Bronch	23	4,900	11	1,650	23	2,300	14	1,120	67	4,020	128	5,040	116	3,450	69	1,700	234	4,680	373	5,480	880	1,172	8,204	3,324	11,030	4,837	14,511	0	9,179	18,338	0	19,456	96,733	0	
Surat	6	1,200	6	900	10	1,000	10	800	38	2,380	71	2,810	78	2,340	82	2,050	228	4,660	380	5,700	968	9,650	1,142	7,994	2,980	11,945	4,999	13,197	0	7,005	14,010	0	16,789	80,386	0
Thana	8	1,800	2	300	20	2,900	31	1,080	47	2,820	83	3,520	83	3,790	50	1,400	195	3,000	202	3,030	592	5,920	632	3,724	1,097	5,485	3,237	9,711	0	7,072	14,143	0	13,208	62,622	9
Kolaba	5	1,000	6	760	9	800	16	1,280	28	1,320	50	2,000	60	1,800	57	2,425	71	1,420	168	2,820	304	3,040	311	1,477	1,362	6,780	637	9,911	0	2,982	5,964	0	5,988	34,497	0
Nasik	6	1,200	10	1,500	18	1,800	20	2,320	63	3,780	84	3,380	119	3,870	88	2,300	206	4,100	328	4,920	658	5,880	636	3,763	1,231	6,155	2,531	7,693	0	4,942	9,384	0	10,748	61,714	0
Khandesh	47	9,400	44	6,000	90	9,000	104	8,230	210	12,000	340	12,000	288	7,740	207	5,175	500	11,800	878	6,670	947	9,470	1,087	7,606	2,534	13,670	4,824	14,473	8	11,972	23,944	0	23,792	1,56,470	0
Ahmednagar	14	2,500	11	1,650	40	4,040	25	1,900	83	3,135	147	5,880	152	4,050	95	3,375	809	6,180	283	4,245	747	7,428	684	4,769	1,309	6,631	3,808	9,912	0	5,844	11,688	0	13,921	77,063	0
Poona	1	200	4	600	3	300	8	640	16	900	43	1,680	69	1,880	53	1,300	112	2,240	198	2,970	424	4,240	465	3,265	831	4,155	1,907	5,721	0	3,424	6,849	0	7,549	36,939	0
Sholapur	14	2,800	20	3,000	56	5,600	38	3,880	90	5,400	132	6,280	136	4,080	134	3,350	233	4,660	284	3,960	657	6,670	469	8,383	1,476	7,378	1,736	8,205	0	3,406	6,813	0	8,868	70,155	0
Satara	21	4,200	24	3,600	49	4,900	48	3,940	104	6,240	111	4,440	171	5,130	170	4,250	290	5,800	547	6,308	928	9,230	1,105	7,736	3,388	11,940	4,038	13,114	0	9,274	18,648	0	19,268	1,10,122	0
Kaladgi	13	3,600	11	1,650	17	1,700	27	2,180	42	2,620	62	3,450	46	1,380	68	2,450	182	3,640	406	6,090	629	6,290	901	6,307	1,784	8,030	3,708	7,014	14,036	0	13,940	70,337	8		
Bolgaun	14	3,800	19	2,700	43	4,300	36	2,880	78	4,680	120	5,640	113	3,390	90	2,250	277	5,540	388	5,833	1,030	10,330	797	5,579	1,721	8,605	3,462	10,446	0	7,715	15,430	0	15,929	86,732	0
Dharwar	31	6,200	22	4,800	57	5,700	66	4,480	108	6,460	157	7,460	158	5,480	137	3,425	464	6,080	463	7,395	1,260	12,600	1,231	8,617	3,706	13,530	5,128	15,384	0	9,963	19,929	0	21,965	1,28,457	0
Ratnagiri	6	1,300	3	300	13	1,300	14	1,120	18	1,080	56	2,340	79	2,160	32	800	166	1,900	186	2,400	238	3,380	346	3,416	1,171	5,856	3,674	11,022	0	2,116	4,230	0	8,015	40,473	0
Kanars	5	1,000	1	1,650	38	3,800	21	1,630	48	2,880	59	3,500	80	3,400	20	725	218	4,320	246	3,720	885	6,880	683	4,074	1,696	7,076	3,506	7,613	0	5,947	11,994	0	13,100	64,046	0
Kurnachos	68	13,800	30	3,000	41	4,100	49	3,920	87	5,220	158	6,320	158	4,740	72	1,800	353	7,080	449	6,736	1,141	11,410	1,571	10,997	4,089	20,346	6,748	29,244	0	13,794	27,668	0	31,778	1,55,079	0
Hydrabad	9	1,800	3	800	18	1,800	11	800	38	1,920	79	3,040	102	3,060	60	1,600	231	4,620	275	4,125	782	7,620	1,154	8,078	3,309	11,546	6,292	18,676	0	11,749	23,409	0	25,102	92,563	0
Bikarpur	38	7,000	20	3,000	30	3,000	32	2,200	70	4,200	101	4,040	103	4,890	167	4,175	346	6,900	678	10,170	1,379	13,730	3,012	14,084	3,973	19,878	10,779	33,361	0	25,378	50,756	0	46,174	1,91,371	0
Upper Sind Frontier											1	40	4	120	7	175	9	180	36	540	94	940	134	938	367	1,835	947	2,841	0	1,397	3,994	0	3,692	11,603	0
Thar and Parkar						1	60				3	120	6	240	3	75	18	300	36	540	77	770	180	1,260	568	2,840	1,716	6,148	0	5,323	10,648	0	7,933	22,072	0
Total	864	1,65,010	431	63,120	947	99,650	871	69,040	2,140	1,28,132	3,388	1,36,243	3,387	1,01,640	2,558	63,740	6,901	1,37,910	9,085	1,45,297	19,734	1,07,268	23,153	1,55,031	49,643	3,49,196	102,636	3,07,735	8	186,823	3,73,643	9	412,051	23,94,956	5

LICENSE TAX.

No. 173.]

No. 546, dated 28th September, 1879.

Sec. Rev Pro, June  
1880, Nos. 1104 to  
1227

From—H. L. HARRISON, Esq., *Offg. Secy. to the Govt. of Bengal, Financial Dept.*,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

I am directed to acknowledge your very confidential letter No. 2372 of the 19th August, calling for an expression of the Lieutenant-Governor's views on the subject of the license tax, and in reply to submit the following report.

2. Since the receipt of that letter, it has been arranged by telegraphic communication that all persons with incomes not exceeding Rs. 250 per annum shall be exempted in Bengal for the current year. Sir Steuart Bayley understands, however, that these orders do not dispose of the reference under reply, which relates to the permanent modifications which should be made in the system of levying the license tax.

3. On this assumption I am to say that, for future years, the Lieutenant-Governor would raise the minimum limit to Rs. 500. The numbers that paid under each class during the year 1878-79 were—

Class	Grade	Income exceeding	Number	Tax payable.	
				Rs	Rs
I	I	25,000	401	50	0
	II	10,000	741	200	0
II	I	5,000	1,656	100	0
	II	2,500	4,361	50	0
III	I	1,000	13,120	20	0
	II	250	124,168	5	0
IV	I	100	381,583	2	0
	II	50	184,857	1	0
Total			715,887		

4. It will be seen that the V class has a very wide range: a person whose income is estimated at Rs. 900 pays Rs. 5 equally with one whose income is estimated at Rs. 300, and Mr. Buckland, Member of the Board of Revenue, reports that much objection has been taken to the inequality resulting from this classification. If the minimum limit is fixed at Rs. 500, the tax payable by persons whose income is assessed at between Rs. 1,000 and Rs. 500 should be raised to Rs. 10, and in this way much of the loss due to exempting incomes between Rs. 250 and Rs. 500 would be recovered. Taking the number who paid in 1878-79 as the standard, the entire number of traders with income between Rs. 1,000 and Rs. 250 is 124,168, and the amount payable by them at Rs. 5 each, Rs. 6,20,840. If the number whose income is between Rs. 500 and Rs. 1,000 is equal to the number whose income is between Rs. 250 and Rs. 500, the exemption would entail no loss on the revenue, as for the 62,084 persons who would be no longer liable to pay the tax, an equal number would pay Rs. 10 instead of Rs. 5. This is, perhaps, a sanguine estimate; but if the incomes of even twice as many persons are found to fall between Rs. 250 and Rs. 500 as between Rs. 500 and Rs. 1,000, the estimated loss would only be Rs. 2,07,000, while nearly 83,000 persons who now pay would be exempted.

5. If this recommendation is adopted, the estimated yield of the tax, which was Rs. 26,63,000 in 1878-79, would be reduced to about Rs. 15,00,000, or a loss of 11½ lakhs. With a revival of trade some of this deficit would be made up, as many large houses in Calcutta that would ordinarily pay at the highest rate proved that their profits during the past year were very small or even nil, but still a considerable loss must be anticipated; a maximum tax of Rs. 1,000, as proposed by Mr. Buckland, would go but a small way to make up the deficiency; but, in addition to this, Sir Steuart Bayley would very strongly urge that the tax should be extended to the richer sections of the professional and official classes.

6. The landholding classes already pay the road cess and public works cess, the Acts imposing which are so framed as to take one pice in the rupee on the profit of each person deriving an income from rent. Together therefore they constitute a tax of over 3 per cent. on all incomes derived from land; and the Lieutenant-Governor would hold this to be an insuperable objection against extending to them another direct tax, such as the license tax. But the same reasons do not apply to professional incomes or to salaries, whether of Government officials or other employes; and His Honour would remove the exemption which now applies to them, which has made the license tax much



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1227

more unpopular than it would otherwise have been. The Lieutenant-Governor would adopt the same minimum income as in the case of traders, Rs. 500; but it would be a question whether, where the income is exactly known, as in the case of officials, an income tax would not be more suitable than a tax in classes and grades. At a rough estimate the taxable official income in Bengal, with a minimum limit of Rs. 500, would be about Rs. 20,00,000

7. In reply to paragraph 7 of your letter, I am to submit a note which has been prepared by Mr. Buckland, showing the points in the existing law which require to be amended. Sir Steuart Bayley concurs generally in these recommendations, and will suggest the introduction of a Bill into the Bengal Council to modify the existing Act in the sense indicated. I am to draw attention to paragraphs 3 and 19, in which Mr. Buckland proposes to omit such parts of the Act as connect the income derived from it with the immediate object of relieving and preventing famine. It is for the Government of India to determine whether any change should be made in this respect. Other points of detail are also open to question, such as the proposal, in paragraph 9, to assess traders only in one district, and to make a company, firm, or individual earning (say) Rs. 30,000 in each of three districts pay a single maximum fee in one district only, instead of in three districts as at present. The present provision of the law operates to levy a higher tax from those who can best afford it, and it is doubtful whether the income thus derived should be sacrificed. In any case, however, permission should be given to make one return for the whole business and to pay the entire tax in one place

8. As regards paragraph 21, the Lieutenant-Governor has already expressed his opinion in favour of a minimum limit of Rs. 500, and some of the revenue sacrificed by exempting the poorer classes might be recovered by raising the maximum tax to Rs. 1,000 for incomes exceeding Rs. 50,000. On the other hand the proposal, in paragraph 23, to make an exception in favour of officers employed in the collection of the tax seems altogether unreasonable and can receive no support from Sir Steuart Bayley. As the revised Bill will have to be considered in Council, where many suggestions for its modification in points of detail will be brought forward, it seems unnecessary to express any further opinion on Mr. Buckland's proposals in the present report.

#### No. 174.]

#### Note on License Tax.

In continuation of my note of the 25th August, I beg to offer such suggestions as have occurred to me for the improvement of the License Tax. These suggestions are limited by two assumptions—*first*, that the license tax is to be continued on its present general principles; *secondly*, that the sixth class of the schedules of the present Act is to be exempted from future assessment.

2. It may be most convenient to consider the Act in the order of its sections.

3. First as to the preamble. The first four lines should be modified. It would be sufficient to enact, "Whereas it is expedient that persons carrying on," &c, &c.

4. *Section 1.*—An amendment of the short title is necessitated. It will be convenient to omit the year 1878.

5. *Section 1, clause 2.*—Omit the words "including the town of Calcutta," and other words distinguishing Calcutta from the rest of Bengal.

6. I think it very desirable that the special provisions for the town of Calcutta should be rescinded. The working of the Act in Calcutta has been a failure, and has given much dissatisfaction to the public. It is not to be supposed that the working of the Act could have been carried on in Calcutta without causing some dissatisfaction, but the agency of the Calcutta municipality was very unsuited for the work. The Chairman had not time, or health, or capacity, to control and supervise the assessment at its most important stages; the Vice-Chairman seems to have been a cypher; the members of the municipality, if not absolutely obstructive, were, with some few exceptions, not disposed to assist the Chairman even in hearing objections. A bench constituted of three Commissioners for hearing objections gave little confidence to the public; and such of their decisions as have come before me from time to time were not

satisfactory to my mind. No one seemed to have any thorough grasp of the work. When asked for estimates, the Chairman sent vague and contradictory estimates; and the final outturn of the tax is much smaller than might have been reasonably expected.

7. For these and other reasons, I think that in future Calcutta should be dealt with in the same way as any other district. It might be undesirable, for personal reasons, to place the work under the present Collector of Calcutta, although that officer, when he was a younger man, was employed in the collection of the income tax. Under existing circumstances, I would propose a special agency for Calcutta, to be appointed under section 32 of the Act. It would be premature to enter into the further details of this agency. I would, however, observe that if a special Commissioner were appointed, as in Bombay, to direct the operations of the Act, instead of the duty being committed to the Board of Revenue, such an officer, sworn to secrecy, would provide an appellate authority in cases of a certain magnitude, where firms or individuals desire to have their books examined. If such a special Commissioner were appointed, it would be necessary to have at least one special officer under him to direct and conduct the assessment of Calcutta.

8. It would be a waste of time to write in detail the obvious verbal amendments of the Act in numerous sections which would follow on the inclusion of Calcutta under the general terms of the Act; but as the connection of the two subjects is immediate, it may here be convenient to propose a modification of clause 3 of section 2 (together with sections 27 to 30 of the Act), regarding the employment of municipalities and unions for the assessment and collection of the tax. Under section 27 it has been optional to the Collector to employ these institutions, but it has been the general rule to employ them; and as a general rule it may be said that the agency of these institutions, especially the municipalities, has been unsuccessful. The larger municipalities have been the most unsuccessful, notably the Suburban and Patna municipalities, and to these I believe that Dacca may be added. I am informed by Mr. Nolan, who was Magistrate of the 24-Pergunnahs, that the agency of the smaller municipalities was successful in that district. But it is not clear on what principle these municipalities should be employed. They have no necessary connection with a question of direct taxation; and if there was an economy in using their agency, as regards the cost of collection, there are no figures at present available to me to show this. My desire would be to omit all sections regarding municipalities and unions, and to employ the ordinary district agency for collecting the tax in them. If, on the other hand, these sections are to be maintained, it should be made incumbent on the Collector of the district to satisfy the superior authorities of the advantages to be gained by using the agency of each municipality or union before he actually employed them.

9. *Section 5.*—Under this section, a license has to be taken out in each district in which a person carries on his trade or industry if his annual earnings in such district exceed one hundred rupees. This provision of the law has led to much annoyance and complaint. Notably, the Jute Mill Companies have been subject to double assessment—(1) in the district where the mill is situated, (2) in Calcutta, where the Company has its agency and receives the profits which constitute the taxable earnings. There are no *earnings* in the district where the mill is situated. Under pressure of the triple penalty, the tax has been paid in both places, and then the parties have had to seek for a refund. This double taxation ought not to recur; but there is another form of it which will always recur. A Calcutta merchant has his agents in several districts buying produce for him. His profits are made in Calcutta, but in each district the Collector pounces on the agencies, and it is then for them to prove that they have no earnings there. The Railway Companies have been taxed for each district through which their line runs; and some contractors, such as Burn and Co. have similarly had to pay in several districts as well as in Calcutta. The question appears to be whether, for the sake of the exceptional cases, such as the Railway Companies, &c., it is desirable to maintain this provision, which is a source of annoyance to so many other persons. It is true that the persons so annoyed have the means of complaining and defending themselves. If this provision of the law is to stand it should be arranged that the tax should be paid, if the party taxed so desires it, at one place, say in Calcutta, and that the

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Collectors of the other districts should be advised to stay their proceedings. A somewhat similar practice existed under the income tax.

10. *Section 10*—The date, *the first day of January*, has produced considerable inconvenience. It should be altered to the first day of the new financial year.

11. *Section 10, clause 2*.—It is rather superfluous to require the Government to declare the language of the district in an Act of this description.

12. *Section 11*.—This section and its subsidiary section 16 may be omitted, as artisans have been exempted from the tax.

13. *Section 15*.—The publication of the lists should be limited to three of the places named—(1) the village, (2) the sub-divisional office, (3) the police-station or the outpost. Special notices are sent to the assessee in classes 1, 2, 3, and 4 under Rule 83 of the old rules. By the use of post-cards, special notice may now be sent to every assessee if class 6 is exempted entirely.

14. *Section 12*.—I must go back to this section, which I had overlooked. The wording of this section leaves it entirely open to the Collector, subject to the rules to be prescribed for his guidance, to decide as to the means and procedure by which he shall determine the assessment on each person. I would not propose to alter the wording of the section, but in the rules I should modify the restrictions that have been placed on the Collector, under which the assessments may have been said to have been made behind a man's back. This procedure has been the source of much inconvenience and annoyance, and is obviously objectionable. A person thus assessed in the dark has no remedy save by a petition of objection; and the assessor was debarred from using what we know to be in many cases the best evidence, *viz.*, the admissions of the party charged, although the criminal law preserves a righteous tenderness on this point.

15. *Section 20*.—The Collector ought to have power to call for such evidence as may be needed to support the assessment, otherwise the inquiry or the objection may be as much *ex parte* as the assessment was.

16. *Section 23*—This section should be altered so as to express more clearly the view held by the Advocate General, that if process of law had been commenced before the expiry of the three months, it may be completed notwithstanding the expiry of the three months.

17. *Sections 27 to 30* have been already noticed.

18. *Sections 33 to 36* have been already noticed.

19. *Section 37*—This section is not necessary, and I would omit it.

*Schedule A*.—It would be most convenient to alter the phraseology of class I and to render it general, in the same terms as are applied to other classes, *viz.*, "Every person carrying on (&c, &c,) who shall be adjudged to be a licensee of this class." In section 18, clause 2, the law shows that the tax is not to exceed 2 per cent. of the earnings of the assessee.

21. It has been a question if the grades of the classes should not be altered. It seems that it might be permissible to go one stage higher, to a tax of Rs. 1,000 on a minimum income of Rs. 50,000; and this would be a set-off against any loss from my proposal to discontinue the issue of a license to the same person or firm in more districts than one. The reports of the District Collectors and the Divisional Commissioners have been referred to in my previous note, as to the complaints made of the inequality of the assessments on incomes ranging from Rs. 250 to Rs. 1,000. A man with earnings of Rs. 1,000 may be (locally) a rich man, the man with Rs. 250 can nowhere be esteemed rich. Several officers have offered their suggestions of new gradations, but we have to avoid too minute gradations, so as not to approach to an income tax. On the whole, I am disposed to accept the following grades suggested by Mr. Nolan, who has had the experience of the working of the Act in several districts. I have above proposed a maximum fee of Rs. 1,000 on a minimum of Rs. 50,000. To these Mr. Nolan would add—

Minimum taxable income.	Rate of tax.
Rs.	Rs.
25,000 . . . . .	500
15,000 . . . . .	300 (new).
10,000 . . . . .	200
5,000 . . . . .	100
2,500 . . . . .	50
1,000 . . . . .	20
500 . . . . .	5
250 . . . . .	2 (new)

22. These grades are not quite regular, and in the lowest grade a moderate relief is proposed for those who are now taxed at Rs. 5 on an income of Rs. 250. Sep Rev Pro, June 1881 Nos 1164 to 1

23. If it should be determined to tax professional persons and the official classes, who have heretofore been exempted, the former should be assessed at half the rates of other persons' earnings; and I would make a similar difference in favour of the officers employed in the collection of the tax.

24. These remarks must not be taken as final; but as the annual report is not yet completed, the note is an attempt to anticipate the conclusions of the annual report.

14th September, 1879

C. T. BUCKLAND.

No. 17 F, dated 13th October, 1879

No 175 ] *From*—LEPEL GRIFFIN, Esq., *Secy to the Govt of the Punjab,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

Your confidential letter of the 19th August discussed the manner of the working, and the incidence, of the License Tax Act of 1878, and stated that, although no formal or official complaint of hardship or oppression had reached the Government of India, the returns now before His Excellency in Council seemed to throw grave doubt upon the propriety of some of the provisions of the existing law. It was pointed out that the amount realised from persons whose income was less than Rs. 500 per annum was exceedingly small, when compared with the large area over which the taxation was spread, and that, consequently, a very large number of persons were taxed, with the effect of exciting the inevitable discontent which belongs to direct taxation, with comparatively small financial advantage to the State. It appeared clear to the Governor General in Council that the present exemptions from liability should be much extended, and a higher amount fixed for the minimum taxable income; and the opinion of the Hon'ble the Lieutenant-Governor was invited as to the propriety of increasing the amount now imposed on the higher classes, extending similar taxation to the richer sections of the professional and official landholding classes, or otherwise, or on any other points connected with the working of the License Tax Act.

2. The only high official has been consulted by His Honour, as the reference was of a very confidential nature, has been the Financial Commissioner; but the subject is one with which, when in the same office that is now filled by Mr. Lyall, the Lieutenant-Governor was necessarily familiar, and he has no hesitation in generally agreeing with the views which have been put forward by that officer. The return given by him in the

\* No 130C, dated 15th September 1879

annexed letter,\* of the number of persons assessed under each class and grade, is, though imperfect, sufficient to allow a fair idea to be formed of the manner in which the license tax falls upon the people. Of 354,929 persons assessed, no less than two-thirds, being 227,306, pay no more than one rupee per annum on incomes between Rs. 100 and 200 a year. This class of persons pay very nearly one-quarter of the whole sum collected.

3. The Financial Commissioner considers that Rs. 120 per annum may be fixed without hardship as the minimum of income to be assessed. In this, the Lieutenant-Governor agrees, and, if the precautions suggested by Mr. Lyall are strictly observed and enforced, no hardship need be caused by fixing the minimum so low. Should, however, the Government of India desire to remit the assessment on incomes of less than Rs. 200 per annum, His Honour believes that this may be done, though he is disposed to think it unnecessary, and would prefer to keep the minimum of Rs. 120, rather than impose any new tax to make up the Rs. 2,27,000 which incomes below Rs. 200 now pay. The reason which Sir Robert Egerton has for this opinion is that the Act is now fairly understood and its provisions accepted by the people of this province; the machinery is now in working order, and cases of oppression and hardship will become with each assessment more rare. Great care has already been taken in examining and amending the first assessments; and it is consequently, in His Honour's opinion, wiser to continue a tax which has been accepted and is working fairly well, than to make changes which may be theoretically right, but

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which, inasmuch as they are novel, will distract the minds of people, and which by diminishing the income derived from the license tax, may necessitate the imposition of fresh and strange taxation. For these reasons, the Lieutenant-Governor would desire to maintain the present minimum, with the slight alteration proposed by the Financial Commissioner

4 Further, the Lieutenant-Governor concurs with Mr. Lyall in holding that the license tax should be extended to the professional and official classes, agriculturists being strictly excluded; as this would be merely an extension of the existing plan to incomes which, in his opinion, should not, in the first instance, have been exempted.

No. 130 C, dated 15th September, 1879

No 176 ] From—E. FRANCIS, Esq, *Offg. Secretary to the Financial Commissioner, Punjab,*  
To—*The Secretary to the Government of the Punjab*

I am directed to reply to your confidential No. 8, dated 20th August 1879, endorsing to this office for opinion and report No. 2372, dated 19th idem, from the Government of India on the subject of license tax assessment.

2. The Government of India expresses an opinion that the present exemptions from liability to tax should be much extended and a higher amount fixed for the minimum taxable income, and asks what limit it would be desirable to fix. A statement is also called for, showing the number of persons assessed under and the amount paid by each class and grade under the Act.

3. This office is not in possession of returns showing the number of persons now held to be taxable in each grade, the figures before supplied having been very much altered by the acceptance of objections and appeals, and by revisions of the assessment in certain districts, but the statistics of amounts calculated under each grade which is herewith submitted can be made to answer the purpose required approximately if the cases in which the tax is still in arrears (most of them probably being irrecoverable cases) be neglected. The result thus obtained would be as follows:—

Class.	Grade	Amount of tax.	Number of persons taxed	REMARKS	
I	1	Rs 500	25	In all the upper classes the tax is 2 per cent upon net income.	
	2	200	102		
	3	150	77		
	4	100	348		
II	1	75	401		
	2	50	1,155		
	3	25	4,679		
	4	10	15,617		
III	1	5	32,525		Incomes of Rs. 150; but tax reduced to 2, Incomes of Rs. 100, but tax reduced to 1.
	2	2	83,704		
	3	1	227,306		

Incomes of less than Rs. 100 are exempt altogether.

The average thus payable by each person in this province is Rs. 2-13; 94 per cent. of the tax-paying population are in the lowest or 3rd class, and 64 per cent. in the lowest grade of that class, paying only Re. 1 each.

Of the whole non-agricultural population, 4 per cent. are taxed in the third and 2½ per mille in the 2nd class, while only about 1 in 14,000 is rated in the 1st class.

4. Mr. Lyall is of opinion that it is quite unnecessary to raise the taxable minimum higher than Rs. 120 per annum, provided that due care and consideration be given to the work of assessment, though he would tax no income under Rs. 200 more than Re. 1. To prevent this limit working hardly and touching the very poor, he would adopt the following Rules:—

All harvest fees paid to artisans should be excluded from account as wages; the income of grown-up brothers or of father and grown-up son should never

be lumped together as one taxable income, even though they live together. Care should be taken that cost of raw material is fully allowed for in the case of weavers, chamars, potters, carpenters, &c, and in the case of shepherds, herdsmen, bullock, pony and camel-drivers, full allowance should be made for risk of death or sickness of their animals. He also thinks Deputy Commissioners should be encouraged to allow exemptions freely in the Re 1 grade to old or infirm men, or men with more people than usual dependent on them. If the assessment were made openly by the Tahsildar or Naib Tahsildar at meetings for each town or village, as suggested in the preliminary report submitted in May last, these exemptions could be easily arranged. With provisions of this kind, Mr. Lyall does not think the Re 120 limit would have the effect of taxing those who find it difficult to pay and who ought not to pay. If exemption is carried much higher than this level, great numbers who can and ought to pay will escape. Perhaps in years of scarcity or very high prices it might be advisable to remit the Re. 1 assessments and to lower the Rs. 2 and Rs. 3 assessments to Re. 1. Mr. Lyall would draw as clear a line as possible between the agriculturists and other classes. *Bona-fide* agriculturists should not be taxed because they also sell milk or cattle, or occasionally hire out their carts, bullocks, or camels, or occasionally lend money at interest or speculate in the corn trade. The great intervals between one grade and another under the Act produce much inconvenience; when, for instance, there is no grade between incomes of Rs. 500 and incomes of Rs. 1,250 per annum, it is impossible to deal with an income ascertained at Rs. 1,000 or thereabouts without either some injustice of the tax-payer or an unfair loss to Government. Mr. Lyall thinks there should be Rs. 400 and Rs. 300 grades between the Rs. 200 and 500 grade, and that the grades in class II might run Rs. 75, 50, 35, 25, 51, 10. Also, that a Rs 3 grade might be put in class III. It would then be open to Deputy Commissioners to charge incomes between Rs. 200 and 250 either Rs. 2 or 3 as might seem fit.

5. In order to compensate for the reductions given to the lower classes, Mr. Lyall is decidedly of opinion that the License Tax should be extended to the professional and official classes, but would exempt the army altogether, and all official and professional incomes not exceeding Rs. 300 per annum. This was given as his opinion when the draft of the License Act was first circulated two years ago, and in the present state of the finances, it is, he thinks, unquestionable that the exemption of professional and official incomes should be terminated. But he would not advise the imposition of any tax on landholders' incomes: such taxation, though it may be justifiable in theory, is not understood in the Punjab, and creates discontent and distrust of the good faith of Government among the class whose good-will is of political importance; besides which the landholders here have been subjected to an increased local rates cess for the same object for which the License Tax was imposed on the rest of the community.

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No 177 } Particulars of License Tax for 1878 taken from the Monthly Statements of Collections furnished by Deputy Commissioners and the list appended to Circular No 56 of 1878

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DISTRICTS	CLASS I						CLASS II					CLASS III					TOTAL		REMARKS
	No of persons as assessed	Amount assessed, 1st Grade	Amount assessed, 2nd Grade	Amount assessed, 3rd Grade	Amount assessed, 4th Grade	Total amount as assessed	No of persons as assessed	Amount assessed, 1st grade	Amount assessed, 2nd grade	Amount assessed, 3rd grade	Amount assessed, 4th grade	Total amount as assessed	No of persons as assessed	Amount assessed, 1st or 2nd	Amount assessed, 2nd Grade	Amount assessed, 3rd Grade	Total amount as assessed	No of persons as assessed	
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Delhi	93	2,500	2,600	1,200	7,100	13,400	2,854	7,800	13,150	20,250	17,870	59,070	18,854	15,040	9,104	6,693	30,737	16,801	103,207
Gurgaon	86		400	450	2,250	1,079	825	2,100	4,000	7,270	14,196	6,072	6,315	5,822	1,731	13,878	7,187	30,923	
Kanul	10			750	700	1,450	781	2,25	1,700	4,575	6,780	19,280	19,201	7,395	5,434	8,661	21,490	13,994	86,220
Hissar	6			500	500	500	491	375	1,150	2,375	3,090	6,980	3,945	2,690	2,728	2,010	7,458	4,351	14,938
Rohtak	26		1,600	1,050	1,000	3,650	1,270	2,250	4,050	7,910	7,980	22,190	8,638	6,275	4,158	5,015	15,115	9,934	41,388
Susa	9			900	900	900	265	300	950	1,375	1,820	4,415	2,650	1,573	1,824	1,709	4,603	2,924	9,948
Ambedla	55		1,000	900	2,500	4,400	1,451	3,075	5,300	10,125	10,230	28,740	24,240	12,385	10,682	13,508	36,530	25,746	69,710
Ludhiana	40		1,000	1,000	3,400	4,550	674	2,25	1,600	3,175	5,130	10,130	22,564	6,145	2,080	16,980	32,215	23,368	46,895
Sindia	43	1,500	1,200	1,650	900	5,250	176	1,300	1,100	2,125	1,700	6,365	1,278	1,910	912	371	8,198	14,997	14,808
Jullundur	33		1,800	1,800	1,200	4,800	1,200	1,800	2,600	5,975	8,850	19,225	11,694	5,615	6,068	10,535	15,787	10,276	26,882
Hoshiarpur							602			4,125	6,970	11,095	9,674	5,245	5,525	4,061	10,516	6,484	16,596
Kangra	4	500	600	300	600	2,000	278	225	600	875	2,360	4,080	6,802	3,063	3,992	4,961	12,955	29,653	15,790
Amritsar	27	500	1,000	600	3,400	5,500	740	2,325	4,330	7,100	6,690	20,455	15,033	7,850	3,780	3,506	12,981	8,796	25,496
Gudaspur	32	2,000	1,200	450	1,900	5,550	550	1,200	1,700	3,373	3,690	9,555	8,214	3,780	3,506	5,705	12,981	8,796	24,462
Balkot	1		200		200	200	703	525	1,850	3,050	5,850	11,275	7,372	4,690	3,846	4,451	12,987	8,106	24,462
Lahore	86	1,700	1,800	1,150	1,550	8,200	456	1,800	1,300	3,450	5,280	12,330	17,254	6,280	6,722	15,768	28,770	17,746	47,300
Gujranwala	2			200	200	200	382	225	700	2,800	3,780	7,505	7,082	5,040	2,950	4,944	10,934	7,468	18,639
Ferozapore	16		400	300	1,100	1,800	380	675	1,125	2,200	3,160	16,825	4,025	10,374	12,150	26,549	17,021	85,509	
Rawalpindi	8	1,600	1,200	150	1,000	3,350	449	675	1,750	2,050	3,980	8,455	18,259	5,775	6,082	14,702	28,399	18,716	40,204
Jhelum	4			500	500	500	364	450	1,180	1,900	4,290	7,740	5,090	6,110	3,144	14,844	7,496	22,584	
Gujrat	4						716	225	1,250	3,925	5,310	10,710	5,399	4,245	3,834	10,712	6,113	21,422	
Shahpur	1				200	200	488	300	500	1,850	3,960	6,610	17,561	3,930	3,712	14,945	22,587	18,059	29,397
Multan	40	1,500	2,600	300	1,650	6,050	1,225	975	2,700	5,275	8,540	17,490	22,244	10,125	10,698	10,574	31,787	23,506	55,337
Jhang			200	150	400	750	157	300	1,100	2,950	4,120	8,470	6,239	5,250	6,082	8,558	19,890	6,390	29,260
Montgomery	4				300	300	879	875	1,000	3,400	7,180	11,956	18,077	10,815	9,344	11,227	31,376	18,940	44,081
Muzaffargarh	1				100	100	319	300	800	1,475	2,500	4,575	9,490	2,535	4,925	1,557	6,912	20,251	
Dehra Ismail Khan	1				500	500	287	450	600	2,250	1,640	4,940	4,474	2,090	2,135	3,458	7,683	4,716	13,123
Dehra Ghazi Khan	22		600		400	1,000	196	225	700	875	1,610	3,110	6,299	2,250	2,714	4,511	9,175	6,517	13,585
Bannu	1				100	100	107	300	350	750	1,600	2,180	3,941	1,035	1,346	3,088	5,469	4,049	7,749
Peshawar	15	1,000	1,000	300	400	2,700	190	225	450	1,175	2,400	4,250	10,452	4,700	5,914	7,206	17,820	16,567	24,770
Huzar							196			425	830	1,315	5,281	980	1,490	3,268	5,668	5,477	6,983
Kohat							50	75	50	125	450	700	1,183	365	576	969	1,910	1,233	2,610
TOTAL	569	12,200	20,400	11,650	34,500	78,750	19,865	30,075	67,725	116,985	156,170	360,955	334,495	162,928	167,000	227,806	567,753	354,929	997,455

LICENSE TAX

1879-80

NOTE - In this statement the number of persons assessed has been taken from the estimate appended to this office circular No 50, dated 9th August 1878, as we have no later information in regard to the number assessed. The amount assessed has been taken from the statements showing the monthly collections, which has no column giving number of persons.

FINANCIAL COMMISSIONER'S OFFICE,  
The 23rd August, 1879

FRANCIS,  
Commr, Punjab

No. 2076, dated 22nd October, 1879.

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1227.

No. 178] From—L. A. CAMPBELL, Esq, for Acting Secretary to the Government of Madras,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

I am directed to acknowledge receipt, on the 28th August, of your (very confidential) letter No. 2872 of the 19th idem, and to forward, for the information of His Excellency the Viceroy and Governor General in Council, the accompanying statement showing the number of persons assessed in 1878 to the license tax under each grade and class of the Act in force in this Presidency, as well as the total amount assessed on each of such grades or classes.

2. In the event of measures becoming necessary to make good the loss caused by the exemptions from liability to taxation under the License Tax Act contemplated by the Government of India, *viz.*, exemption of net earnings or profits under Rs. 500, which commends itself to this Government, I am to suggest that the following course should be followed :

*First*—That in any case the rates of taxation generally should be approximated to those in force in this Presidency.

*Second*.—But that professions should be taxed as well as trades, dealings and industries, and that Government servants should be included under the said head of professions.

*Third*.—And that, by preference, the theory of limitation in the present taxation should be abandoned, and in its place a uniform rate of 1 per cent., without any maximum limit, should be imposed as in the case of the income tax under Act VIII of 1872, the taxable minimum being Rs. 1,000 yearly income of profits.

3. With reference to the improvement of the existing law, His Grace in Council is of opinion that the License Tax Act should be an imperial enactment and uniform for all India, and that it might with advantage follow the precedents of the Income Tax Acts and be made applicable to incomes from offices, property, professions and trades.

No. 179.] Statement showing the incidence of the License Tax Act in the Presidency of Madras, and the revenue derived therefrom.

Class or Grade	Net earnings or profits assessable	Yearly rate	No of persons assessed	Revenue
	Rs	Rs.		Rs.
1	40,000 or over	800	80	24,000
2	35,000 to 40,000	700	2	1,400
3	30,000 to 35,000	600	4	2,400
4	25,000 to 30,000	500	8	4,000
5	20,000 to 25,000	400	19	7,600
6	15,000 to 20,000	300	32	9,600
7	10,000 to 15,000	200	93	18,600
8	5,000 to 10,000	100	400	40,000
9	2,500 to 5,000	50	1,419	70,950
10	1,250 to 2,500	25	4,976	1,24,402
11	500 to 1,250	10	20,943	2,09,430
12	200 to 500	4	77,925	3,11,700
			1,05,851	8,24,082

N B.—These returns are not absolutely correct, owing to the returns from one district being incomplete.

L. A. CAMPBELL,  
For Acting Secy. to the Govt. of Madras.

OOTACAMUND,  
The 22nd October 1879.



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1880, Nos. 1104 to  
1227.

No. 180.]

No. 8793, dated 10th November, 1879.

Telegram from—R. B. CHAPMAN, Esq., Secy. to the Govt. of India, DEPT. OF FINANCE,  
To—The Secretary to the Government of Bengal.

To—The " " " of Bombay.

To—The " " " of Madras.

To—The " " " of the N.-W. Provinces and Oudh

To—The " " " of the Punjab.

To—The Chief Commissioner of the Central Provinces.

On Friday Bill will be introduced amending and consolidating all License Acts. Minimum taxable income will be Rs. 250. Fees on the larger incomes will be increased, and general average tax of one and half per cent. established. Tax extended to professional and official classes. All salaries exceeding one thousand rupees liable to deduction of one and half per cent.

No. 181.]

No. 8837, dated 12th November, 1879.

Telegram from—The Government of India,  
To—The Secretary of State for India.

We have decided to carry out measure sanctioned in your despatch No. 402, dated 21st November last year, amending license tax and extending tax to the official and professional classes. We propose to exempt from the license tax all persons with incomes less than Rs. 250. The effect will be to exempt more than a million of poorer classes, with loss of £240,000. The fresh taxation of the officials and others will yield about the same sum, so that the measures will not affect our revenues. As assessments under the existing License Act are for the calendar year, it is necessary to pass (the) amended Act before (the) 31st December; but the new taxes will not come into force until the 1st April.

No. 182.]

No. 8880, dated 15th November, 1879.

From—R. B. CHAPMAN, Esq., C S I, Secy. to the Govt. of India, DEPT. OF FINANCE,  
To—The Secretary to the Government of Bengal.

To—The " " " of the N.-W. Provinces and Oudh.

To—The " " " of the Punjab.

To—The " " " of Bombay.

To—The " " " of Madras.

To—The Chief Commissioner of the Central Provinces.

I am directed by the Governor General in Council to invite careful attention to the Proceedings in the Legislative Council of the Governor General on the 14th instant, on the occasion of the introduction of the new Bill for imposing a tax on trades and professions, and to request that suitable instructions

may be issued for the guidance of the Revenue Officers in 

Bengal
N.-W. Provinces
Punjab
Bombay
Madras
Central Provinces

 in anti-

icipation of its becoming law.

2. The Bill will in no case be passed before the 31st December next, and no action under it which requires legal sanction can be taken meanwhile. But needful enquiries should be begun in anticipation of the Bill becoming law, so as to ensure that the tax shall be levied, at maturity, with deliberation and care.

3. As explained by the Hon'ble Sir John Strachey, the effect of the measure is to relieve altogether from taxation at least a million heads of families, the reason for the concession in their favor being not that they could not, in theory, be fairly required to contribute to the necessities of the State the small sums which they now pay, but that it is not worth while to trouble so large a number of persons for so comparatively small a financial result, and that the Government is not quite confident that such a tax can be collected over so widespread an area without the risk of many mistakes and abuses.

4. But it is important that the relief thus granted to so large a proportion of the tax-payers should involve no unnecessary sacrifice of revenue; and while there may be reason to fear that some of the persons now to be finally exempted from the tax were not, from the first, strictly liable to it, it is also not unlikely that some of them ought really to have been classed more highly than they actually were classed.

5. Under the law as now to be revised, the number of assessments will be so greatly reduced that it will be possible for the District Revenue Officers to give much more individual attention to those which remain. The Governor General in Council trusts that careful measures may now be taken to ensure this being done. A prominent defect of the several assessed taxes hitherto from time to time imposed has been an uncertainty as to their permanence, which is believed to have interfered with the efficiency and thoroughness of their administration. Now that such uncertainty is at an end, and the area of the tax will be so limited as to make it possible for the District Officers personally to control its assessment, the Governor General in Council expects that it will be settled and levied as thoroughly and with as little abuse as any other part of the public revenue. Complete efficiency may not be immediately attainable, but it will certainly, in the end, reward sustained attention on the part of the Revenue Officers.

6. At the outset, the schedules of the tax-payers should be revised in detail, equal care being taken that no one is classed in either too high or too low a schedule. In particular, while there will be no room for doubt as to the final emancipation of the mass of those tax-payers who have hitherto been classed among those now exempted, and while the Governor General in Council is anxious that the Revenue Officers should not, by indiscriminate inquisitions, detract from the value of the boon which is to be granted to the poorer tax-payers, it should not be too hastily assumed that the wealthier among them will not be liable to taxation under the amended law.

7. In administering the tax, hereafter, advantage should be taken of the comparative immobility of relative circumstances which is the characteristic of society in India and other Asiatic countries. As already said, the schedules should be constructed, in the first instance, with deliberation and care and revised, as often as necessary, until they are satisfactorily settled; but a taxpayer once classed in a schedule after full investigation of his case, should not be transferred to a higher one lightly or only by reason of some transient improvement of his circumstances.

8. If a prudent reluctance to disturb the schedules once settled is exercised, and care is taken to discourage the intervention of interformers or persons who wish to gratify some personal rancour at the expense of their neighbours, the Governor General in Council believes that the principal causes for the unpopularity of such taxes will be removed, and that the license tax will, presently, be accepted by the people as an appropriate element of the revenue system of British India.

9. The foregoing remarks apply only to those provisions of the Bill which affect traders. In regard to its other provisions, you will, if necessary, be addressed hereafter.

No. 183.]

No. 3831, dated 15th November, 1879.

From—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPT. OF FINANCE,

To—The Secretary to the Government of Bengal.

To—The " " " of the N. W. P. and Oudh

To—The " " " of the Punjab.

To—The " " " of Madras.

To—The " " " of Bombay.

I am directed to forward copies of the Bill to impose a tax on trades and professions which was introduced on the 14th instant in the Legislative Council of the Governor General, and of the statements made by the Hon'ble Sir John Strachey in explanation of the measure.

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2. It will be seen that, for the reasons which have been given in those statements, it is essential that the Bill should be passed before the 31st December next; and I am to request that the views of \* in regard to any points on which the measure may appear to require amendment, may be communicated to me for the information of His Excellency in Council with the least practicable delay. As the Bill must be referred to a Select Committee and brought before the Legislative Council immediately after the arrival of the Government of India in Calcutta, it is particularly requested that the reply to this letter may be despatched in time to reach me not later than the 5th December.

No. 184 ] *Speech by SIR JOHN STRACHEY, in the Legislative Council of the Governor General on the 24th November, 1879, on the motion for leave to introduce a Bill to impose a tax on Trades and Professions.*

MY LORD,—Nearly two years have elapsed since the Government of India resolved that it was necessary to take active measures for the improvement of its financial position, and especially for providing funds to meet the heavy charges and obligations which are entailed upon the State by the periodical occurrence of famine.

I do not now propose to consider how far these measures have been financially successful. When they were taken, India was only just recovering from one of the most terrible and widespread famines recorded in her history. The year that followed, although less disastrous than its predecessors, was not prosperous; and it is only now in the year 1879, that it seems possible to hope, with some confidence, that the long period of scarcity and famine through which the country has been passing has really ended. The seasons have this year been favourable. In almost all parts of India, the prospects of agriculture, on which almost everything else depends, appear excellent, and we see, I hope, general signs of increasing prosperity.

Unfortunately famine was succeeded by war, and by another misfortune, which, considered from a merely financial point of view, was still more serious. I refer, of course, to the great disturbance in the relations between silver and gold, which has entailed upon the revenues of India such grave consequences. I do not now propose to enter into any general questions of finance. The time is not far distant when they will come under discussion. All that I will now say is that I feel satisfied that India will be well able to bear all her own proper burdens; that I see much that is encouraging and satisfactory in the condition and prospects of her finances, and no cause whatever for despondency.

Among the financial measures taken at the beginning of last year, one of the most important was the imposition throughout India of a license tax on traders. I will not recapitulate the reasons which led the Government of India to adopt this form of taxation, but I shall have to refer to them presently. Reserving whatever further remarks I may desire to make on this subject, it is sufficient now to say, as I said in this Council on the 9th February 1878, that there was this strongest of all possible justifications for taxing the commercial and trading classes, that excepting that small section of them composed of Europeans, they paid scarcely anything towards the expenses of the State.

We have now had sufficient experience of the new taxes to enable us to form a judgment on their merits and their defects. Financially, the license tax has been successful, for it yields already about £870,000 a year; and taxes of this kind become more productive as knowledge and experience are gained by the assessing officers. With one exception the tax has been successful in other respects also. The greater part of the amount which it has yielded has been assessed and collected without difficulty or opposition; and although the tax has undoubtedly been unpopular, as all direct taxation must be, there has been only one really serious and valid objection to it. It has become clear that it descends too low, and that it falls on large numbers of people, on whom the imposition of taxation in such a form is neither expedient nor profitable.

In the North-Western Provinces, Oudh, and Madras, no person was made liable to the tax whose annual earnings were less than two hundred rupees;

but throughout the rest of India, in Bengal, Bombay, and the Punjab, the minimum taxable income was fixed at one hundred rupees.

When, my Lord, the Council was discussing the imposition of the license tax, I spoke on this subject as follows :—

“As to the objection, which has been raised in some quarters, that this tax will fall mainly on the poor, I content myself with simply denying the fact. It will touch no person whose nett earnings are less than Rs. 100 a year; and if anybody asserts that in the Provinces to which this Bill refers, any man is poor who possesses an income of Rs. 100 a year, he is ignorant of the facts. Such a man is not poor; he is a man far removed above poverty, and well able to pay his contribution towards ensuring the country against famine. To say that our new taxation will fall upon the poor is either an error or a calumny.”

I do not retract or qualify a word of what I then said.

I assert as positively as ever that in the greater part of India, a man with Rs. 100 a year is not poor. Strange as it may sound to English ears, a small trader or artisan or agriculturist in India, whose net income is £10 a year, certainly commands more, not only of the necessaries, but of the comforts of life, than a man with five and six times that income in England; and it is also certain that the taxes paid by the former are far less onerous than those of the latter. In confirmation of this, I may remind the Council of the remarks made by the Lieutenant-Governor of Bengal, Sir Ashley Eden, when the Northern India License Bill was under discussion; no one is likely to question his authority on such a subject. Repudiating the assertion that the tax would fall on the poorest classes,—

“It may be difficult,” he said, “for men who know nothing of the country to realise that practically a Native with an income of Rs. 100 a year is in a better position than a European trader or mechanic in Europe with an income of £100 a year. I am sure that every one really acquainted with the Native habits and modes of life and requirements will agree with me that this is so.”

It is not, therefore, on the ground that the license tax falls heavily on the poor that I now admit that it affects a very large class which ought to be exempted. The reason for exempting them is that the numbers brought under taxation have been far larger than was anticipated, and experience shows that it is not politically wise or financially worth while to collect from a great multitude of people fees so small as those which are imposed on the smaller incomes by the present license tax.

The difficulty of preventing extortion and oppression on the part of the petty officials entrusted with the duty of collecting the tax has proved, in some parts of India, serious, and it is impossible to doubt that there has often been reason for the numerous complaints which have been made. Fully as this must be admitted, and greatly as it must be regretted, it would be a mistake and an injustice to suppose that such abuses have been universal, and as experience has been gained, there has been, I hope everywhere, improvement in the manner in which the assessments and collections have been made. I see no reason to doubt that if the existing limit of liability to the license tax were maintained, the local Governments would everywhere succeed in removing all serious cause for complaint on such grounds as those of which I am now speaking. This is merely a question of good or bad administration. In some Provinces, we are assured already by the local Governments that the tax is levied in so satisfactory a manner that no reason exists, in their opinion, for any large exemption of the smaller incomes. Thus, in Bombay, where there were at first many complaints of over-assessment and oppression, we are now informed that the collections are made without any trouble or complaint, and that all former difficulties have been removed. The Bombay Government does not think it necessary to exempt incomes of Rs. 100 a year from liability to the tax. So also in the Punjab. The Lieutenant-Governor has given a decided opinion that, so far as that Province is concerned, the only change that should be made in the minimum limit of liability is to raise it from Rs. 100 to 120.

“The reason,” it is stated, “which Sir Robert Egerton has for this opinion is that the Act is now fairly understood, and its provisions accepted by the people of this Province. The machinery is now in working order, and cases of oppression and hardship will become with each assessment more rare. Great care has already been taken in examining and amending the first assessments; and it is consequently, in His Honor’s opinion, wiser to continue a tax which has been accepted and is working fairly well, than to make changes which may be theoretically

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right, but which, inasmuch as they are novel, will distract the minds of the people and which, by diminishing the income, derived from the license tax, may necessitate the imposition of fresh and strange taxation. For these reasons, the Lieutenant-Governor would desire to maintain the present minimum with the slight alteration proposed by the Financial Commissioner."

When opinions of this kind are expressed by the Governor of Bombay and the Lieutenant-Governor of the Punjab, Sir Richard Temple and Sir Robert Egerton, than whom there are certainly no higher or more competent authorities, I think that I may claim to have made good my assertion that even in those Provinces where incomes of Rs. 100 a year have been taxed, there is no foundation for the statements which have been made in some quarters that the result has been general and unjust oppression of the poor.

Nevertheless, the Government of India has come to a decided conclusion that an alteration of the law is desirable, and I can explain the reasons for this conclusion in a few words.

When the License Tax Acts were passed, it was left to the local Governments to determine what should be the lowest limit of taxable income. The only interference exercised by the Government of India was to prevent this limit being less than Rs. 100, for some of the local Governments would have gone lower. It was not then foreseen how disproportionately large would be the number of persons assessed in the lowest classes, and how comparatively small would be the financial return.

The schedules attached to the various local Acts differ so much that I cannot give strictly accurate statistics, but there is no doubt that more than a million persons whose incomes are between Rs. 100 and Rs. 250 a year are now liable to the tax, and that the amount which they pay does not exceed £240,000. The mere statement of this fact is sufficient. It cannot be right for the sake of raising so small a sum to impose direct taxation on so great a multitude of people. Although there has not been in any part of India any reason whatever for thinking that the tax has actually led to political discontent, or the smallest apprehension of anything of the kind occurring, it is nevertheless politically wise to amend the law.

In regard to the amount which it would be desirable to fix as the lower limit of liability to the tax, every Government in India has been consulted. I have already referred to the opinions of the Governments of Bombay and of the Punjab, and have said that they were disposed to make little or no alteration in the existing limit of Rs. 100. The Government of the North-Western Provinces and Oudh thinks that Rs. 240 would be a suitable amount; this is Rs. 40 higher than the present minimum in those Provinces. In Bengal, as the Council is aware, the Lieutenant-Governor, with the approval of the Government of India, exempted, not long ago, all incomes between Rs. 100 and Rs. 250 from liability to the tax. This was done by executive order; the Act gave to the Lieutenant-Governor the necessary authority. Both Sir Ashley Eden, and Sir Stuart Bayley, who is now acting as Lieutenant-Governor of Bengal, concur in thinking that Rs. 250 may properly be adopted in future as the minimum. The Government of Madras has also accepted Rs. 250.

The Government of India now proposes that Rs. 250 shall be the minimum income liable to this form of taxation. It will be understood, from what I have said, that in fixing this amount we are really giving greater relief to the poorer classes of traders than most of the local Governments think necessary; but, it is better in this matter to err on the side of liberality. We think also that it will be desirable to maintain the same limit of Rs. 250 throughout India. When the tax was first imposed, it was urged that circumstances differed much in different Provinces, and that it was not certain that the same minimum limit of taxable income would everywhere be appropriate. There is undoubtedly truth in this, but it is very difficult in practice to arrive at satisfactory conclusions on such questions, and it appears best to have a uniform limit. There is no part of India in which it will be a hardship to oblige a trader with an income of Rs. 250 to pay a fee of four rupees a year. As I have already stated, it is estimated that by the changes now proposed we shall exempt more than a million persons from taxation, and shall give up revenue to the amount of about £240,000.

There are various other points in which the existing License Acts require amendment, but I need not now detain the Council with explanations of them, and I have to speak of other matters of importance.

In the first place, I must explain why the apparently unusual course has been taken of introducing a Bill such as this at Simla. The explanation is simple. All the License Tax Acts, excepting that in force in Lower Bengal, require the assessments and collections to be made for the calendar year. The Collector makes his demand on the 1st January, and the whole of the tax must be paid into the treasury, under serious penalties for default, by the 1st February. It is, therefore, obvious that if important alterations are to be made in the existing law, they ought to be made before the 1st January. Much confusion and embarrassment would follow from any subsequent change, unless we are prepared to leave the present system of taxation virtually unaltered for the greater part of another year. There is another reason which renders it highly desirable that the intentions of the Government in regard to the license tax should be made publicly known as soon as possible. If the collectors are allowed to make their inquiries and prepare their lists and their assessments on the assumption that the law is to remain unaltered, they will have, later on, to do a great part of their work over again; and it is extremely important that they should know what is proposed as early as possible in the cold season when they can give personal attention to this part of their duties. The Government has this year been obliged, by obvious reasons connected with the affairs of Afghanistan, to remain longer in this part of India than has been usual; and if the introduction of the present measure were to be delayed until the Government reaches Calcutta, it would hardly be possible that it should become law, as I now hope it may do, by the end of December.

I come now, my Lord, to another and very important part of my subject. It is a question which has, for some time past, been before the Government, and its consideration has been rendered the more necessary by the proposal to sacrifice £240,000 a year out of the sum now yielded by the license tax.

The reasons which originally led the Government to confine this tax to trades and dealings, and not to bring under it the professional and official classes, were, as I thought, fully explained by me at the time. My observations were, I suppose, misunderstood; at all events they have been widely misrepresented. It has been alleged that I asserted that traders generally benefit by famines, and that justice required that no officials should be taxed, and arguments have been gravely brought forward to show that this cannot be. No such absurd assertions were ever made by me. My statement was that when scarcity affects one part of India, the producers of grain, the dealers in grain, and other traders in parts of the country not so affected, make large profits; and that while the agricultural and trading classes are, on the one hand, those that require large measures of relief in a region suffering from extreme scarcity, so, on the other hand, these are the classes which are in a position to obtain large profits when their own provinces are flourishing, and other provinces are suffering. I said further that the less wealthy members of the professional and official classes, who depend on fixed incomes for their support or on incomes little affected by competition, suffer from the pressure of high prices, not only when scarcity prevails in their own provinces, but when it prevails elsewhere. The high prices which, under such circumstances, serve to enrich the producing and trading classes, entail (I said) suffering on the small officials and on those subsisting on wages the amount of which they are powerless to regulate. The general truth of all this cannot, I feel sure, be impugned, and I shall not waste the time of the Council in further repudiating ridiculous opinions which have been attributed to me, but which I certainly never expressed.

Apart from that natural dislike which is everywhere felt to any new taxation, and from complaints as to the manner in which the license tax has been assessed, the principal objection to it has been that it is partial, and does not go far enough. The commercial communities in the three Presidency towns have submitted memorials praying for its extension to the official classes, and there has been, no doubt, a very general feeling, shared by the officials themselves, that they ought to bear their share of the new taxation. The arguments contained in the memorials to which I have referred, if their logical consequences were accepted, would have led to the imposition of

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an income tax, rather than to an extension of the license tax; but the re-imposition of a general income tax was not thought desirable, and it was determined that this form of direct taxation should be confined to certain classes of the community. Traders were specially and unhesitatingly selected as constituting that class which bore the smallest share of the expenses of the State, compared with the great benefits it receives from our rule. It may be a fair subject for argument whether the line drawn by the Government of India, when it did not extend the tax beyond traders and did not include the professional and official classes, was the best possible line; but it is altogether misleading to suggest, as has been done, that the official classes were alone excepted.

It is perhaps not necessary to refer more to the past. But I may remark that in matters such as these Governments cannot be guided by mere abstract ideas, and that, in the nature of the case, conflicting opinions have to be reconciled, and divergent interests to be considered. There has been no disguise that on this occasion advocates of an income tax were not wanting; as on many other occasions, a compromise was adopted, which, like all compromises, was open to criticism from one side or the other.

The Government has never concealed from itself that there are practical inconveniences, as well as political evils, in not bringing the wealthier portion of the professional and salaried classes under the taxation which has been placed on traders; and now that we are proposing to modify that taxation and to make a sacrifice of revenue, the re-consideration of the whole subject has (I have already said) been forced upon us. Every Local Government in India has now concurred with the Supreme Government in the opinion that taxation similar in amount to that already-borne by the wealthier classes of traders should be extended to the wealthier classes of officials, and that the license tax should apply generally, as it already does in Calcutta, not only to trades but to professions. Although it is not proposed by the Bill which I am asking leave to introduce that any taxation shall be actually levied from any person until after the commencement of the next official year on the 1st April 1880, it seemed plainly desirable not to delay the announcement which I have now made. It would not have been proper, when it became necessary to make important alterations, in the License Tax Acts, as they affect traders, to leave the public under the impression, for several months to come, that the Government proposed to make no alteration in the law as it affected the official and professional classes. The proposal of the Government now is to deal with the whole subject in a single measure. It wishes, for the reasons which I have already explained, that this measure should be placed before the public as soon as possible, and that it should become law before the end of the year.

I will postpone the observations which I shall have to make in some detail, in explanation of the Bill which I am asking leave to introduce. I will now give a summary only of its more important provisions.

In order to avoid minute inquisition into incomes, the existing License Tax Acts, as the Council is aware, divide the persons taxed into classes. The Bill maintains this system, with (as I shall notice presently) some modifications which are obviously required in the case of the higher grades. The classification is so arranged that the average incidence of the tax shall always be as near as possible to one and a half per cent. on estimated annual earnings. On the lowest class of all,—that is, on incomes between Rs. 250 and Rs. 350,—the average rate will be somewhat less. It is proposed to make no difference between the trading and professional classes; but separate provisions will be necessary for the taxation of the salaried classes, whether official or non-official. The rough process of classification, which is desirable in the case of traders and professional persons, whose exact incomes are unknown, would obviously be inexpedient and inconvenient in the case of the salaried classes. The amount of the actual salaries of all public servants is known, and those of the servants of companies and private persons can easily be ascertained. It is proposed, therefore, to assess the salaried classes by a percentage on their actual salaries. This was the plan adopted under the Certificate Act No. IX of 1868, after the plan of taxing them by classes had first been tried under the License Act No. XXI of 1867. Following the precedents of those

two Acts, it is proposed to exempt from liability to the tax, the military servants of Government, not in civil employment, whose pay and allowances do not exceed Rs. 500 per mensem, or Rs. 6,000 per annum; and for all other salaried persons, it is proposed, following the same precedents, to make Rs. 100 per mensem, or Rs. 1,200 per annum, the lower limit of taxable income. The rate of the tax will be the same as the average rate assessed on traders, or one and a half per cent.

It is estimated that the extension of taxation to the official and professional classes, in the manner now proposed, will yield very nearly the same amount as that sacrificed by giving up the tax on the lower classes of traders, or about £240,000. From a merely financial point of view, the Bill will therefore, if it becomes law, have no appreciable effect upon our revenues. We shall gain no more than we lose, and the measure will only be one of readjustment of taxation. But we shall obtain somewhat greater equality in the incidence of taxation, and we shall remove, I hope, all grounds for the assertion (the justice of which, however, I am far from admitting) that we have placed undue burdens on the poor, and shown undue favor to the rich. We shall transfer to about 35,000 persons, three-fifths of whom are more or less highly paid officials, the greater portion of the burden now borne by upwards of a million traders, who, if not actually poor, belong, at any rate, to the humbler classes of community.

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No. 185.] *Speech of SIR JOHN STRACHEY on introducing the Bill to impose a Tax on Trades and Professions.*

MY LORD,—It is not necessary that I should detain the Council much longer in explanation of this Bill, and I have already sufficiently stated the reasons which make the Government desirous that it should be introduced and published with no avoidable delay. The Bill, so far as the trading classes are concerned, follows in most respects the provisions of the existing License Tax Acts.

It differs from them, however, in some important particulars.

In the first place, this will be an Imperial measure, which will supersede all the Local License Acts now in force. There will not, I think, be any difference in the opinion that, under the circumstances, this course will be the most convenient to adopt. The Bill, as I have already said, will apply to all persons exercising professions, and to persons on service, whether public or private, as well as to the commercial classes. For the latter class, *i.e.*, persons engaged in trade, the lowest income taxable will be Rs. 250 per annum.

All incomes derived from business have been grouped, as under the present Acts, in classes, which have been so arranged that, practically, the average incidence of the tax upon each of these classes may be expected to be about  $1\frac{1}{2}$  per cent. There will thus be little or no change in regard to the greater number of persons who are now taxed and who will remain liable under the new measure. But, under the existing Acts, the highest fees that can be levied on the largest incomes vary from Rs. 200 in Bombay to Rs. 800 in Madras. The extension of taxation to other classes, in the manner that has been proposed, will obviously render it necessary to remove what would otherwise be an indefensible advantage in favor of the richer members of the trading classes. The schedule has therefore been so arranged that the richer traders will pay, like others, at the rate of about  $1\frac{1}{2}$  per cent. on their presumed incomes.

In the assessment of incomes the system actually in force will be generally maintained. No inquisition will be made; the assessing officer will proceed, as under the existing Acts, upon the best information that is available to him, without making enquiries of the persons to be assessed.

Persons, however, who object to their assessment may, after paying half of the sum assessed, demand that their objections should be heard, and may shew, if they wish, that their assessment has been erroneous. The orders passed on such objections have been made open to revision, in order to afford the means of remedy where the objections may not have received due consideration.

As the sums payable under the proposed tax will, in some cases, be much larger than those leviable under the existing license tax, provision has been



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made for payment of the tax, whenever it exceeds Rs. 40, in two instalments. For the same reason, it has been provided that a person whose income ceases during the year of taxation, may claim a proportionate abatement from the sum assessed upon his profits for the entire year.

To remove doubts which may arise in the case of persons who are in the receipt of salaries, a definition has been introduced of the word "pay." In the case of persons receiving salaries, whether from the Government or from private employers, the tax will be levied at a fixed and uniform rate of  $1\frac{1}{2}$  per cent.

Salaries of less than Rs. 100 per mensem or Rs. 1,200 per annum will not be liable to taxation. In this respect the precedents of the License Tax of 1867 and of the Certificate Tax of 1868 have been followed. Military Officers also and soldiers in receipt of allowances not exceeding Rs. 500 per mensem or Rs. 6,000 per annum have been exempted, as they were then; but it is not proposed to continue the same exemption to members of the Police, which has become a purely Civil Force.

Provision has been made, in the case of persons in private employ, for the collection of the tax through their employer.

The Bill has been made applicable to the whole of British India, but power has been reserved to exempt such territories and classes of persons as cannot properly be brought under its operation.

Such a class is the commercial class, or rather a portion of it, in the Central Provinces, who already pay the Pandhari tax. In several of the scheduled districts which are now exempt from the operation of the license tax, it will, no doubt, be necessary to make similar exemptions under the new measure.

There is, I think, only one other matter which need now be noticed.

In the existing License Acts prominent attention was drawn, in the preamble and in the body of the Acts, to the fact that these taxes were imposed with the object of effecting "a permanent increase of the revenue, in order to provide means for defraying the public expenditure from time to time incurred and to be incurred for the relief and prevention of famine in British India." These words have been omitted in the present Bill, and it is desirable that I should explain the reason.

I do not now propose to enter into any discussion in regard to the measures taken by the Government nearly two years ago with the object of protecting the country against the financial liabilities involved by the occurrence from time to time of famine, and of providing to the utmost of its power the means of preventing and relieving these calamities. Nor shall I now consider how far the Government has been able to carry these objects into effect. The time is not distant when the proper opportunity for such discussions will arrive; meanwhile, I have only a few words to say.

I quite admit that the financial part of this subject was somewhat complicated, and that it was not very easy of comprehension to a person who had not given careful attention to it. The difficulty has been increased by the fact that since the Government of India explained the policy which it hoped to carry out, that policy has been very seriously modified by the obligation placed on us by the Secretary of State, of greatly reducing our expenditure on those Productive Public Works, the construction of which we had looked upon as the best safe guard against famine.

I had supposed, my Lord, that if there was one thing which had been made clearer than another in regard to the measures in question, it was this,—that although it was sometimes convenient to talk of a Famine Insurance Fund (I believe, however, that I myself on no single occasion used the expression), the Government altogether repudiated the idea that it was desirable to constitute any separate fund from the produce of the new taxes for the purpose of meeting expenditure on famine. I said, in the plainest language that I could find, in the debate in this Council on the 9th February 1878, that the creation of any separate fund would not only be useless but mischievous, that it would disturb the adjustment of grants and accounts, and cause suspicion and trouble to all concerned. I will repeat the words which I used on that occasion—

"What the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to famine, which shall be felt in the same way as the

obligation to provide proper Courts of Justice, Police, Education, and so forth. For none of these objects has it ever entered into the mind of any one to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate Famine Fund than for separate funds for any of those other objects which are obligatory on the Government."

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The words that were inserted in the existing License Acts, and which I have quoted, served undoubtedly to increase the misapprehension of these questions; and although the policy of the Government remains unchanged, it is thought desirable to omit them.

It has, my Lord, unhappily become the fashion of late to attribute to political opponents not only ignorance and lack of wisdom, but the basest motives of deliberate dishonesty. The Government of India, or some of its Members, have had, in respect of this subject of famine insurance, their full share of this vile usage, degrading to those alone who practise it. To such people scorn and silence are the only fitting reply, and they will certainly receive no reply from me. They will doubtless find in the omission of all reference to famine in the preamble of this Bill fresh evidence of the intention of the Government to evade or repudiate the solemn obligation which it assumed.

To honorable critics of another stamp and to the public I give the assurance that the Government proposes no change of policy. It undertook, for the first time nearly two years ago, the responsibility of making provision for the protection of the country against the financial consequences of famine. It has never, notwithstanding the new and unexpected difficulties which have supervened, swerved from the policy of which it then proclaimed the necessity, and it will continue, to the utmost of its power, to carry out that policy in the future.

No. 3881A., dated 15th November, 1879.

No. 186.] From—R. B. CHAPMAN, Esq., C.S.I., Secy to the Govt. of India, DEPT. OF FINANCE,  
To—The Chief Commissioner, Central Provinces.

I am directed to forward copies of the Bill to impose a tax on Trades and Professions, which was introduced on the 14th instant in the Legislative Council of the Governor General, and of the statements made by the Hon'ble Sir John Strachey in explanation of the measure.

2 It will be seen that, for the reasons which have been given in those statements, it is essential that the Bill should be passed before the 31st December next; and I am to request that your views in regard to any points on which the measure may appear to require amendment, may be communicated to me for the information of His Excellency in Council, with the least practicable delay. As the Bill must be referred to a Select Committee and brought before the Legislative Council immediately after the arrival of the Government of India in Calcutta, it is particularly requested that the reply to this letter may be despatched in time to reach me not later than the 5th December.

3. The opinion of the Chief Commissioner is also requested on the question of the application to the Central Provinces of the new measure, so far as it affects traders and professional persons, other than officials. It is probable that the Chief Commissioner will wish to retain the existing Pandhari Tax. In this case, the course which it is proposed to follow should be clearly explained, and it should be stated whether any special provisions should, in the Chief Commissioner's opinion, be added to the Bill.

No. 3933, dated 15th November, 1879.

No. 187.] From—R. B. CHAPMAN, Esq., C.S.I., Secy to the Govt. of India, DEPT. OF FINANCE,  
To—The Chief Commissioner, British Burma.  
To—The „ „ Assam.  
To—The „ „ Ajmere.

I am directed to call attention to the Bill to impose a Tax on Trades and Professions published at page 955, Part V of the *Gazette of India*, dated the 15th instant, and to forward copies of the explanatory statements made by the Hon'ble Sir John Strachey before the Legislative Council of the Governor General.

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2. For the reasons given in those statements, it is essential that the Bill should be passed before the 31st December next, and the Bill must, therefore, be brought before the Legislative Council and referred to a Select Committee immediately upon the arrival of the Government of India in Calcutta.

3. I am to request that you will take the Bill at once into careful consideration, and despatch your criticisms so as to reach me at latest by the 5th December.

4. The Governor General in Council desires me especially to ask your opinion whether it would be proper to make the proposed law applicable in all its parts to <sup>British Burma</sup> Assam. To assist your judgment upon this point, I am directed

to forward for your information copy of a letter of instruction, No. 3880, dated the 15th instant, recently addressed to the Governments in whose jurisdiction the new tax is to be now assessed and levied.

No. 3933A., dated 15th November, 1879.

No 188.] *From*—R. B. CHAPMAN, Esq., C.S I, *Secy. to the Govt. of India*, DEPT. OF FINANCE,  
*To*—*The Chief Commissioner, Mysore.*  
*To*—*The Resident at Hyderabad.*

I am directed to call attention to the Bill to impose a Tax on Trades and Professions, published at page 955, Part V of the *Gazette of India*, dated the 15th instant, and to forward copies of the explanatory statements made by the Hon'ble Sir John Strachey before the Legislative Council of the Governor General.

2. For the reasons given in those statements, it is essential that the Bill should be passed before the 31st December next, and the Bill must, therefore, be brought before the Legislative Council and referred to a Select Committee immediately upon the arrival of the Government of India in Calcutta.

3. I am to request that you will take the Bill at once into careful consideration, and despatch your criticisms so as to reach me at latest by the 5th December. You will observe that it is intended to levy the tax from officers of the British Government serving in <sup>Mysore</sup> Hyderabad—for the benefit of the British Indian Treasury.

No. 29, dated 20th November, 1879.

No. 189.] *From*—*The Government of India,*  
*To*—*The Secretary of State for India.*

In our despatch No. 2 S.R., dated 13th March last, we reported to Your Lordship the reasons for which it appeared to us desirable to postpone action on the sanction given in your despatch No. 402, dated 21st November 1878, to the imposition of certain new taxes on the official and professional classes, and those reasons were approved by Your Lordship in your despatch No. 276, dated 24th July 1879.

2. The necessity for making some important changes in the existing License Tax Acts has lately become clear to us, and it is especially apparent that the taxation descends too low, and affects large numbers of persons on whom the imposition of direct taxation in this form is neither politically expedient nor financially profitable. In accordance with the opinion of the Lieutenant-Governor of Bengal, we authorised him to sanction, a short time ago, the exemption, by executive order in that province, of all persons from liability to the tax whose incomes did not exceed Rs. 250 per annum, and it cannot be doubted that similar relaxations are desirable in other provinces also.

3. The tax now yields about £870,000 a year, and this amount is contributed by more than 1,800,000 persons. Owing to the differences of classification in the schedules of the various Local Acts, it is not possible to give very accurate statistics; but there can be no doubt that, out of the total number of 1,800,000 given above, no less than from 1,000,000 to 1,300,000 persons have been assessed on incomes between Rs 100 and 250 a year, and the amount paid by them does not exceed £240,000. The mere statement of these facts is sufficient to show the propriety of exempting the smaller incomes from taxation.

4. Having arrived at this conclusion, it became necessary for us to reconsider the question of extending taxation to the official and professional classes in the manner already approved by Your Lordship. Under all the existing License Tax Acts, with the exception of that in force in Bengal, the assessments and collections are made for the calendar year; and, therefore, if further legislation be required, it is obviously desirable that it should be completed before the 31st December. Under these circumstances, and considering that there are now no apparent reasons for postponing any longer the extension of the tax formerly proposed, we have introduced into the Legislative Council the Bill, a copy of which accompanies this despatch.

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5. The reports of the two speeches made by Sir John Strachey in bringing forward the measure will give to Your Lordship complete information on all matters not already explained by us. There is only one point in which the provisions of the Bill differ from those already sanctioned by Your Lordship. Under our original proposals, contained in our letter No. 16, dated 22nd July 1878, the higher commercial incomes would have been subject to a lower rate of taxation than the incomes of the richer officials. This inequality did not appear defensible, and it has been removed in the present Bill.

6. Your Lordship will observe that the proposed measure, if it becomes law, will have no appreciable effect on our finances, as the amount sacrificed by the exemption of the smaller incomes will, it is believed, be almost exactly made good by the extension of taxation to the official and professional classes.

7. We propose to proceed with the Bill after the return of the Government to Calcutta in December.

No. 1227, dated 18th November, 1879.

No 190.] *Office memo from—D. FITZPATRICK, Esq., Secy. to the Govt. of India,*  
LEGISLATIVE DEPT.,  
*To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

The undersigned is directed to forward herewith six copies of the papers noted on the margin, and to request the favour of the Finance and Commerce Department's opinion on the provisions of the Bill.

2. The reply to this memorandum should be sent in by the 5th December next.

No 191.] *The Trades and Professions Tax Bill, 1879.*

[DEPOSITED.]

Dated 18th November, 1879.

*Statement of Objects and Reasons.*

The existing License Tax Acts are four in number. Act II of 1878, passed by the Council of the Governor General, applies to the Punjab, the North-Western Provinces and Oudh; and Acts, more or less similar, passed by the Local Legislatures, apply to the Presidencies of Madras and Bombay, and to Bengal. These Acts it is now thought desirable to consolidate and amend, and the present Bill has been prepared for this purpose.

2. It is considered necessary to exempt from liability to this form of taxation all persons whose presumed incomes are less than Rs. 250 per annum. The effect of this change of system will be to exempt more than a million persons from taxation, and it will involve a sacrifice of an annual revenue of about £240,000.

3. With a view to making good the loss of revenue caused by this exemption of the smaller incomes now liable to the license tax, and to obtaining at the same time greater equality in the incidence of taxation, it is proposed to extend to the professional classes, and also to the wealthier officials and other persons receiving salaries, taxation at a similar rate to that imposed on the trading classes.

It is proposed to treat the trading and professional classes alike. In regard to traders, the Bill makes no important change in the system followed

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under the existing License Tax Acts, except that it is obviously necessary to increase the fees payable by persons with the larger incomes, as the richer traders would otherwise be taxed at a lower rate than that applied to the salaried classes. The system of classification now in force is generally retained. Some small variation in the rate at which the tax falls on different incomes is under any such system unavoidable; but the new schedule has been so framed that the difference between the highest and the lowest rates does not exceed  $1\frac{1}{2}$  per cent., the average incidence of the tax being a little over  $1\frac{1}{4}$  per cent. on estimated annual earnings.

4. Separate provisions are made for the taxation of the salaried classes, whether official or non-official; as, in their case, the exact incomes being known, the rough process of classification which is desirable for traders and professional persons would obviously be neither necessary nor expedient. It is proposed, following pretty closely the precedents of Act XXI of 1867 and Act IX of 1868, to assess the salaried classes on their actual salaries, the lower limit of taxable salary being Rs. 100 per mensem, or Rs. 1,200 per annum.

The rate of the tax on these classes will be  $1\frac{1}{2}$  per cent, and, in practice, the tax will on the average fall on all classes at the same rate.

5. Following the precedents above quoted, it is proposed to exempt from liability to the tax the military servants of the Government whose pay and allowances do not exceed Rs. 500 per mensem, or Rs. 6,000 per annum.

6. It is estimated that the extension of taxation to the professional and salaried classes in the manner proposed by the Bill will yield very nearly the same amount as that sacrificed by giving up the tax on the lower classes of traders, or about £240,000. The measure will, therefore, have no appreciable effect on the public revenues.

7. The present opportunity has been taken to amend the law in other particulars, but they are not of sufficient importance to call for notice here.

8. As the existing Acts require the assessment lists to be made out in the beginning of January, it is desirable that the present Bill, if it is to become law, should be passed before the 31st December; but no payments will be due until after the 1st April, when the next financial year begins.

No. 1923, dated 13th December, 1879.

No. 92] Office memo. by—R. B. CHAPMAN, Esq., C S.I., Secy, to the Govt of India,  
DEPT OF FINANCE.

In reply to office memo. from the Legislative Department, No. 1227, dated 18th November 1879, the undersigned is directed to submit the following points for consideration in that Department in connection with the Trades and Professions Tax Bill now before the Indian Legislature.

*Section 1, Clause II.*—The Bill extends “to all servants of the Government of India within the dominions of Princes and States in alliance with Her Majesty.” This definition seems to require amendment:

*First.*—It is not intended to tax servants of the Government of India employed elsewhere than in India itself, say, for example, in Natal, the Mauritius, Australia, &c.

*Second.*—It is intended to subject to the tax every officer who belongs to the Covenanted, Uncovenanted or Military service of the Government of India, even though he be not serving the Government of India or paid from British Indian revenues. It seems questionable whether the definition will cover such officers serving, say, in Berar or in Mysore, even now, still less, who may serve in Mysore hereafter, or are now serving in Baroda, or in various capacities under other Native States. The definition might be as follows:—

“All officers who are serving in India, and, by their service, earning pension which will be paid under the regulations of the Government of India.”

Again, Section 13 does not apply to such officers, who are often not paid by any British officers at all. There should be a separate section for them somewhat to this effect:—

“If the pay of any officer is not disbursed by any British officer, he shall himself pay to the British Government the sum of one and a half per cent. of any pay which he may receive in respect of a period subsequent to the 31st

March 1880, amounting to not less than one hundred rupees a month, together with the contribution which he makes for his pension and leave allowances.”

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Section 2.—The operation of the repealed Acts should be saved as regards taxes assessed under them but not collected.

Sections 16 and 17.—By Section 16 every private employer is made primarily liable for the payment of tax due from his servant; the provision in Section 17 is inconsistent. It would be hard to require an employé to pay the duty a second time in the event of his employer becoming insolvent after recovering the amount, but without paying the same to the Collector.

The employer, instead of remitting the amount quarterly, might be required to pay immediately after he had deducted it from the pay of his employés.

The following points may also be made clear in the Bill :—

A person holding two or more appointments, the pay of each such appointment is less than the minimum taxable amount. Is he to be liable to the tax if the aggregate pay of all the appointments held by him amounted to or exceeded Rs. 100 a month?

A postmaster getting Rs. 80 a month as pay and Rs. 20 a month as discount on the sale of postage stamps. Is the amount of discount to be reckoned as pay for the purposes of the Act under the interpretation clause 12?

A schoolmaster or a medical officer getting Rs. 100 a month will, as a matter of course, suffer deduction on account of pay. But are his earnings, should there be any, as a private tutor or a private practitioner, or from any other source besides that of trade, to be taxed, and, if so, how is the tax to be realised?

In the case of trades under Chapter II, the tax is to be levied on the annual income, while in the case of servants, under Chapter III, it is to be on the monthly income. Are the incomes from both sources to be lumped together to bring the amount to the taxable limit? Or is the duty to be levied upon incomes from both sources when the income from the one source is below and from the other source is equal to or more than the minimum taxable amount?

No. 36, dated 29th November, 1879

No. 193.] From—MAJOR G. H. TREVOR, Secretary for Berar to the Resident at Hyderabad,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In reply to your letter No. 3933A. of the 15th instant, marked very confidential, I am directed to forward to you a copy of a letter\* this day addressed to the Legislative Department, containing the Resident's remarks on the provisions of the Bill to impose a Tax on Trades and Professions.

\* No. 32.

maintaining the Resident's remarks on the provisions of the Bill to impose a Tax on Trades and Professions.

No. 32, dated 29th November, 1879.

No. 194.] From—MAJOR G. H. TREVOR, Secretary for Berar to the Resident at Hyderabad,  
To—The Secretary to the Government of India, LEGISLATIVE DEPARTMENT.

I am directed to acknowledge your letter\* enclosing the draft of the Trades and Professions Tax Bill, 1879, and in reply to offer the following remarks on the provisions of the same.

\* No. 1223, dated 18th instant.

2. The first point that strikes the Resident after perusing the draft Bill is, that its designation is perhaps open to question, and that it will probably be regarded as an Act reimposing the income tax under the guise of a trades and professions tax. Sir R. Meade, however, presumes that this point has been duly considered in framing the measure.

3. As regards the provisions generally of the Bill, the Resident finds little ground for criticism, and he is of opinion that they are suitable and unobjectionable:

(a.) The words "income from business," as used in Schedule II, are not defined, but are understood to mean net annual income.

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(b.) There is no provision for the adjustment, at the close of the year, of an overestimate of such net annual income, should such estimate, from failure or other cause, prove to have been erroneous.

(c.) An addition to Section 22 may be advisable to protect a private employer from being sued for acts done under that section.

4. The Resident will only add that he most cordially concurs in the objects of this measure, as set forth in paragraphs 2 and 3 of the statement appended to the draft Bill.

5. The necessity of submitting this report by 5th proximo has rendered it impossible for the Resident to consult the superior officers in Berar regarding the measure, as he would wish to have done, before forwarding it. They have, however, been addressed, and their replies, when received, shall be submitted, if such appears to be desirable.

No. A., dated 1st December, 1879.

No 195 ] From—L. NEILL, Esq., *Offy. Secretary to the Chief Commissioner, Central Provinces,*  
To—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed to acknowledge your letters Nos. 3880 and 3881A., dated 15th November, inviting the Chief Commissioner's careful attention to the proceedings in the Legislative Council of the Governor General on the 14th idem on the occasion of the introduction of the new Bill for imposing a Tax on Trades and Professions.

2 Paragraph 3 of your letter No. 3881A. is—

"The opinion of the Chief Commissioner is also requested on the question of the application to the Central Provinces of the new measure so far as it affects traders and professional persons other than officials. It is probable that the Chief Commissioner will wish to retain the existing Pandhari tax. In this case the course which it is proposed to follow should be clearly explained, and it should be stated whether any special provisions should, in the Chief Commissioner's opinion, be added to the Bill."

3. Among the Acts repealed by the first schedule of the Bill under consideration, the Central Provinces Pandhari Act is not included. The Chief Commissioner is glad that it will remain in force under clause 4 of Section 1 of the Bill. It therefore seems desirable that action should be taken under Section 31 (a) of the Bill which provides that the local Government may, with the previous sanction of the Governor General in Council, exempt any persons or class of persons from the operation of this Act.

The Chief Commissioner would therefore propose to exempt from the operation of the Act all those classes of Pandhari payers who pay less than Rs. 500.\* With reference, therefore, to the second schedule of the Bill, the exemption would be in respect to all payers of Pandhari who are assessed on estimated annual incomes ranging from Rs. 24,000 to Rs. 32,000.

4. As the rates of the Pandhari assessment are fixed by executive orders and not by any section of Act XIV of 1867, there is no reason why the Pandhari tax should not be on a level with the tax on business, as proposed in the second schedule of the Bill under consideration. All persons on estimated incomes under Rs. 250 would be freed from taxation while those enjoying incomes in excess of Rs. 250 would be assessed somewhat more highly than hitherto. The Chief Commissioner is unable to advance any reason why inhabitants of the province under his control should pay less than those of other parts of India.

5. It is not easy to estimate what effect these proposals will have on the aggregate yield of the remodelled tax, because both the range of incomes and the rates of assessment differ. But from estimates framed, the Chief Commissioner is able to assure Government that he has good grounds for believing that the new taxation, while setting free quite one-half of the present payers, will in respect to the trading classes be on the whole as productive as the old tax. It does not seem necessary to trouble the Government of India with the calculations and estimates made, but briefly their result is as follows.

6. In 1878-79 some 52,900 persons were assessed to Pandhari which was estimated to yield some Rs. 3,40,000, and which in reality did yield about

Rs. 3,20,000. More than one-half of the persons assessed had incomes ranging from Rs. 150 to Rs. 250, the actual number being 26,508. All these will now be freed from taxation, and from the remaining 26,000 odd persons, the Chief Commissioner believes, will be realised a sum of about Rs 3,50,000. In this estimate the assessments on official classes are excluded. The Chief Commissioner is therefore able to quote the following extract from the speech of Sir John Strachey when introducing the Bill as applicable to the condition of the Central Provinces :—

"From a merely financial point of view, the Bill will, therefore, if it becomes law, have no appreciable effect upon our revenue. We shall gain no more than we lose, and the measure will only be one of re-adjustment of taxation. But we shall \* \* \* remove \* all grounds for the assertion \* \* \* that we have placed undue burdens on the poor and shown undue favor to the rich."

7. The Chief Commissioner has at present no further remarks to offer.

No. 196.]

No. 2236, dated 2nd December, 1879

From—J. H. GARSTIN, Esq., C.S.I., *Acting Secy. to the Govt. of Madras, Revenue Dept.*,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In reply to your letter of the 15th ultimo, No. 3881, asking that the views of His Grace the Governor in Council in regard to any points on which the Bill to impose a tax on trades and professions may appear to require amendment, may be communicated for the information of His Excellency the Governor General in Council before the 5th instant, I am directed to submit the following remarks.

2. The Bill provides for the levy of a tax on the basis of "income from business," whereas all previous taxes of this kind have been based on "annual profits" or "net earnings." The Madras Government consider that the latter basis is preferable to the former, and would urge its retention.

3. There is no definition of "income" in the Bill. It is suggested that the omission should be supplied.

4. This Government are of opinion that the suggestion made by the Hon'ble Mr. Batten, in the discussion on the introduction of the Bill, to the effect that the taxable minimum of *professional* incomes should be the same as that of salaried individuals, *viz.*, Rs. 100 a month, or Rs. 1,200 per annum, should be adopted and embodied in the Bill.

5. It is presumed that the intention of the latter part of clause 13 of the Bill is that officers in Military employ whose salaries exceed Rs. 500 a month should pay the tax, although the wording of the clause leaves the meaning open to some doubt.

6. The Madras Government strongly recommend that authority be given to Local Governments in the Bill to exempt from liability to taxation that portion of any person's income which is devoted to payment of premia on an insurance on his own life or of payments of a like nature for the benefit of his widow or family.

7. They consider that clause 17 of the Bill, as at present worded, would work harshly and be very unfair in the case of an employer having deducted the tax from the salaries paid to his employes, but becoming bankrupt before he had paid the amount to Government, as the employes might thus be called upon at a future date to pay a second time a tax already levied from them by the operation of the law and in the manner prescribed by it.

8. They take exception to the increase in the tax from Rs. 4 to Rs. 7 on all incomes between Rs. 350 and 500, and from Rs. 10 to Rs. 12, Rs. 16, or Rs. 20 on all those between Rs. 600 and 1,200.

\* \* \* \* \*

No. 197.]

No. 2237, dated 2nd December, 1879.

From—J. H. GARSTIN, Esq., C.S.I., *Acting Secy. to the Govt. of Madras, Revenue Dept.*,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In continuation of my letter of to-day's date, No. 2236, I am directed to forward, for the consideration of His Excellency the Governor General in Council, the accompanying letter\* from the Madras Chamber of Commerce, containing observations on the Bill to impose a tax on trades and professions.

\* Dated 29th November, 1879.



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No. 198 ]

Dated 29th November, 1879.

From—The Hon'ble P. MACFADYEN, *Chairman, Chamber of Commerce, Madras,*  
To—The Chief Secretary to the Government of Madras.

The Chamber of Commerce have had under their consideration the Trades and Professions Tax Bill published in the last number of the *Fort Saint George Gazette*, and have desired me to forward the following observations on the Bill, with a request that you will be good enough to submit them for the consideration of the Government of India:—

1. Section V, which prescribes the duties of the Collector in determining the classes, and the preparation of lists of persons liable to a tax on their business, makes also the following provision:—

“The list so filled shall be open to public inspection, at all reasonable times, and such part or parts thereof as the Collector thinks fit shall, not later than the first day of April, be published in such public place or places of all towns and villages concerned, and shall be made known to the persons affected in such other manner (if any) as the Local Government may from time to time direct.”

The Chamber think that the publication by Government of information which is given to them in a confidential form is highly objectionable, and, as no object can be served by making known the extent of business transactions by private firms, the Chamber trust that this portion of the Act will be modified in accordance with the usual practice in such cases

2. By Section XI the duty of collecting the tax in Madras devolves on the municipality; and clause (e) of the section provides:—

“That from such funds such authority shall pay in each year to the credit of the Secretary of State in Council such amount as the Local Government may estimate to be a fair composition for such sums as such authority could with due diligence realise on account of the tax during such year.”

The Chamber think that this arrangement is unfair to the municipality, which should only be responsible for the amount they are able to collect. The authority assumed by the Government of fixing the amount of license tax that should be collected by the municipality has, as you are aware, already proved most inconvenient, in practice, in Madras.

3. Sections XIV, XV, XVI and XXII throw upon private employers the burden and responsibility of collecting the tax from their servants. Not only is this provision unusual, and, so far as mercantile firms are concerned, unprecedented, but the Chamber think it is both unfair and unreasonable that the Government should expect houses of business to undertake a labour and responsibility that ought clearly to devolve on the Government alone. The Chamber would therefore strongly protest against the above clauses being incorporated in the Bill.

4. In the “Statement of Objects and Reasons” it is stated by Sir John Strachey that the rate of the tax on salaried classes, official or non-official, will be  $1\frac{1}{2}$  per cent., and that, in practice, “the tax will, on the average, fall on all classes at the same rate.” The Chamber would point out that a reference to Schedule 2, appended to the Act, shows that the tax on business incomes will in many cases be nearer 2 than  $1\frac{1}{2}$  per cent. The Chamber trust it is only necessary to point out this anomaly to ensure a more systematic equalization of taxation being adopted than that provided in the schedule to the Bill.

5. The Chamber observe that no proper provision is made in the Act for collecting reliable returns of business incomes on which assessments have to be made. They would suggest that it should be the duty of firms liable to the tax to submit to the Collector returns showing the profits on business for the past three years, and that the Collector should make his assessments on that basis only. This practice was in force during the existence of the income tax, and ought, the Chamber submit, to be adopted in the collection of the trades and professions tax.

6. The Chamber would remark that the new Act virtually imposes an income tax on trades and professions, and, this being so, it seems to the Chamber invidious that the Government should exclude from the operation of the Act those classes who derive their incomes from land or Government securities. Some of the wealthiest classes in the country thus escape from the pressure of the tax. On the whole, this Chamber, I am desired to say, would prefer a general income tax to the present scheme of taxation.

7. As it is observed that the Finance Minister proposes to bring the Trades and Professions Tax Bill into force on 1st January next, the Chamber request that the above representations may be submitted to the Supreme Government without delay. At the same time the Chamber would impress upon the Government of India the impolicy of hurrying a measure of so much importance through the Legislative Council. In view of the desirability of some degree of finality in financial legislation, and in justice to the classes who will come under the operations of the trades and professions tax, the Chamber trust that the Bill now before the Government of India will be considered with deliberation, and amended in such a way as to make it more generally acceptable to tax-payers.

8. The Chamber further venture to hope that the views expressed in this letter may receive the support of the Madras Government.

No. 199.]

Dated 11th December, 1879.

*Endorsed by the DEPARTMENT OF FINANCE.*

Copy of letters from the Government of Madras, Nos. 2236 and 2237, dated 2nd December 1879, forwarded to the Legislative Department.

No. 200.]

No. 660, dated 5th December, 1879.

*From—A. MACKENZIE, Esq., Secy. to the Govt. of Bengal, Financial Dept.,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed to acknowledge the receipt of your confidential letter No. 3881 of the 15th ultimo (received on the 24th idem), forwarding for report a copy of the Bill to impose a tax upon trades and professions, now pending before the Legislative Council of the Government of India. The report called for being required by the 5th instant, it was impossible to submit the Bill for the opinions of the divisional and district officers who have been engaged in working the license tax in the interior, but the Board of Revenue were requested to give it careful consideration, and a conference has been held at the Board's Office of those officers in and about the Presidency, whose experience was likely to prove useful in discussing the measure.

2. The Board in their report, a copy of which is enclosed, confine themselves almost entirely to criticism on the details of the Bill, but at the conference of officers some points of broader interest were raised which I am now very briefly to mention.

3. In the first place it was urged that to bring the official and salaried classes within the incidence of the tax was a practical admission that the new taxation (including the cesses on land) was taxation of a general character, and this being so it was suggested that there could be no sufficient reason for exempting the fund-holders from bearing their share of the general burden. The Lieutenant-Governor presumes that the fund-holders have been deliberately passed over by the Government of India in order to make the incidence of the present taxation differ even now from that of the income tax. He would submit, however, that this is after all merely a fanciful distinction which satisfies nobody and only serves to create a feeling of soreness in the minds of those who are actually taxed. The Lieutenant-Governor looks upon the taxation of officials as a class as a concession to a really unmeaning popular cry. Either the officers of the Government are, as a rule, overpaid or they are not. If the experience of Government shows that they could get equally good and trustworthy public servants at a lower rate of pay than that they now offer, it seems to be the duty of Government permanently to reduce official salaries, or such of them as are considered to be excessive. If, on the other hand, the existing scale of salaries is found only sufficient for the purpose of attracting the class of public servants whose services it is necessary in the public interest to secure, then to offer to pay them according to this scale, and at the same time to reduce the salaries by special taxation below the scale at which such public servants were engaged is, in the Lieutenant-Governor's opinion, not only unjust but is a thoroughly bad economy, for it reduces salaries below the rate which has been declared necessary for the purpose of officering the public service with the best men.

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4. A good deal of discussion arose with reference to the form of the second schedule attached to the Bill embodying the grades of taxation on business men. On the one hand, some officers were in favour of a minutely graded schedule, such as that in question, on the ground that it placed the assessor in a better position for driving a bargain and making a compromise. An assessee would, it was said, make a stronger fight for reduction if the transfer to a lower class materially lowered his rate of tax. On the other hand, the majority of those present were of opinion that it was quite impossible for an assessor, without calling for returns and without minute previous enquiry, to determine with any approach to accuracy whether a man's income was Rs. 500 or Rs. 600, Rs. 1,100 or Rs. 1,200, and so on. If the Collector is not to be allowed to call for returns, or make direct enquiries into profits, all that he can do is to make a rough guess that any particular assessee's income lies probably between two (reasonably different) minimum and maximum figures. At the same time it was admitted that, if the grades were wide, the rate of incidence of the fee would vary so much as between the minimum and maximum incomes of the grade, that a fresh class of objection came to be raised upon that score only. Nothing would ever reconcile the man of minimum income to paying the same rate of fee as his richer neighbour in the same class or grade. On the whole, the general feeling was that the tax proposed, while open to all the objections that could be made against an income tax, was open also to other special objections; and that an income tax upon the classes of persons affected by it would be much simpler and more equitable in every way. If, however, the Government of India adheres as it probably will, to the principles of the Bill, then the following revised schedule was suggested on the ground that it is chiefly in the lower grades that precise determination of income is most difficult:—

Number of class.	Persons whose annual income exceeds		But does not exceed		Tax payable.	
	Rs.	Rs.	Rs.	Rs.	Rs.	
1	..	...	...	250	500	5
2	...	...	...	500	750	10
3	...	...	...	750	1,000	15
4	...	...	...	1,000	1,500	20
5	...	...	...	1,500	2,000	30
6	...	...	...	2,000	2,500	40
7	..	..	...	2,500	3,000	50
8	.	...	...	3,000	4,000	60

and hereafter as by the present schedule of Bill.

This schedule makes the tax a 2 per cent. tax on the minimum incomes of the grades; but the tax under present schedule ranges in nearly every instance from  $1\frac{2}{3}$  to 2 per cent. on the incomes affected by it.

5. Turning now to the body of the Bill, I am to invite attention generally to the suggestions of the Board of Revenue, and specially to mention the following points:—

*Section 2.*—Provision must be made in the Bill for continuing in force the existing License Tax Acts until the 30th June next at any rate, so as to enable the district officers to bring their proceedings under those Acts to a close for the year 1879-80.

*Section 3*—(a) A definition of the term "annual income from business" seems certainly to be required, as remarked by the Board in paragraph 16 of their letter, with special reference to the fact that merchants frequently utilise the public funds to employ their surplus profits and balances as they come in pending other investments.

(b) It is doubtful whether the case of joint-stock companies is clearly covered by explanation (1) of this section. It would be well to have, as in former Acts, a special provision for such companies. Some doubt has been expressed as to whether the intention of the Act is that the tax, as regards members of a firm, shall be personal to each or be imposed only on the firm. It seems desirable that the tax should fall on the individual members of firms, joint-stock companies being specially provided for.

(c) Under explanation (2), it is doubtful whether indigo planters, who hold no rent-paying lands of their own, are meant to be exempted or taxed. The Board also point out that where a cultivator keeps a shop or stall for

sale of his produce, he should not be exempted if he comes otherwise within the schedule.

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*Section 4.*—With reference to the words “every person carrying on, whether on behalf of himself or any other person, &c,” it should be made clear that the tax will not be imposed twice over on the same business income. It should also be made clear that a person managing as agent on a salary or commission is not to be personally liable for the tax on the business. The *term* of months on which the calculation of income is to be made should be explained, especially in respect of broken periods and commencing businesses.

*Section 5.*—I am to represent, as strongly as possible, that it will be quite impossible to assess the tax throughout Bengal by 1st April next in any proper manner. The Lieutenant-Governor is not at all satisfied with the assessment hitherto made under the License Tax Act. The whole work of assessment must be thoroughly and carefully done over again with reference to the new schedule (whatever that may be) by a superior agency to that hitherto employed. It would be much the best course to leave it to the Local Government to fix from time to time in each district the date by which the tax should become payable. If, however, that cannot be done, the Lieutenant-Governor must ask that, at any rate for the first year of the Act, the latest date be made not earlier than the 1st December 1880. It has also been very strongly urged that the publication of the list of assesses should be done away with, and that personal notice of his assessment should be given to each, a general proclamation being issued in the villages and towns affected, where the notices are ready, announcing the fact, and calling on all who might not receive such, though liable to the tax, to come in and apply to the Collector. If, however, the present procedure is maintained, the remarks of the Board on the subject of the list are deserving of consideration.

*Section 7.*—The Board object to the provision for half payments when the amount of tax exceeds Rs. 40, and there is certainly inconvenience in this arrangement while it is really no very material concession.

*Section 8.*—The Act need not perhaps so minutely define the form of receipt. The Local or Supreme Government might be empowered to settle this by rule.

*Section 10.*—The Board and all the officers present at the conference condemn the provision compelling payment before objection as certain to involve grave injustice in very many cases. The Lieutenant-Governor would omit this provision.

*Sections 12 and 13 (a).*—It is urged that the pay to be taxed in the case of Government servants and other salaried employes should be *net* pay, *i. e.*, after deducting payments made to Service Funds or for insurance.

The Lieutenant-Governor would support this suggestion. It will be easy to give effect to its principle also in the case of business men, when defining the term annual income from business.

Junior-officers of the police have usually been exempted in the same manner as junior military officers. Their case might very properly be considered in connection with Section 13.

*Section 16.*—Employers are to deduct the tax monthly from their employes, but to pay it over only quarterly. It is a question whether they should not pay it over as they receive it, or before the 10th of each month.

*Section 17.*—For the reasons given by the Board this section cannot possibly retain its present form. If an employer becomes insolvent, Government should simply stand in the same position as any other creditor.

*Section 24.*—The provision imposing a limitation of three months on recovery of the tax and penalties should be reconsidered. Practically, the Lieutenant-Governor regrets to say that this term is found quite insufficient. Collections are made very slowly in many districts, and the State loses unnecessarily by the strict limitation. Six months or one year would be a better term to adopt.

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No. 1164B., dated 2nd December, 1879.

No. 201.] *From*—C. MACAULAY, Esq., *Secretary to the Board of Revenue, Lower Provinces,*  
*To*—*The Secretary to the Government of Bengal, Financial Department.*

I am directed to acknowledge the receipt of your letters No. 619, dated 19th ultimo, and No. 622 of the 24th idem, with which are forwarded copies of the draft Bill to impose a tax on trades and professions, of the statements made by Sir John Strachey, and of a letter from the Government of India, No. 3881, dated 15th November, on the subject, and asking for a report from the Board. In reply, I am directed to submit the following observations.

2. *Section 2.*—This section repeals the Bengal License Act from 1st January 1880. But, as the proceedings under that Act for the current year will not have been completed by 31st December 1879, a saving clause will be required to give validity to measures taken under it with reference to the demand of the current year.

3. *Section 3.*—The term "business" is introduced in this section, and is defined to mean "any trade, dealing, art, industry or profession." In section 4 it is proposed to tax every person carrying on a business. But this is not quite consistent with the title of the Bill, "A Bill to impose a tax on trades and professions," or with the terms of the preamble (although these are retrospective), or with the short title in Section 1. It is to be observed that the heading of the second schedule is "Tax on business," and these words appear to have been used by the drafter of the Bill advisedly after completing his work. It is for consideration whether, with reference to the definition of "business," the short title should not be "The Business Tax Act, 1880."

4. There is an important omission in regard to the sale by a cultivator of the produce of his land. Under the existing Act, this is only exempted when the cultivator does not keep a shop or stall for the sale of the produce. The new Bill gives unreserved exemption to "the sale by a cultivator of land, of the produce of such land." The Board would recommend the retention of the existing provision.

5. *Section 3. Explanation 1.*—In Section 13 of the Bengal License Act, it was enacted that in the case of a firm, payment by any one of the partners shall be considered payment by the firm. It may have been intended to suggest this meaning in the explanation No. 1. But, on the other hand, the explanation may mean that where only one member of a firm is forthcoming, he is to be taxed on the business of the whole firm. If, however, two or more members of a firm are forthcoming, each member will be taxed separately. It is true that the collective tax on all the members will only be the same in amount as the tax of one or more members taken separately. But it may be that one of the members has some other business of his own in addition to that of the firm. In this case he will be liable to taxation on his share in the firm *plus* his earnings under any separate independent business, as "business" is defined to mean also "any number of trades, dealings, arts, industries or professions."

6. *Sections 5 and 7.*—It will not be safe to fix the first day of April and of May as absolute dates without making some provision for those cases in which the lists are not prepared by the 1st of April. In the first year of the new Act, there will be many changes to be made in the lists to be prepared. In Bengal it is necessary to provide a special agency in each district for the preparation of the lists, and it is impossible to be certain that in some districts some disturbing influences may not arise to prevent the preparation of all the lists by the 1st of April. It is true that if a list is prepared, and a person finds that his name has been omitted, he is bound to apply to the Collector to tax him, but this is rather a harsh form of procedure, and the time allowed for it is very brief. And although the list is to be open to public inspection at all reasonable times without any payment, it will apparently be kept in a room in the Collector's office, and it cannot be supposed that in such a place there is entire freedom of access to the list for any enquiring person.

It is all important that the first assessment under the finely graduated scale provided under the new Act should be most thoroughly and carefully made. In order that this may be done, it is very desirable that the last date for the publication of the complete district list should be extended at the dis-

creation of the Local Government. Under the terms of the Bill one list for the whole district must be filed once for all in the Collector's office before "parts" of it may be published. The Board would strongly recommend that provision be made for publishing the list of each village, as it is approved by the Collector. The district list would thus be gradually completed. There appears to be no good reason why the warning given under the existing law with each village list should be omitted, and the Board would adhere to the tenor of the notification in Form B of the revised rules under the Bengal Act. In addition to the publication of the lists, it appears to the Board very desirable to provide for a separate notice to each individual. It is probable that great convenience would be felt and much ground of complaint be removed if each person were separately warned, and this might be done by a form of post-card.

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7. The Board would deprecate the provision for half payments in cases where the amount exceeds Rs. 40. There appears to be no sufficient reason for allowing payment by instalments of the amount of the tax fixed after careful consideration of the circumstances of the assessee. On the other hand, the introduction of such a system will necessitate the employment of the collecting agency for a much longer period than would otherwise be requisite, and it will be difficult to devise any form of return which will exhibit the progress of the work in each district in such form as may admit of constant supervision by the Board.

8. *Section 10.*—This is a strong executive alteration of the existing law, as it requires payment of the tax to be made before a petition of objection can be filed. There would be much executive convenience in this procedure, but it would probably lead to considerable hardship and injustice. If a man found himself entered in a list for a tax of Rs. 100, although he was absolutely without means, he would be obliged to submit, and in the course of a month he would become liable to a penalty not exceeding thrice the sum claimed from him, the whole amount (Rs. 300 plus Rs. 100) being recoverable as an arrear of land revenue. The Board trust that this section may receive further consideration.

9. *Section 12.*—Under the Bengal License Tax Act, the Collector could, by Section 11, require the occupier of a house, manufactory or shop to forward a statement of the names of all persons residing in such house or working in such manufactory or shop. It is possible that by Section 30 of the Bill every person may be legally bound to furnish to any officer exercising any of the powers of a Collector such information as such officer may require, and this may probably cover the express power given by Section 11 of the Bengal Act; but, for the sake of the public, and in order that the law may be clearly understood, it would be convenient to express, in language similar to that of Section 11 of the Bengal Act, that an employer is to give a list of those persons employed by him for whose taxation he is to be made liable.

10. *Section 13.*—The Board would recommend that the reduction on the pay of Government officials should be expressly declared to be on the net pay and not on the gross pay. The Local Government under Section 31 may reduce the amount payable by any person or class of persons, and this power, the Board hope, will be exercised in favour of all executive officers of Government who are engaged in carrying out the Act. The Board would also recommend that the exemption provided in the second clause of this section should be extended to officers of the police whose pay does not exceed five hundred rupees per mensem.

11. *Sections 14, 15, 16, and 17.*—Private employers are required to deduct the tax from the wages of those employed by them and to grant receipts. Though these deductions would generally be made every month, the employer is only to be required to pay the amount for which he thus became liable to Government once a quarter. Should the employer fail to discharge this liability, owing to insolvency or the like, the person employed is to be made liable. Thus the latter might have either to pay a tax on a salary which he had never received, or to pay a second time a tax which had already been deducted from his salary, and for which he held a receipt granted under the law. In the opinion of the Board, the Legislature having made no provision for direct payments to Government by persons thus employed, and having constituted the employers the agents of Government for the collection of the tax, it would

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not be equitable on the default of those agents to require the original assesseees to make good an amount either not demandable or already paid under the procedure prescribed by the law.

12. *Section 19.*—This section requires the Collector to grant a receipt to every person paying any sum “under this chapter.” This is obviously unnecessary in the case of deduction from the salaries of Government officials under Section 13. It is to be noticed that here, as in Section 8, it is a receipt and not a license which is to be granted, so that the unsuitable and illogical word “license” practically disappears from the law. It is perhaps for consideration whether Section 19 does not provide an unnecessarily minute procedure in the case of “persons employed.” It would appear to be sufficient if one receipt were given to the employer on each quarterly payment specifying the names of all the persons employed on whose behalf payment has been made.

13. *Section 20.*—No provision is here made for appeal by officials. As, however, the officers of the Account Department are liable to error, it would be desirable to substitute “Sections 13 and 14” for “Section 14.”

14. *Sections 23 and 25.*—Section 23 makes better provision for an appeal to the Commissioner than has hitherto existed in Bengal. It is not clear, however, if the power of revision conferred by Section 28 survives when the Collector acts under the second clause of Section 25. In the opinion of the Board this power should always be saved. In paragraph 7 of Mr. Buckland’s note of 14th September, submitted to Government confidentially, a rough motive has been given of the agency to be appointed for Calcutta, and for the direction of the operations of the law. The intervention of the Board of Revenue, it is observed, is to be entirely regulated by the rules to be made by the Local Government under Section 31.

15. The numerous classes introduced into the second schedule of the Bill assimilate the law to an income tax, and will lead to much difficulty and dispute. It is also to be observed that, as the scale has been framed, the rate ranges from  $1\frac{2}{3}$  to 2 per cent. It will be necessary for the purpose of making an assessment under such a schedule to employ during the first year a much more highly paid agency than that of the circle officers who have been employed under the License Tax Act, in order to command the confidence of the public and of the people concerned. Detailed proposals under this head will be submitted separately.

16. In conclusion, the Board would urge the importance of defining accurately the term “annual income from business,” and they would suggest that it might be enacted that the term will include all business profits arising from the interest, annuities or dividends payable in India out of the public revenue of India.

No. 4311-108C., dated 5th December, 1879.

No. 202 ] *From—J. NUGENT, Esq., Acting Secretary to the Govt. of Bombay, Financial Dept.,*  
*To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed to acknowledge the receipt of your very confidential letter No. 3881, dated the 15th ultimo, and in reply to offer the following observations on the Bill to impose a tax on trades and professions, now before the Legislative Council of the Government of India.

2. This Government, I am directed to state, would have preferred to see the minimum annual income liable to taxation in the case of non-officials fixed at Rs. 150, but as the Government of India have decided that the minimum income liable to taxation should be Rs. 250, they will not press the point or urge any objections on this head.

3. Some alteration is absolutely necessary in Section 2 or in the first schedule. If the Bill in its present form becomes law, the outstanding balances of fees due under Bombay Act III of 1878 on January 1st next will be lost, and cannot be recovered. These balances will be of material amount in the city of Bombay, though not in the districts where the outstandings are very small indeed. It will not be possible to recover the whole of them before the 1st January, 1880. It is therefore essential that the Bill should be so modified as to enable these balances to be legally collected after January 1st, and this can, without difficulty, be effected by a change in the wording either of Section 2 or of the first schedule.

4. His Excellency the Governor in Council would suggest the expediency of certain alterations in the definition of 'business' in Section 3. He would recommend the insertion after the word 'sale' of the words "other than retail." In portions of this Presidency, notably in some of the Guzerat districts, it is frequently the case that cultivators sell by retail the produce of their land—grain, tobacco, sugar, &c.—and are therefore virtually shopkeepers as well as mere cultivators. This Government are unable to perceive any sufficient reason why persons who are thus at the same time retail traders and agriculturists should be exempted from the payment of a tax under the Bill simply because they grow on their land the commodities which they sell by retail in their shops. Thus to exempt them would be to favor them unduly and place them at an advantage as compared with traders pure and simple, who keep shops, but do not also cultivate land. Their exemption, moreover, would materially affect the yield of the tax in certain districts. In Kaira alone, to free them from liability under the provisions of the measure, would involve a loss of revenue of about Rs. 30,000 annually. It also happens often that bunniah and other village shopkeepers have obtained possession of land through the Civil Courts or otherwise and let it out to tenants, who pay their rent in kind. Under the Bill, these traders and shopkeepers would not be liable to taxation in respect of the trade they carry on in selling the produce of their land made over to them as rent in kind. But to His Excellency in Council it appears that no adequate cause exists for freeing them from the operation of the measure. On these grounds, therefore, the addition of the words proposed seems eminently desirable.

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5. In Explanation I, appended to the definition of 'business,' the insertion of the words "or undivided family" after the word "firm," where it occurs, appears expedient.

6. With reference to Section 4, I am directed to invite attention to the remarks contained in paragraphs 3 and 4 of the report (of which a copy is annexed) submitted by the Special License Tax Officer for Bombay, Mr. Dassabhoj Framji, an official of great experience and considerable ability. This Government concur in the views expressed by Mr. Dassabhoj Framji in paragraph 3 of his letter, and presume, as regards his paragraph 4, that the Bill as it now stands is intended to, and actually does, render all joint stock and all other companies liable to payment of the tax under schedule 2.

7. Objection is likely to be taken to Section 5 as tending to give undue publicity to the private affairs and pecuniary profits of firms and individuals, and these objections will probably be most strenuously urged in the Presidency towns by the Europeans and Native merchants and professional men. His Excellency the Governor in Council thinks that these objections would be deserving of careful consideration and would to a certain extent be well founded. At the same time the advantages to be derived from publicity of the assessment are undoubted, and might be held to counterbalance the disadvantages to individuals and the possible inconvenience which might arise from prying curiosity.

8. This Government would strongly advocate the omission from the Bill of the second clause of Section 7. They consider that a provision authorising the payment of the sum due in two instalments is both unnecessary and calculated materially to increase the labour of collection and the risk of loss of revenue. To a person whose annual income is Rs. 2,000 or upwards, a payment of Rs. 40 in a lump sum is no inconvenience whatever.

9. In Sections 10 and 21, it would seem desirable to insert words requiring notice of the day fixed for the hearing of the petition to be given to the petitioner. In both sections it would also appear expedient to insert a provision, distinctly authorising the Collector to enhance the assessment, should it be discovered that that originally imposed was too low.

10. Sections 13 and 14 of the Bill, as introduced, exempt from the payment of a tax all persons in the employ of Government or private individuals whose monthly salary is less than Rs 100. This Government, however, I am directed to state are of opinion that the minimum salary thus fixed is too high. They would urge on the consideration of the Government of India the propriety and the desirability of very materially lowering the minimum, and of fixing it at Rs. 40 per mensem. His Excellency in Council would



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express his inability to discover any valid cause why persons in the Civil Service of Government or the employ of private individuals should be treated in so exceptionally lenient a manner. They are well able to bear a small tax, and if it is deemed advisable to fix a different standard for them, as compared with traders, artisans and professional men, this object can, in the opinion of this Government, be sufficiently attained by making the minimum income taxable in their case Rs. 40 per mensem, or perhaps Rs. 500 per annum, being double the minimum income taxable in the case of persons not in Government service or in private employ.

11. To Section 14 might be added a clause similar *mutatis mutandis* to clause 2 of Section 28.

12. In Section 19 it would seem necessary to add after the word 'person' in the line 1, the words "other than the persons referred to in Section 13." It does not appear requisite to grant to Government officers, from whose pay a deduction is made under Section 13, the receipt specified in Section 19.

13. This Government would recommend the omission of clause 2 of Section 24 for reasons stated in paragraph 12 of the Bombay special officer's report, which are equally applicable to the mofussil as to the Presidency towns. This clause, if retained in the Bill, is likely to lead to a considerable loss of revenue.

14. I am directed to submit, with this letter, copies of letters received from the Collectors of Poona and Satara and Mr. Dassabhoj Framji.

Dated 29th November, 1879.

No. 203.] From—MR DASSABHOY FRAMJI, *Special Officer, License Tax, Bombay,*  
To—The Acting Secretary to the Government of Bombay, *Financial Department.*

I have the honor to acknowledge the receipt of the Government Resolution, Financial Department, No. 4143, dated the 25th instant, and to submit the following observations on the proposed Trades and Professions Tax Bill which was introduced by the Honorable Sir John Strachey in the Legislative Council of the Government of India on the 14th instant.

2. Under the present Bombay License Tax Act, persons earning their livelihood *solely* by agriculture were exempted from the operation of the tax; consequently cultivators or land-owners dealing in agricultural produce were, to the extent of such dealing, held liable. Under the definition of the words "business" and "agriculture," as given in the present Bill, I am afraid the persons above alluded to will have to be exempted from the tax. Large landholders who sell jungle produce, grass and zaolees (palm-leaves), &c., not requiring actual cultivation, will also, I apprehend, not be liable to the tax. It may be that the Supreme Government intend that it should be so, but I consider it my duty to point out that a certain class of persons who are affected by the present Act will be no longer subject to the tax.

3. I would beg to suggest that this section be so modified as to include firms or companies whose head offices are not in British India. The words "every person carrying on, whether on behalf of himself or any other person, any business... shall pay the amount shown in the schedule," therein are almost the same as the provision contained in the present License Act, and the Foreign Insurance and other Companies will again claim exemption as they have done under the latter Act, on the ground that their head offices are not in British India. These companies have an extensive trade in this country which is carried on through local firms, which are appointed agents of such companies, and there is no reason whatever or any just ground why they should not pay the tax like the local companies doing the same kind of business here. This exemption is unfair to the local companies. Because a mercantile firm here pays the tax on its own income, it is no reason why a Foreign Joint Stock Company, of which that firm acts as agents, should pay no tax on the earnings of that company. I would, therefore, respectfully propose the addition as given below of the second clause of Section XVII of the last Income Tax Act

(No. VIII of 1872) (or words to that effect) to Section IV of the present Bill:—

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*Any person not resident in British India, whether a subject of Her Majesty or not being in receipt through an agent of any income chargeable under this Part, shall be chargeable in the name of such agent in the like manner and to the like amount as he would be charged if resident in British India, and in actual receipt of such income.*

4. I have made the above suggestion under the impression that by the proposed Bill, joint stock companies are to be assessed on their profits under the second schedule. The former License, Certificate, and Income Tax Acts contained distinct provisions for their assessment, but the present Bill is entirely silent in that respect. I think, however, that it cannot be the intention of the Government of India to exempt such companies from taxation, and that the Government must have considered it sufficient to rely on the interpretation of the word *person* as given in the Government of India "General Clauses Act, 1868." The word is therein defined as including "*any company or association or body of individuals whether person incorporated or not.*" If I am wrong in this view of the intentions of the Supreme Government, and that these companies are not to be taxed, it remains for me only to point out that in the city of Bombay alone the loss of revenue from this source, estimated at the fees mentioned in the second schedule of the proposed Bill, would amount to about two lakhs of rupees.

5. I would respectfully suggest that, if possible, the time allowed for the payment of the tax from the date of the publication of the list should be altered to fifteen days instead of one month as provided for in the Bill. In large Presidency towns people change their residence and leave the city so often that loss of revenue results from such a long time being allowed to pay the tax. If this could not be done on the ground of the inability of the poorer classes living out of the Presidency towns, and where special notices are not served, as is the case in the Presidency towns, I would humbly suggest that in such towns where, by order of any local Government, special notices are served upon the tax-payers, the provision of the Bill should be so altered as to require the payment to be made *within fifteen days from the date of the service of such notice.*

6. It is also desirable, if possible, to omit from the same section the provision for the payment of the tax by two instalments. I am able to say from my experience as an Income Tax Collector, that there would be no difficulty in getting the payment in one sum, especially from the higher classes of tax-payers. Under the provisions of the Income Tax Act, the duties were made payable half-yearly, but in almost all cases I succeeded in recovering the tax for the whole year in one sum. If such were the law, the tax-payers themselves would not, I believe, object to this mode of payment, as they do not like to be often visited by the tax-gatherer. Moreover, there is always a loss of revenue in the cases of persons who are not found, owing to their changing their residence from one quarter to another, to say nothing of the trouble of finding them out for the recovery of the second instalment of the tax.

7. Should the above views not meet with the approbation of the Supreme Government, I would earnestly beg that the tax may be recovered by instalments when the amount exceeds Rs. 200 as no difficulty whatever has been experienced in recovering this amount in one sum under the present License Tax Act.

8. If the time allowed for payment be altered to fifteen days, the time within which an appeal should be made should also be altered to a like period.

Section X.

9. I apprehend that some objection on the part of the public will be made to the provisions in the aforesaid section by which the payment of the tax is made compulsory before an appeal could be entertained. But I trust that this desirable provision will not be omitted from the Bill. If an unrestricted appeal from the decision of the Collector is allowed, every one will resort to that course, whether he be rightly or wrongly assessed, and thus entail a vast amount of unnecessary labour upon the Collector and the Commissioner.

10. In connection with this subject, I also beg to suggest, for the consideration of Government, whether a person who fails to apply for a license, as

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required by Section VI, should be allowed the right of objecting to the assessment. That every person coming within the scope of the tax cannot carry on his trade or profession is the law of the land would be well known to everybody. The fullest publicity would be given by advertisements, battakee and other means that the list were ready and open for public inspection, and if a man after being allowed a month's more time within which he should apply for a license neglects to do so, he does it wilfully with the intention of defrauding Government by trusting to the chance of escaping the tax by some possible oversight of the License Tax Department. It is neither fair nor advisable to put honest and dishonest tax-payers on the same footing.

I would therefore respectfully suggest that persons neglecting to make the application, as required by section VI, should be deprived of the right of objecting to the class under which he is assessed. If it be deemed advisable to allow such persons also the said right, it would, I think, be desirable to specify whether the penalty imposed on them at the time of fixing the assessment should be enforced in the event of the assessment being reduced at the hearing of the objection.

11. The section provides that "all sums due and all penalties payable under this Act shall be recoverable as if they were arrears of land revenue." Section XXIV of the Bombay City Land Revenue Act (1876) require twenty days' notice of demand of payment of revenue before a warrant can be issued for the attachment and sale of the property of the defaulter. In the case of non-payment of land revenue any number of days can safely be allowed without the risk of losing the Government claim, because the attachment is issued against the land itself, whereas under the License Tax Act, the moveable property only is available for distraint. The twenty days' notice of demand, therefore, is, I am respectfully of opinion, very objectionable. It affords too much time to dishonest persons to conceal in, and remove their property to, another place, as has not unfrequently been the case under the License Tax Act which contains a similar provision. It would therefore be to the interest of the State to modify the section so as to require the notice of demand to be satisfied within three days from the service of such notice.

12. I would also suggest that the second paragraph of Section XXIV be omitted, as in a large Presidency town it takes nearly a year and a half to wholly collect the tax for one year. It not unfrequently happens that a tax-payer, after having been assessed or after becoming a defaulter, leaves the city, and returns to it after some months, or so frequently changes his residence that he is not to be got at for a long time, when ultimately the claim due for the previous year is recovered from him. Under the present proviso, if it is allowed to become law, a considerable sum of revenue would be lost if the tax for any year was not recovered from every one within three months from the last day of the year ending on the 31st day of March in which such sum or penalty became due or payable.

13. With reference to the first Schedule of the present Bill, I beg respectfully to suggest that the following words be added in the third column of the said Schedule showing the extent of repeal, after the word "whole" :—*except as to taxes due and recoverable under the Act.*

As considerable sums will have to be recovered under the present Act in the first three or four months of the next year, this addition is absolutely necessary.

14. In conclusion, I beg to remark, with reference to what I have seen in the public papers, that the Bombay Chamber of Commerce is about to protest against removing the present limit of the maximum amount payable by any one person or firm. I have no doubt that such a protest from that body or from any other association or from any class of the public will not be heeded. If such a representation be made it can only be considered in the light of rich persons attempting to save their own pockets, for the large mass of the poorer classes can have no sympathy whatever with the fixing of the maximum limit of taxation. The question would only affect the richer classes. I can safely say from my experience of the working of the license tax in this city, that the chief unpopularity with the mass of people of the present law has been owing to the limit of maximum tax having been fixed by which the rich escaped their fair and proportionate share of taxation, while every person up to a certain income had to pay their full quota in the shape of 2 per cent. on their profits.

No. 6584, dated 1st December, 1879.

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No. 204 ] *From—J. RICHEY, Esq., Acting Collector of Poona,*  
*To—The Under-Secretary to the Government of Bombay, Financial Department.*

I have the honor to forward the following in compliance with Government Resolution No. 4143 of 25th November 1879, Financial Department, and to note that the Resolution and Bill reached me only on the 28th. I have therefore had little time to consider the Bill.

2. As to the general scope of the Bill, I have no doubt whatever that it will be very acceptable to the large number of small traders and others whose liability under the repealed Bombay Act was not easy to determine, but for whom of all classes it was most important that their liabilities should be beyond doubt. The raising of the minimums then will be a very great relief to assessing officers, as only those classes will now be touched who may be presumed to be able to take care of their own interest.

3. The discrepancy between the taxable minimum of "employment" and "business" incomes is somewhat startling. The exemption of the lower paid military servants of the Crown rests upon very clear grounds, and for other lower-paid public servants there are good reasons why they should not be classed with traders in liability to taxation, but the minimum for employment incomes is almost five times higher than that for business, and I confess I do not see why public and private servants, on salaries of Rs. 50 to Rs. 100 per mensem, should be altogether exempted, while "business" people pay from Rs. 12 to Rs. 20 for the same incomes.

4. I add some remarks upon the draft Bill which have suggested themselves during the short consideration which I have been able to give it, and may not be free from errors of interpretation.

#### CLAUSE 3.—*Interpretation.*

*Business.*

"Or by a receiver of rent in kind of produce received by him as rent.

Many grain dealers are also holders of land of which they receive the rent in kind. It would be very difficult to estimate separately the income from business of such sowars in *purchased* grain and rental grain received from their lands. It would probably be the intention of the Government to exempt only the land-holding class proper; if so, the exception in this paragraph would operate too largely.

Explanation (1).

It might be well to make a "firm" include an undivided family, whether they do business under a common name or not.

#### CHAPTER II.

The provisions of this Chapter regarding persons beginning to carry on business after the commencement of the year seem to present this difficulty that (the assessment being on *annual* income) such persons cannot determine their liability until they have ascertained their income from business for the year. If it is desired that they should incur liability by the rate of their profits, say at the end of the first month, then the time for making their application under section 6 requires extension, and the criterion by which they are to determine their liability should be provided.

These provisions deal with "persons not previously carrying on any business."

(4) It seems as if "persons previously carrying on business, who begin a *new* business" should be included—"business" is made to include "any number of trades, dealings, &c."; but if a person is to be taxed for a *new* business, it does not seem reasonable that he should be exempted, if he is, say, a doctor or lawyer in practice. The principle upon which the liability for fractions of a year rests would seem to involve the taxation of business incomes below taxable limit on 1st April, but which by increase during the year have brought the recipient under Schedule II at any time.

It seems to me doubtful whether the provisions under this head can be worked consistently with the assessment of "annual incomes," unless it be provided that the liability should be determined at the *end* of the year, and the

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Collector be authorized to assess the income of any *part* period less than a year, during which taxable business had been carried on, at the same time that he publishes the liability of the tax-payer for the *current* year, and in such case I think it might be better to avoid too close detail, to make half the year's assessment the maximum tax, and for any period less than six months and more than three to take one-quarter.

The requirement of prepayment before making objection has doubtless been well considered, but I cannot but think that might cause real hardship in some cases. It hardly, I think, takes sufficiently into account the possibilities of fraud or error, and it might be relaxed so far as to remain the *rule*, but to admit of exception, that is, that the Collector should refuse an objection-petition without prepayment unless it showed good grounds for suspecting fraud or error.

In the process of enquiry into an objection-petition, the Collector may take evidence to test the correctness of the facts alleged. If he should discover that the objector was under-assessed, he should, I think, have authority to raise the assessment.

### CHAPTER III.

In the case of persons in employment the assessment not being an annual, but monthly income, the difficulties which seem to me to attach to fractional taxation of business do not arise.

The case of persons taxed as servants who also earn income by business may require special provision to prevent the question arising as to such cases as those of medical officers of Government, who earn a taxable income by private practice, or the professional servants of companies, &c, who take private business.

No. 6480, dated 28th November, 1879.

No. 205 ]

From—T. H. STEWART, Esq, *Acting Collector of Satara,*

To—*The Acting Secretary to the Government of Bombay, Financial Department*

I have the honour to acknowledge the receipt of Government Resolution No. 4143, dated 25th November, 1879, forwarding, for my opinion, copy of a Bill to impose a tax on trades and professions.

In the preamble of the Bill, it is stated that it is expedient to consolidate and amend the Acts at present in force for the licensing of trades, &c, but it appears from the present Bill that it contemplates no licensing at all in the strict sense of the word. It simply provides for a tax on trades or professions, and there is no license to be given as under the present Act. Instead of the license, a simple receipt is to be given for money paid, and instead of a trader paying down the money and purchasing his license out and out, he need not complete his annual payment if in excess of Rs. 40, until seven months have passed from the commencement of the year. The Bill is therefore scarcely an amendment of the Licensing Act of 1878; it is to all intents and purposes a different enactment altogether. The preamble, therefore, appears to require some alterations.

3. The Bill provides separate systems of taxation for two distinct classes, *1st*, those carrying on business, *i. e.*, trades, dealings, arts, industries, or professions; and *2nd*, officers and servants. To the former class, Chapter II exclusively refers and to the latter Chapter III. The innovations contemplated in Chapter II are the taxation of professional persons, and the exclusion from taxation of persons having an income of less than Rs. 250 per annum, Chapter III contains altogether new provisions.

4. I find that in this district the effect of the new limit of taxable income will be to reduce the number of persons assessed under the present Act from 19,188 to 5,916, and the amount of assessment from Rs. 1,10,071 to Rs. 79,470. The amount foregone will thus be Rs. 30,601, and it is not likely that in a rural district like this the taxation of professional persons with upwards of Rs. 250 per annum, and officers and servants in receipt of Rs. 100 per mensem, will make up the amount so lost. It is to large towns and populous centres of industry that Government will have to look for compensation for the abandonment of taxation which is in contemplation.

5. I have no hesitation in saying that, as far as the Deccan is concerned, the exemption of the poorer classes is a judicious step. The prices of all necessities have increased so largely since the famine that a man with Rs. 100 or Rs. 150 per annum, although he may not actually want, is generally found living from hand-to-mouth and unable to produce so much as Rs. 2 or Rs. 3 at a given time. Persons with such incomes in this part of the world are generally found in possession of no property of any value, and it frequently happens that on an attachment in default of payment, the only articles found in the house are a few earthen pots. At the same time, I think that the lowest limits might have been Rs. 200 instead of Rs. 250. A man with Rs. 17 per mensem can afford to pay some little contribution to the State Exchequer, and about 3,000 persons in this district in the enjoyment of incomes between Rs. 200 and Rs. 250 would be added to the list of the assessed.

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6. The extension of taxation to the professional classes will be generally approved of, although it will enlist in the ranks of the opponents of the tax the large class of vakils, muktyars, and others whose exclusion from the license tax gave them no cause for agitation. In rural districts, very few of the other professional classes will be found making Rs. 250 per annum.

7. With reference to Chapter III, it is distinctly pointed out in the Statement of Objects and Reasons that the intention of the Bill is to extend taxation to the wealthier officials and other persons receiving salaries. The limit has therefore been fixed at Rs. 100 per mensem. The few native officials and gentlemen in the neighbourhood, whom I have had an opportunity of consulting, express surprise that this distinction should be made and are in favour of officials and salaried persons being placed in the same footing as traders and professional persons, and that those enjoying incomes of upwards of Rs. 250 per annum should be taxed. The framers of the Bill have, no doubt, taken into consideration the fact that, whereas there is an uncertainty about income derived from trades and professions, the salaries of officials and private servants are exactly ascertainable. I think, however, that the distinction should not be so great, and that the limit should be very considerably lowered. I do not see why salaries of Rs. 30 per mensem should not be taxable, and I feel sure that if the provisions of the Bill, as it now stands, is accepted, it will cause much murmuring and discontent, and give vakils and others an opportunity of impeaching the fairness of the tax.

8. I now proceed to consider some of the details of the Bill; and in the first place, I do not like the use of the word 'business.' It is too general a term, and is of too vulgar application. It does not always give the idea of working for profit which is contained in the terms trade, dealing, art, industry, and profession. I think it would be preferable not to attempt to find a single word to express such varied occupations. It would not lengthen the Act much if the word "trade, dealing, art, industry, or profession" were repeated in the places where 'business' has been inserted.

9. It does not seem clear from paragraph 3 of the Bill whether or not the superior holder who receives rent in cash from his tenants is excepted from the 'business' class. Special reference is made to receivers of rent in kind. Under the present Act the receiver of rent of land in cash is exempt, and I presume it is intended that he is to be exempt under the proposed one. The omission requires to be supplied.

10. In paragraph 7 it is laid down that when the amount of the tax exceeds Rs. 40, half of such amount shall be paid within one month, the remaining half being payable on the expiration of six months from the date on which the first half is payable. I think that this provision will increase the trouble of collection very much, and will keep the officers of Government constantly engaged in the work, instead of promptly collecting, as they now do, and getting the task finished once for all. A man making a profit of Rs. 2,000 to Rs. 2,500 per annum ought to have no difficulty in paying up Rs. 40, and a man having an income of Rs. 5,000 to Rs. 6,000 per annum should find it easy to produce Rs. 100 for the payment of the tax. At present the Mamladars during the time of collection travel about to the large trading towns and issue licenses on the spot for the convenience of the people, but with the principle of divided payments, and instalments falling due at different times in all parts of their charges, any arrangement of this kind will be out of the question.

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11. *Section 10.*—Due notice should be given to the petitioner of the day fixed for the hearing of the petition. There is no provision for this in the section. Section 11 is a new provision, which will, I presume, only be made applicable in the case of large municipal towns.

12. The provisions of section 17 appear to call for some modification. A private employer may become insolvent, and previous to his insolvency may have deducted some portion of the tax from his servant's pay. If such deduction can be proved, I think it should be taken into account in pressing the demand against the servant himself.

13. In section 19, the Collector is required to grant a receipt to any person paying any sum under Chapter III. It is not necessary, however, that receipts in the form specified should be given to officials, and indeed the form itself is inapplicable to them, specifying, as it does, the name of the employer. An exception should be made in the case of Government officers.

14. In section 21, it should be laid down that notice is also to be given to the petitioner. I think also that in section 25, after the word 'assistant,' the words 'or Deputy' should be inserted, as, in Bombay at least, the Deputy Collectors are commonly invested in such matters, with the powers of a Collector.

15. I notice that in section 14 of the Bill, there is no provision, as in section 28, indemnifying private employers for sums retained out of the salaries of their servants under the provisions of the Bill. I think this stipulation should be added, otherwise private employers may be harassed by suits brought against them by their servants.

No. 206 ]

No. 4387—111C., dated 10th December, 1879.

*From—J. NUGENT, Esq., Acting Secy. to the Govt. of Bombay, Financial Dept.,*  
*To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

In continuation of my very confidential letter No. 4311-108C., dated 5th instant, I am directed by His Excellency the Governor in Council to submit the following further observations on the Bill to impose a tax on trades and professions, now before the Legislative Council of the Government of India.

1. Agriculturists are exempted from taxation under this Bill, so also are cultivators in respect of the sale by them of the produce of the land they farm, and land-owners who receive their rent in kind and dispose of it by sale.

2. But by implication other classes also are exempt from payment of the tax, and it seems to His Excellency in Council that some at least of these classes have no valid claim to escape the tax.

3. The main classes to which His Excellency in Council would beg leave to refer are—

- (1) Land-owners and persons living on the rent derived from land, buildings, &c, belonging to them;
- (2) persons who live on the interest of capital invested in Government and other securities;
- (3) Government pensioners.

4. His Excellency in Council fails to see any adequate reason why persons belonging to these three classes should not be taxed. As much as, if not actually more than, any other class of individuals do they benefit from the maintenance of British rule, and the security and peace which that rule affords. No body of persons is better able than they are, or at least than the first and second classes of them are, to contribute a full share of Government taxation. On none would a payment of a tax amounting to one and a half per cent, of their annual income sit more lightly or cause less inconvenience. In Bombay City alone, some of the most affluent Native gentlemen are persons whose income is wholly derived from rents and interest on Government and guaranteed securities. Up-country also, many persons are to be found in a similar position; but under the Bill as it now stands all such persons are exempt from the payment of the tax.

5. This anomaly may, His Excellency in Council considers, be avoided by the alteration of the definition of "business" by omitting the first "or" in line 3, and by inserting after "profession" the words "or other means of livelihood."

7. To meet the case of Government pensioners, a clause would have to be added to section 13, rendering their pensions liable to a deduction of one and a half per cent. when such pensions amount to, or exceed, say Rs. 500 per annum.

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No. 4430—114C., dated 17th December, 1879.

No. 207.] *From*—J. NUGENT, Esq., *Acting Secy. to the Govt of Bombay, Financial Dept.,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

In continuation of my very confidential letter No. 4387-111C., dated 10th instant, I am directed by His Excellency the Governor in Council to forward, for submission to the Government of India, the accompanying copy of a letter from the Commissioner in-Sind, No. 4716, dated 6th idem, offering observations on the Trades and Professions Tax Bill, 1879.

No. 4716, dated 6th December, 1879.

No. 208.] *Memo. by*—H. N. B. ERSKINE, Esq., *Commissioner in Sind.*

The Commissioner in Sind has the honour to submit the following remarks on "The Trades and Professions Tax Act, 1880," as requested in Government Resolution No. 4143, of 25th ultimo, and the telegram of the same date. He is asked for an immediate report; but the date fixed for his reply had passed ere he received the Resolution of Government, he will therefore make his remarks as brief as possible.

2. It is, in the opinion of the Commissioner, a step in the right direction to fix one minimum for the whole of India, below which all persons shall be exempt from liability to taxation, as, under the separate Presidency Acts, there was great inequality on this point; his only doubt is, whether the rate now fixed is not too high (Rs. 250 per annum), and whether the lowest tax of Rs. 4 is not also too high. There is, as is well known, always a tendency on the part of Native officials to include as many traders as possible, or others who can be brought within the limits of taxation; and there is a great danger that many whose incomes are considerably less than Rs. 250 will be called on to pay the four-rupee rate. It will be almost impossible for these petty traders to prove that their income is less than Rs. 250, and doubtless many whose income is not even Rs. 200 will have to pay the lowest rate, which will press hardly upon them, and make the new tax very unpopular. The Commissioner, therefore, would rather have had a lower class than Rs. 4, even though this involved taxing some incomes under Rs. 250.

3. But apart from the above, looking at the Bill as it now stands, it appears to the Commissioner to be open to serious objection. It appears to him to be neither a license tax nor an income tax, but to partake partly of the nature of both; but while, as an income tax, it includes a large number who escaped under a tax on trades, it excludes many who not only could, but who should, be made to contribute to the necessities of the State.

4. Why, for instance, should a man who derives a large income from landed property, or who received large cash allowances from the public treasury, not be called on to contribute? The Commissioner can see no principle on which such exemption can be justified. It may be that such income could not be taxed unless a regular income tax were re-imposed; but if so, it would surely be more logical to impose an income tax than to exempt altogether some of the richest members of the community, while taxing both fixed salaries and all classes of traders. It appears, then, to the Commissioner that the present Bill is as ill-suited to this country as an income tax could be, while at the same time it is more objectionable, inasmuch as it is less general in its application and less equal in its incidence.

5. Turning to the provisions of the Bill itself some seem to be somewhat indistinct.

6. This is particularly the case in section 3, in which certain terms are defined: further definition and explanation seems to be absolutely essential if anything like uniformity is to be obtained. For instance, is a cultivator who grows a crop of sugarcane and sells the produce as *goor* to be exempt as



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"agriculture includes any process *ordinarily* employed by a cultivator in order to render the produce raised by him fit to be taken to market." One putting this question to different officers, the Commissioner has received answers directly opposite to each other, which shows that further explanation is requisite. The definition as it stands is too vague: does it include merely the simplest processes of agriculture, or does it also include the conversion of green grass into hay, the drying of the tobacco leaf, the separation of cotton from its seed, the threshing of grain, the crushing of sugarcane, and the boiling of *goor*, the tapping of toddy and date trees, the preparation of indigo, tea, coffee, &c.; does it also imply that the holders of large vegetable gardens near large cities, who daily send their produce to market, are to be excused, while the owner of a few cows or buffaloes who, instead of selling milk, sells ghee or butter, is to be taxed as carrying on a trade? Such would clearly seem to be the meaning of the Bill as it stands, but surely such anomalies are not necessary.

7. It may be that the words "a cultivator" in the definition of "business" is not meant to include all these processes connected with agriculture; but if not, then some further definition is required: indeed, whatever form the section may ultimately assume, it will always be open to misconception, unless it is supplemented with carefully-selected illustrations.

8. Again, explanation 1 makes allusion to firms,—what is to be held to be "a firm"? It is, for instance, clearly desirable that some rule should be fixed as to the treatment of Hindu undivided families. Are they to be treated as firms? and what is to be done when different members of an undivided family carry on different trades.

9. Then, again, the Act is to extend to the "whole of British India," but a money-lender, who resides in British territory, but whose dealings are entirely in surrounding villages of a Native State, will escape the proposed tax though he resides in British territory for the better security of his business; or if, as often happens, a money-lender resides in a Native State, but lends money in British territory, which he can recover by legal process in the British Courts, he (if his principal place of business (section 4) is in native territory) escapes the tax if he has no place of business in any British district.

10. *Section 4.*—The necessity for laying down a rule as to the payments for business carried on during a part of a year only seems scarcely apparent. The Collector, under section 5, must prepare a list of persons liable to make any payment, and must do so by the 1st of April in each year. Clearly, then, he cannot enter in that list the names of persons who have not then begun to trade, and if any one does commence subsequently his income for a whole year can hardly be estimated; he would have to be classed according to his profits for the time he traded. It would then be impossible for the Collector to estimate beforehand in what class the trader should be included, or for the person assessed that his profits not then earned would not come up to the Collector's estimate. Such assessments might, of course, be made towards the close of the year, but, if this is done, there seems no need for the provisions laying down a rule as to assessment on the basis of the number of months during which business has been carried on. Moreover, certain classes of business are only carried on during certain seasons; if, then, deduction is made irrespective of actual earnings and profits for the time business was carried on, there will be a needless sacrifice of revenue.

*Section 5.*—The provision regarding publication of the list is objected to, and not, as it seems to the Commissioner, without reason. Many firms might be unwilling that their profits, or perhaps rather the smallness of their profits, should be known.

*Section 8.*—Under the proposed Act no licenses are to be granted. The Collector at the place where a "principal place" of business may be merely is to give a receipt for all places of business of a firm. Some provision seems required to provide that the Collector who is about to class a trader or firm for different branches should communicate with the Collector of the district in which such branches are situate, otherwise he cannot be sure that he correctly estimates the business of the firm; and instances may occur, as they did under the License Tax Act, of a firm being more lightly assessed for all its business than it had been (and rightly so) for one branch place of business where trade had been good.

*Section 10.*—When a petition of objection is heard by the Collector, he is to pass on it “such order as he thinks fit:” this, it is presumed, means he may enhance, as well as remit, but the point should be made clear.

*Section 16.*—Some provision seems required to compel private employers, when called upon to do so by the Collector, to make a return showing the number of persons employed by him who are liable to the 1½ per cent. deduction, otherwise the Collector will have to make many enquiries; and information especially as regards “fees, commissions and perquisites” could not readily be ascertained.

*Section 17.*—The provisions of this section may at times work harshly.

*Section 32.*—The Commissioner has not got the Bengal Acts mentioned in this section, but he does not understand why a landholder in Bengal, who engages in trade and becomes liable to a tax under this law, should be exempt from the payment of local cess when no similar exemption is allowed in the Bombay Presidency or any other part of India.

No. 12B., dated 5th December, 1879.

No. 209.] *From*—C. ROBERTSON, Esq., *Secy. to the Govt. of the N.-W. Provinces and Oudh,*  
*To*—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

I am directed to acknowledge your letter (very confidential) No. 3881, dated 15th November, forwarding, for an expression of the Lieutenant-Governor's views, a copy of the Bill to impose a tax on trades and professions; and in reply to make the following observations for the consideration of His Excellency the Governor General in Council.

2. In His Honour's opinion and that of every officer consulted who has had any experience of assessment work, and is acquainted with the practical difficulties to be encountered in making a fair assessment, the main objection to the measure consists in this: that the classification contemplated by schedule 2 of the Bill is far too minute. The present scale of taxation on trades is as under:—

CLASS I.					
Grade 1	Ra.	25,000	and upwards	...	Rs. 500
” 2	”	10,000	to 25,000	...	” 20
” 3	”	7,500	to 10,000	...	” 150
” 4	”	5,000	to 7,500	...	” 100
CLASS II.					
Grade 1	Rs.	3,750	and upwards	...	Rs. 75
” 2	”	2,500	to 3,750	...	” 50
” 3	”	1,250	to 2,500	...	” 25
” 4	”	500	to 1,250	...	” 10
CLASS III.					
Grade 1	Rs.	250	to 500	...	Rs. 5

This scale may be defective, especially in having no class above Rs. 25,000; but it is much more easy to apply than the minute one which it is proposed to substitute for it. His Honour would not object to the retention of the classification proposed by the Bill for incomes of Rs. 1,00,000 and upwards; but he would suggest the following modifications in respect of the other classes:—

INCOME		TAX.	
From	Rs. 50,000 to Rs. 1,00,000	...	Rs. 1,000
”	” 25,000 to ” 50,000	...	” 500
”	” 12,500 to ” 25,000	...	” 250
”	” 7,500 to ” 12,500	...	” 150
”	” 5,000 to ” 7,500	...	” 100
”	” 3,750 to ” 5,000	...	” 75
”	” 2,500 to ” 3,750	...	” 50
”	” 1,250 to ” 2,500	...	” 25
”	” 1,000 to ” 1,250	...	” 20
”	” 500 to ” 1,000	...	” 10
”	” 250 to ” 500	...	” 5

These modifications have special force in respect of trades and dealings. In the case of professions, the objection as to over-minuteness of classification

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has not, for obvious reasons, the same force, though here too there would be difficulty. The fees proposed to be levied are rather higher, perhaps, than those proposed in the Bill for the minimum income in each class; but most of the incomes falling in any class would certainly be in excess of the minimum, and the general average would therefore be less. Sir George Couper believes that with such a classification as that now recommended by him, a Collector would always be able with some certainty to decide in which class an assessee should fall, without largely employing his subordinate staff, while under that contemplated in the Bill, he could not possibly do so without detailed enquiry. He would, in fact, have to make as careful an enquiry into actual income as if he were assessing for an income tax, and every one of the many arguments that have been advanced and forcibly urged against an income tax in India would apply in full force.

3. If the classification proposed by His Honour is accepted and adopted, sections 29 and 30 will be unnecessary, and, as the forms of judicial enquiry are quite out of place in connection with assessment to this tax, where so much must be left to the discretion of the assessing officer, Sir George Couper would gladly see the sections abolished. If, however, schedule 2 is retained as it now stands, the Lieutenant-Governor, while retaining these sections, would recommend that the proviso to section 29 be altered so as to permit the Collector to call for rebutting evidence. As the proviso now stands, the Collector is apparently prohibited from calling for any evidence except at the instance of the petitioner, or in order to ascertain the correctness of facts alleged by him, so that he must either accept the objection or seem to go directly in the face of adverse evidence.

4. If the Bill becomes law on or before the 1st January next, it will be advisable to maintain the saving clause of section 19, Act II of 1878, till the 1st of April 1880.

5. In section 9, the word "intentionally" or "knowingly" might with advantage be introduced, so that the section would run "when any person intentionally or knowingly neglects," &c., corresponding clauses being similarly amended.

6. As a very early reply to the letter under reference was requested, the Lieutenant-Governor and Chief Commissioner forbears from further criticism on unimportant points; but His Honour trusts that the amendments above suggested will commend themselves as reasonable and proper to His Excellency the Governor General in Council.

No 20B, dated 7th December, 1879.

No 210] *From*—C ROBERTSON, Esq, *Secy to the Govt. of the N-W. Provinces and Oudh,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

In continuation of my letter No. 12B., dated 5th December, expressing the views of this Government on the proposed Bill for taxation of trades and professions, I am directed to submit, for the consideration of His Excellency the Governor General in Council, the following further remarks on the subject.

2. Sir George Couper would strongly urge the advisability of retaining, with such modifications in details as experience has shown to be necessary and as were mentioned in my letter No. 318, dated 2nd September (on the amendment of the present License Tax Act), the classification of trades on the principle followed in Act II of 1878, with appropriate grades of license fees for each. The people have become comparatively used to that system; and while under it inquisition was reduced to a minimum and opportunities for corruption and extortion were few, assessment was much facilitated. The retention of that classification for trades side by side with the new classification for professions might, His Honour thinks, be easily arranged for by the sub-division of the Bill into three chapters, instead of two, (1) for traders, (2) for professional men, (3) for officers and servants, or even by passing a separate Act for the two latter classes.

3. Sir George Couper trusts that it will be possible to modify the draft Bill in this way, and would invite the attention to the following extract from a

letter addressed by the Magistrate and Collector of Allahabad, an experienced and capable officer, every word of which His Honour believes to be universally applicable to these provinces—

“ Be the head of the district ever so able and zealous, ever so well acquainted with his district, and ever so determined to see the tax fairly assessed, halcyon days for the tahsil chap-rasi and the patwari begin with the date of the introduction of this measure, as sure as the sun shall rise on that day.

“ It may be looked upon as nearly certain that, among the lower grades, more money will be paid for omission from the lists than will be collected from those included in them. The village bunneah with an income of Rs. 300 would rather pay Rs. 7 to the patwari to be omitted and left at home in peace, than be returned as taxable at Rs. 10 and have to go half a dozen times to the tahsil, see as many other officials, and finally take his chance of being fairly rated on objection at last at Rs. 4.”

\* \* \* \* \*

“ The license tax was bad enough, but the people were becoming used to it, and, under its operation, there was at any rate little or no inquisition. A clothseller was a clothseller, and could not well be made out anything else. He knew that he could not be taxed higher than Rs. 75 at the most, and the potential range of extortion had thus a limit. Now he will have to take his place with reference to the figure at which his income may be assessed, and will have, in all probability, to purchase every thousand rupees that is taken off it.

“ If the income of a man of a recusant nature find itself returned as higher than it is, there is some chance of the Collector's being able to see this, on proof adduced by the objector, but save in the case of a few prominent men, how is a Collector to know that a trader's income is more than it is returned at? and what Collector or Collector's staff in these provinces has, the time to ascertain personally that every one is assessed who ought to be? He can with fair success ensure that no one *who is in the lists* is assessed above his true income, but generally speaking more than that is beyond our power.

The Bill will effect a great revolution in the system of taxation introduced by Acts VIII of 1877 and II of 1878, and successfully worked during the last three years. Such a measure required more careful consideration and enquiry than the inadequate time allowed for expression of opinion permitted; but the longer the subject is studied, the stronger becomes His Honour's conviction that it is a mistake to make a radical change in the system of taxing the trading classes, because it is desired to extend taxation to the professional classes and servants of Government or of private persons.

No. 4005-512, dated 6th December, 1879.

No. 211.] From—G D. BURGESS, Esq., C.S., *Offg. Secy. to the Chief Commr, British Burma,*  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

I am directed to acknowledge the receipt of your very confidential letter No. 3933, dated Simla, the 13th instant, calling attention to the Bill to impose a tax on trades and professions, published at page 955, Part V of the *Gazette of India* of the 15th November 1879, and asking the Chief Commissioner's opinion whether it would be proper to make the proposed law applicable in all its parts to British Burma.

2. In reply I am to say that the Chief Commissioner, after as careful a consideration of the Bill as the time allowed him would permit, finds, hardly anything to criticise in its provisions, which seem to him to be clearly drawn and to be well adapted for carrying out the objects in view. In the general scope of the Bill, and in the principles which have been adopted for guidance, the Chief Commissioner cordially agrees; and he cannot but recognise the fairness and justice with which it is intended to regulate the incidence of the proposed tax.

3. With respect, however, to the questions upon which his opinion is especially asked, I am to convey the following remarks. The tax to be levied under the Bill is of two kinds—a tax on business, and a tax on officers and servants. The latter of these by itself would seem to be as applicable to British Burma as to any other part of India, and the objections to it which can be taken in this province differ from objections elsewhere more in degree than in kind. It is to be remembered, however, that, while the cost of living is much higher in Burma than in the rest of India, that rates of salary above the limit of exemption fixed by the Bill are not proportionately better in this country than elsewhere in India. Any reduction of fixed income is therefore liable to be felt with greater severity here than in other provinces, the margin of income over absolutely necessary expenditure being considerably less.

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4. The imposition of a tax on business stands on a different footing. In most of the provinces of India this tax has already been tried, and after a little experience has been found to work fairly well. In Burma, however, a trades tax—in the form at least in which it is now proposed—is unknown; and it is extremely doubtful how far the existing machinery would suffice for its collection. The classification of traders too in Burma would be no easy task. Partly from the multiplicity of his occupations; partly from the number of members of his family, male and female, who assist him in his dealings; partly from other causes, it is extremely difficult to form an accurate estimate of a Burman's income. The women also do much of the trading and have distinct and well-recognised rights to property, and frequently possess funds to which their husbands have no claim. The distinction between the trading and the agricultural classes is not sharp and well-defined as in India. The cultivator is very frequently a trader besides, so that, notwithstanding the exemption of the business of agriculture, the tax would affect a relatively much larger proportion of the ordinary population in Burma than elsewhere in India.

5. Putting aside the difficulties of fairly levying the tax, the question arises whether it would be expedient to impose it in Burma wholly or partially. The opinion of the last Chief Commissioner, the Honorable Mr. Rivers Thompson, was entirely against it. In his Memorandum of the 20th March 1878, on the subject of letter No 282, dated the 12th January 1878, from the Government of India, a copy of which was forwarded to you with this office letter No. 480-46, dated the 30th March 1878, Mr. Rivers Thompson observed—"I may say at once that I do not think that the license tax on trades and dealings would be just to Burma. As regards the licensing of trades, I have already had an opportunity of explaining to Sir J. Strachey that the extension of the Bill to British Burma would be inexpedient. Practically such a tax is already realised throughout Burma, for, except at the principal towns of Rangoon, Moulmein, and Akyab, where European shops are established, all the trading and dealing is done in central markets constructed at the cost of local and municipal funds, in which the right to sell is paid for by fees. To all intents and purposes this is very much the same as the law recently passed in India demands, and if these are omitted, the realisations from those who fall under Class I of the Bill would scarcely compensate for the cost of collection."

6. Calculating on the most recent sources of information available, the

\* Incidence of taxation in British Burma as compared with the other provinces of India for 1877-78

PROVINCE.	Total revenue from taxation,—imperial, provincial, municipal, and local	Population.	Incidence of taxation per head of popula- tion		Ratio of taxation per head of population.
	Rs.		No	Rs	
British Burma ...	1,98,82,740	3,011,614	6	9 7	1 00
Bengal ..	17,68,85,266	62,763,271	2	13 1	43
Madras ..	7,94,51,092	31,281,177	2	8 8	37
Bombay ..	10,88,71,260	16,996,965	6	6 6	97
Coorg ..	7,86,399	168,312	4	10 9	71
North-Western Provinces and Oudh ..	10,83,12,515	41,956,459	2	9 4	39
Assam ..	84,46,293	4,129,972	2	0 9	31
Central Provinces ..	1,27,67,280	8,201,519	1	8 11	24

incidence of taxation is much higher\* in British Burma than in any other province of British India, and is twice and three times as high as in many of them. It is true that the peasantry in Burma are better off; but this is not the case with many classes upon whom the new tax would fall. In Burma, moreover, a considerable portion of the taxation is already direct, in the shape of capitation tax at the general rate of

Rs. 2-8 per annum for unmarried and Rs. 5 for married men. A proposal has recently been submitted for the abolition of the capitation tax by increasing the salt duty to the rate prevalent throughout India. But if the imposition of further direct taxation in Burma be unavoidable, it would be preferable, while increasing the salt duty, say from three annas to eight annas a maund, to allow the familiar capitation tax to remain, than to introduce an impost new and unintelligible to the people. In the words of the Lieutenant-Governor of

the Punjab, than whom, as Sir John Strachey remarks, there is no higher or more competent authority, it is "wiser to continue a tax which has been accepted and is working fairly well, than to make changes which may be theoretically right, but which, inasmuch as they are novel, will distract the minds of the people."

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7. At the present time it is particularly important to avoid, if possible, further direct taxation in Burma. A survey and settlement have just been commenced, under which the burthen on the land, whether by enhancement of the rates of revenue or by increase of the amount of assessment through more accurate measurements of the areas of cultivation, will receive a considerable addition. In several districts of the province the rates of assessment have already been raised by 25 per cent. A Bill is at present before the Legislative Council by which the cess on the land revenue will be doubled, while a cess may be imposed on houses to the extent of Rs. 2; and should the capitation tax be abandoned for an increased duty on salt, it is in contemplation to have general rate on land covered by buildings. The result of every one of these measures has still to be felt—even the enhancement of 25 per cent. on the land revenue in some districts has not yet been charged. To add to all these a form of direct taxation of which the people have had no previous experience would be inopportune, if not rash. It is true that the Bill removes the burthen of the tax from the poorer portion of the people, but this provision confers no benefit on the population of Burma; and the effects of the proposed law would fall on them without warning and without alleviation.

8. In addition to all these considerations there is one which for the moment is the most important of all, and that is the danger of political discontent. It is well known that the strained condition of our relations with Upper Burma has produced a considerable amount of excitement in the minds of our Burmese subjects; and that efforts are continually being made by agents of the Ayan Government to foment resistance to our rule and to breed mischief among the people. The introduction of a tax, unknown and therefore feared, at such a time would be to place in the hands of these incendiaries a very powerful and very dangerous weapon. It might of course be possible to bring in the law proposed without evil result, but it cannot be concealed that there would be real danger in the process which it would be wiser, for the present at least, to avoid.

9. If the provisions of Chapter II of the Bill must be extended to Burma, it would be well to limit their operation, at first at least, to the large towns. The difficulties of levying the tax there would be less than elsewhere, and the risk of creating alarm and opposition would be diminished. It would no doubt be invidious to make the application of Part III general, while that of Part II was restricted; but the principal effect of both would be felt in the large towns, and the dissatisfaction of those outside them would not be serious.

10. The Chief Commissioner, however, would urge that, if it be possible, in consideration of the heavy taxation already borne in Burma; of the importance of placing no check on the progress of the province; of the large contribution of revenue derived from it; and of the recent reduction of the provincial allotment by one-fourth, the Bill be not made applicable to British Burma at all. Any measure likely to throw obstacles in the way of the advance of the province is particularly to be deprecated; and that such would be the effect of this new taxation it is impossible to doubt. The revenue continues to grow almost from day to day, and that in spite of many recent drawbacks and disadvantages. In the present year alone there is a good prospect of the province returning to the Imperial Treasury no less than seven lakhs of rupees more than was anticipated. With results like this the Chief Commissioner thinks that British Burma may claim a good deal of consideration in this matter.

11. I am to enclose, for the information and consideration of the Government of India, a telegram, dated 4th instant, from the Commissioner of the Tenasserim Division, and a letter No. 11E., dated 5th December, from the Commissioner of Pegu, which were both received after the preceding pages were written.

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Dated 4th December, 1879

No. 212.] *Telegram from—The Commissioner of the Tenasserim Division,  
To—The Chief Commissioner, British Burma.*

Trades and Professions Bill as unsuited to this province as old income tax, which was only extended to certain towns, and a failure. Existence of capitation tax renders such additional taxation unfair to province, and no reason is given for increase in Objects and Reasons, which profess merely to modify existing taxation, not to impose new and untried forms. Reasons for not increasing taxation here in 1878 even more forcible now. Financial results likely to be quite out of proportion to distrust and bad feeling created by sudden introduction of such measure. Government servants lower grades find it hard to live on (present salaries); all costs of living far in excess India.

No 11E, dated 5th December, 1879

No. 213.] *From—The Commissioner of the Pegu Division,  
To—The Secretary to the Chief Commissioner, British Burma*

In reply to your letter No 3877-4099, dated 1st instant, I have the honour to offer the following remarks on the Trade and Profession Tax Bill.

2. As the Bill is intended to supersede certain local Acts for the licensing of trades and dealings in other parts of India, and as neither those Acts nor any similar measures have hitherto been extended to British Burma, I presume that it is intended to exempt (under the power given in the Bill) from the operation of this Bill such persons in British Burma as have hitherto been exempted from the operation of similar fiscal measures for other parts of India, *i. e.*, that the trading and industrial classes will not be brought under the operation of the Bill.

3. Should such not be the case, and should it be intended to extend the Bill in its entirety to British Burma, I am of opinion that, except in the seaport towns, the financial result of the tax which it is proposed to introduce would be altogether incommensurate with the trouble and expense of, and the discontent, caused by, its collection. It would no doubt be necessary to exempt the persons paying this new tax from the capitation-tax. Theoretically the proposed tax is a much more just and equitable one than the capitation-tax; but practically the result of substituting a trader's tax for a capitation-tax would be that no more revenue than comes in at present would be collected, whilst the trouble and dissatisfaction caused by the change would be great. A time when the rates of land tax are being considerably enhanced; when the cost of all the necessaries of life is increasing in a most unprecedented manner; and when the political relations with Upper Burma are in an unsatisfactory state, appears to be an inappropriate time for the introduction of a new tax.

4. It is not certain that even in the seaport towns the receipts from the new tax would be very large, as the prosperity of the country is confined chiefly to the labouring classes whom the tax would not touch. A common labourer can make on an average Re. 1 per diem (in the busy season he can get sometimes as much as Rs 2 per diem), and this extraordinarily high labour-rate naturally diminishes the profits of employers. The earnings of the great majority of petty traders are probably less than those of the common cooly.

5. With regard to the tax on officers and servants, I would suggest that the minimum taxable salary should be higher than it is in India. A salary of Rs. 150 in Burma is hardly equal, as regards its power of obtaining the necessaries of life, to a salary of Rs. 100 in India.

No. 4128, dated 11th December, 1879.

No 214.] *From—S. O. B. RIDSDALE, Esq, C S, Secretary to the Chief Commr. of Assam,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

I am directed to acknowledge receipt of your letter No. 3933, dated 15th ultimo, with its enclosures, calling attention to the new Bill to impose a tax

on trades and professions, and desiring an expression of the Chief Commissioner's opinion whether it would be proper to make the proposed law applicable in all its parts to Assam.

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2. In reply I am to say that the Chief Commissioner is not aware of any special circumstances in this province which would require the exemption of Assam or any part of it from the operation of this general scheme of taxation.

In the principle, moreover, of the Bill that the trading community and the professional and salaried classes as well should contribute towards the expenses of the Empire, he thoroughly concurs, and as the minimum standard of liability has been fixed, in his opinion, quite sufficiently high, he thinks no reasonable objection can be taken to the incidence of the impost.

3. As the Government of India are aware, the license tax, which the present Bill is to supersede, was not introduced into Assam simultaneously with its introduction into other provinces, but the Government of India in letter No. 283, dated 12th January 1878, intimated that such taxation might, if thought advisable, be raised in Assam with the object of its being devoted to purposes of provincial development. Accordingly, with this object, and as supplementary to local rates regulation, Sir Steuart Bayley caused enquiries to be made as to the probable sum which the tax would be likely to produce, if levied in the same manner as the license tax then in force in the Lower Provinces of Bengal. The result was that for provincial purposes Sir Steuart Bayley abstained from recommending its introduction. His enquiries showed that the financial result would be very insignificant. There is but little trade of any importance in the province. Such as there is, excluding the petty shopkeepers, whom the present Bill will exempt, is principally carried on by local agents of firms, who have their principal places of business at Calcutta or elsewhere, and whose profits will, consequently, under the present Bill, not be taxed in Assam.

The tea industry, which of course forms the most important of the commercial undertakings in the province, would be exempted from this tax, the Chief Commissioner concludes, as being a form of agriculture.

4. The tax therefore will, in its present shape, be much less remunerative than the Bengal license tax would have been, and it was mainly because the profits from this tax would have been insignificant in comparison with the annoyance caused by its collection, that the Chief Commissioner deemed it inapplicable. The raising of the minimum taxable income and the assessment of agencies only, at their principal place of business, will greatly reduce the harassment involved in the tax, but will *pari passu* reduce its outturn, and Sir Steuart Bayley calculates that, excluding the income from salaries and professions, of which, of course, a fairly exact estimate could readily be prepared, the total yield of the tax in this province from trades and dealings would probably not exceed Rs. 50,000. He does not, however, anticipate any trouble in collecting the tax, and very little in assessing it.

I am to say in conclusion that, although he sees no sufficient reason for exempting Assam from the operation of a system of taxation as that proposed, which is intended to apply to the whole of India, the Chief Commissioner is unable to anticipate any better financial result from its imposition than that above indicated, and in this aspect, perhaps, it is a question whether it is worthwhile to introduce the tax.

No. 970, dated 12th December, 1879.

No. 215.] From—MAJOR E. R. C. BRADFORD, Chief Commissioner, Ajmere and Merwarre,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In reply to your "very confidential" letter No. 3933, dated 15th November 1879, I have the honour to state that, in my opinion, there is no reason why the proposed law imposing a tax on trades and professions should not be made applicable in all its parts to Ajmere. The traders and professional classes of Ajmere have, from their residence in this portion of British territory, peculiar facilities for amassing wealth, and no adequate reason can, I think, be advanced for exempting them from taxation imposed for imperial purposes.



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No. 1771, dated 6th December, 1879

No. 216.] *From*—R B CHAPMAN, Esq, C S I, *Secy. to the Govt. of India*, DEPT OF FINANCE,  
*To*—*The Secretary to the Government of Bengal.*

I am directed to request that the Government of Bengal will, with the least possible delay, send a separate report to the Legislative Department on the provisions of the Trades and Professions Tax Bill. In this report the observations of the Local Government should be confined to the detailed provisions of the Bill, and no reference should be made to the general policy of the measure or its main lines.

No. 1770, dated 6th December, 1879.

No 217.] *Telegram from*—R B CHAPMAN, Esq, C S I, *Secy. to the Govt. of India*, DEPT  
OF FINANCE,  
*To*—*All Local Governments and Administrations, except Bengal.*

Please report at once separately to Legislative Department on the Trades and Professions Tax Bill, confining your report to details, and avoiding any reference to the general policy of the measure or its main lines.

No 1963, dated 15th December, 1879

No 218.] *From*—R B CHAPMAN, Esq, C S I, *Secy to the Govt of India*, DEPT OF FINANCE,  
*To*—*The Secretary to the Government of Bengal.*  
*To*—     "     "     "     *North-Western Provinces.*  
*To*—     "     "     "     *Punjab*  
*To*—     "     "     "     *Madras.*  
*To*—     "     "     "     *Bombay.*

Referring to my circular No. 3881, dated the 15th November last, I am directed to say that the Governor General in Council finds it impossible to invite the Legislative Council to pass the Bill to impose taxes on Trade and Professions by the 31st December [and to request that, meanwhile, measures may be taken by executive order to suspend the preparation of lists for the year 1880, or the receipt of any taxes for that year under the existing License Tax Act].\*

\*The words within brackets are omitted to Bengal

2. Thus being so, there will be opportunity for longer deliberation upon the Trade and Professions Bill, and the Governor General in Council will be glad to receive, either in this Department or the Legislative Department, any further communication which the Government of <sup>Bengal</sup> <sup>N W Provinces</sup> <sup>Punjab</sup> <sup>Madras</sup> <sup>Bombay</sup> may desire to make upon the subject. Any such communication addressed to the Legislative Department should, as before, not treat the principle of the measure as open to discussion.

It is the desire of the Governor General in Council that the Bill should become law as soon as possible, and therefore no time should be lost in the submission of any such communication.

No 1961, dated 15th December, 1879.

No. 219 ] *Telegram from*—R B. CHAPMAN, Esq, C S I., *Secy. to the Govt. of India*, DEPT.  
OF FINANCE,

*To*—*The Secretary to the Government of the North-Western Provinces*  
*To*—     "     "     "     *of the Punjab.*  
*To*—     "     "     "     *of Madras.*  
*To*—     "     "     "     *of Bombay.*  
*To*—*The Chief Commissioner, Central Provinces.*  
*To*—     "     "     "     *Ajmere.*

Trade and Professions Bill cannot be passed this month. Make all needful executive arrangements to suspend publication of new lists and existing taxation, which will be superseded when that Bill becomes law; and if you have anything further to say on the measure communicate it promptly.

No. 1962, dated 15th December, 1879.

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No. 220 ] *Telegram from*—R. B. CHAPMAN, Esq, CSI, *Secy. to the Govt of India*, DEPT  
OF FINANCE,

*To*—The Chief Commissioner, British Burma

*To*—The „ „ „ Assam.

*To*—The „ „ „ Mysore.

*To*—The Resident at Hyderabad.

There will be some little delay in passing Trade and Professions Bill, and time therefore to receive any further communication which you may make promptly.

Dated 16th December, 1879.

No. 221 ] *Telegram from*—The Chief Commissioner, Central Provinces,  
*To*—The Secy to the Govt. of India, DEPT OF FINANCE

Your telegram of yesterday, regarding Trade and Professions Bill. Pandhari demand for current year ending March 1880 sanctioned, and collections being made. New lists will not be published till Bill becomes law.

Dated 16th December, 1879.

No 222 ] *From*—H. W. I. Wood, Esq, *Secretary to the Bengal Chamber of Commerce*,  
*To*—The Secretary to the Government of India, DEPARTMENT OF FINANCE

I am directed by the Committee of the Chamber of Commerce to furnish you with the accompanying copies of a letter addressed by them to the Government of India in the Legislative Department, with reference to the Trades and Professions Bill, 1879.

Dated 15th December, 1879.

No. 223 ] *From*—H W I. Wood, Esq, *Secretary to the Bengal Chamber of Commerce*,  
*To*—The Secretary to the Government of India, LEGISLATIVE DEPARTMENT

The Committee of the Chamber of Commerce have had under consideration a Bill lately introduced into the Council of the Governor General for making Laws and Regulations, entitled the Trades and Professions Tax Bill, 1879, which is intended to repeal the various Acts passed early in 1878 for licensing trades and dealings throughout India; and they request permission to lay before His Excellency and the Council their views on the proposed measure.

It appears to them desirable at present rather to discuss the principles than the details of the Bill, reserving what they have to say regarding the latter for another communication.

The objections to the Bill to which the Committee desire to draw prominent attention are two-fold:—

1st—That while it is intended to take the place of the various License Acts now in force, it is by no means a parallel measure with those which it repeals; and, 2nd, that no necessity whatever has been shown for such a radical alteration in the existing law as is now proposed, or for the imposition of fresh taxation in a shape peculiarly unsuited to this country.

As regards the first point, the Committee would observe that when the Bills which it is now proposed to repeal were introduced into the Council, it was distinctly stated by responsible members of the Government that their object was to provide a special fund to constitute an insurance against famine, which would relieve Government in future of the extraordinary charges they had been called upon to bear in respect of the famines which were then fresh in the memory of the public, and which, as was pointed out, the ordinary revenues of the country were inadequate to meet. For a purpose such as was indicated, the public generally acquiesced in the necessity of taxation, and although the form which this taxation took was somewhat freely discussed at the time, and the Bills in consequence of this discussion underwent considerable modification between the time of their introduction and their being passed into law, still the general character of the tax and the purpose to which the proceeds of it were to be applied were steadfastly maintained.

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The present Bill, however, entirely ignores the scheme of providing an insurance fund against famine, which was brought into such prominent notice by Government last year as the one justification they put forward for imposing additional burdens on the public. Indeed, the new tax is now declared to be intended to form a part of the regular fiscal system of the country, and the Committee notice with regret that it is proposed to expunge from the preamble of the new Bill the important statement which appeared in that of the License Act, namely, that it was imposed with the object of effecting "a permanent increase of the revenue in order to provide means for defraying the public expenditure from time to time incurred, and to be incurred, for the relief and prevention of famine in British India."

Besides all this, the character of the tax is entirely altered. Instead of being a license tax with a fixed maximum payment, the Bill under discussion is, to all intents and purposes, an income tax under another name, and its collection must be accompanied by the inquisitorial and oppressive proceedings which rendered that impost so odious, when it was previously in operation, as to lead to its deliberate and final abandonment in 1873.

The Committee of the Chamber desire to protest, in the most earnest manner, against the proposed reversal of a policy deliberately adopted after an exhaustive enquiry only six years ago. The result of the investigation, conducted prior to the abolition of the Income Tax Act in 1873, was to show, in the clearest and most unmistakable manner, that the assessment and collection of the taxes imposed by that measure were attended by very great oppression and extortion on the part of subordinate officials; and in the face of the very strong objections to the income tax then recorded by the Executive Officers of Government throughout India, the Committee of the Chamber cannot but think that only a case of the most extreme urgency would justify the levy of an impost so closely resembling it as the proposed measure does.

This leads the Committee to remark upon their second objection to the Bill, namely, that so far no attempt has been made to show that any necessity exists for such a radical change in the law as this Bill seeks to effect, or for imposing any fresh taxation. The amount proposed to be surrendered in raising the limit of incomes affected by the present License Act is declared to be only £240,000, and the Committee cannot but hope that the efforts of Government in the direction of economy and the general elasticity of the revenue, as referred to hereafter, will amply suffice to meet this loss. The public have not been made aware of the amount of savings likely to be effected by the recent reductions of expenditure ordered by Government, but they are led to believe they will be very considerable. It also appears, from the accounts published in the *Gazette of India* of the 6th instant, that some branches of the public revenue are likely to yield considerably more than the estimates, and the Committee would beg to call attention to the following figures, taken from the latest published Government accounts.—

1.—The statement of Government cash balances, dated the 6th instant, shows that these had increased, on 31st October last, by very nearly three crores of rupees, as compared with the balances for the corresponding period of last year.

2.—The same Gazette publishes the amount of the Secretary of State's drawings up to the end of last month, from which it appears that the loss by exchange upon about nine and a half millions sterling, drawn up to that date (being nearly two-thirds of the whole amount estimated to be drawn during the current financial year), has been upwards of 51 lakhs less than the budget estimate. Assuming that the average rate of exchange at which the Secretary of State's Bills have so far sold will be maintained until March next, the saving for the year under this head will amount to at least 76 lakhs.

3.—It also appears that the opium revenue to date is better than the estimate by nearly 77½ lakhs.

4.—It further appears by the published accounts of railway traffic from 1st January to 18th October 1879, that the nett receipts from this source are likely to exceed the budget estimate by probably 40 lakhs.

Without founding anything on the increase which has taken place in the cash balances, the Committee would point to the general improvement in the

financial position of nearly two crores of rupees, as shown by the other three items, as follows:—

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Saving of loss by exchange	...	..	...	76 lakhs.
Additional revenue from opium	...	...	...	77½ "
Additional revenue from railways	...	...	...	40 "

193½ lakhs;

besides which, the receipts from salt and other branches of public revenue exhibit a satisfactory increase as far as can be ascertained from the latest published accounts

Looking to the above figures, the Committee cannot help expressing their astonishment that in order to make up a sum of £240,000, additional taxation, of the nature contemplated by the Bill under consideration, is sought to be passed without any attempt being made to satisfy the public that the necessity exists for such a measure. It is certainly desirable, in the interests of the Government itself, that an onerous tax of this description should not be imposed without taking the public into their confidence, and giving ample time for discussion, so as to satisfy the country that the measure is really required. So far as the information now before the public goes, there is not only nothing to show that the finances require to be supplemented in the manner proposed; but a widespread impression exists that Government can now afford to dispense with the license tax altogether.

The Committee are therefore strongly of opinion that the very fullest explanations on these points, accompanied by a detailed statement of the present and prospective position of the public finances, are looked for by the country before any attempt is made to pass into law a measure so distasteful to all sections of the community as the proposed Bill must of necessity be.

What the country chiefly requires at present is rest, after the bad harvests and general depression of trade during the last few years, and that the prospect of improvement now happily in view should not be clouded by vexatious changes in the law, which would have the effect of adding to the public burdens at a time when the people are ill able to bear them.

Having regard to what they have stated above, the Committee beg to urge most respectfully, but strongly, the entire reconsideration of the proposed measure.

No. 224.]

No. 468, dated 27th November, 1879.

*From—The Secretary of State for India,*

*To—The Government of India.*

With reference to Your Excellency's telegram dated the 12th instant, intimating your intention of at once proceeding with the measures sanctioned in my despatch of the 21st of November 1878 for the amendment and extension of the license tax, I have to convey to you my concurrence in the proposal, and to express my entire approval of the exemption of all persons whose incomes are less than Rs. 250 per annum.

No. 225.]

Dated 24th December, 1879.

*Speech of SIR JOHN STRACHEY on the Trades and Professions Tax Bill.*

MY LORD,—When this Bill was introduced into the Council, some six weeks ago, I explained the reasons which rendered it desirable that the measure should be passed into law before the end of the year. The most important of these reasons was this, that all the existing License Tax Acts, excepting that in force in Lower Bengal, require the assessments and collections to be made for the calendar year; the demand of the Collector has to be published in the beginning of January, and the tax has to be paid in February. It was, however, found quite impracticable to proceed with the Bill as soon as we had originally hoped to do. We are now holding our first meeting of the Legislative Council in Calcutta on the 24th December; the Bill has not yet been referred to a Select Committee, nor are all the papers connected with it, and all the opinions which have been received regarding it, in the hands of the Members of the Council. Under these circumstances, it was clear that the

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idea of passing the Bill before the end of the year must be abandoned, and the Government had to consider what course should be adopted. The legal difficulties which seemed to render legislation in December necessary have, however, been got over, for the Government has been advised that it is in its power to give executive orders to the Local Governments, which will have the effect of preventing any fresh assessments or collections being made pending the passing of a new Act. Instructions have been issued accordingly, and no embarrassment will be caused by the delay in legislating. This delay will in other ways be advantageous. There will be more time for the careful consideration of the Bill, and there is another important advantage which we shall gain. It was not altogether satisfactory that a measure of this kind should be enacted at a time when it is not possible to lay before the Council and the public a complete explanation of the financial position; and we shall now postpone, until after the publication of the Budget, the proposal to pass the Bill into law. It must at the same time be remarked, as I have more than once had occasion to say, that all the local authorities lay great stress on the importance of not leaving the work of assessing taxes of this kind until the weather has become so hot that the Collectors and European officers cannot easily visit the places where the assessments are made, and give to the matter their full personal attention. We shall therefore endeavour to bring out the Financial Statement at a somewhat earlier date than usual, and if, meanwhile, the Select Committee will consider all the details of the Bill, so that they may be able to report upon it as soon as possible after the statement is made, we may hope that from an administrative point of view the delay in proceeding with the Bill will not be injurious.

I must now, my Lord, explain to the Council the course which the Government proposes to take.

We have received a great number of opinions and criticisms, many of them very valuable, from the local Governments and their officers, from various public bodies, and from other quarters, and the fresh light thus thrown upon the question will, I hope, enable us to make great improvements in the measure as it was originally introduced. I will state to the Council the principal changes which the Government now proposes in the Bill.

In the first place it has become apparent that the wisdom of repealing all the Local Acts and substituting for them one Imperial enactment is very questionable. Circumstances vary so much in the different provinces of India, and the machinery by which measures of this kind have to be carried out, differs so greatly that there are plainly many advantages in leaving all details to be settled by the Local Legislatures and Local Authorities, and in contenting ourselves with prescribing those general principles only which we desire should be everywhere carried out. This is, in the present case, the more true, because, as I shall presently explain, the changes which the Government has proposed to make in the Local License Acts are really, with one exception, not great, and if the modifications in the Bill which I am about to describe to the Council be adopted, those changes will become still smaller. We now propose to leave all the Local Acts in force; certain amendments in the schedules which prescribe the fees to be levied on the various classes and a provision extending the tax to professional men will be required; but this can be done by a very few sections in our Bill, which so far as it affects the trading and professional classes will then become a very small measure. A great part of the Bill will disappear altogether, and the provisions of general application to all India will be almost confined to those which extend taxation to the official and salaried classes.

I will now, my Lord, endeavour to state the principal points on which further explanations are necessary, and it will be convenient that I should first refer to some of the more important objections which have been made to the Bill.

There has been a very common feeling that the Bill, in the shape in which it was introduced, was hardly to be distinguished from an income tax on the classes affected by it. The measure had been attacked as an unnecessary and unjustifiable attempt to re-impose, under another name, a hateful impost, which was deliberately abandoned by the Government only six years ago. I fear that upon those who do not scruple to attribute to the Government of

India deliberate and habitual dishonesty in all its dealings, words would be wasted in the attempt to prove that we have not been dishonest in this or any other particular instance. But, for the information of more charitable opponents, I am glad to take this opportunity of stating the facts.

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The conclusion having been arrived at that it was proper to extend to the official classes taxation somewhat similar to that which had been imposed under the License Tax Acts on traders, it was clear that there was only one reasonable way in which the decision could be carried out. This was to levy the tax by a percentage on actual salaries. It would have been impossible to have adopted any other plan. It is clear that the only reason for applying to the taxation of traders the system of classification adopted in the License Acts is that there are no means of ascertaining the exact amount of their incomes, and it is highly desirable to avoid any minute inquisition. If it were possible to find out, by some perfectly unobjectionable means, their real income, everybody would agree that the plan of charging a percentage on that income would be the proper one to adopt. The rough process of assessment by classes necessarily leads to the injustice of taxing persons who have smaller means at the same amount as those who have larger, but this injustice was accepted as the lesser of two evils. In the case of the official classes we know every man's actual salary, and the salaries of the servants of companies and private persons can easily be ascertained. To tax them in classes, like the traders, and not by a percentage on their salaries, would really be inequitable and indefensible. No one can believe that it would be accepted as reasonable that an officer receiving Rs. 5,000 a year should pay the same tax on his salary as one receiving Rs. 10,000; and no one would accept as a valid reason for such a conclusion the fact that this was the way in which taxation was imposed on persons deriving their incomes from trade.

When, however, it was determined to tax the officials by a percentage on their salaries, it was naturally felt desirable to make the incidence of the tax on them and on the other classes as equal as was practicable. It was, as the Honourable Mr. Batten pointed out at the last meeting of this Council, an inevitable and logical consequence of this extension of taxation to the officials that the maximum taxes paid by the commercial classes should be raised. It was felt, as he said, that it was not right to tax a high official more heavily than an equally rich man who derived his income from commerce. "The maximum tax on traders is now" (as Mr. Batten said) "in Madras Rs. 800; in Bengal Rs. 500; and in Bombay only Rs. 200. Directly it is determined that officials shall be taxed by a percentage on their salaries, and any other mode of directly taxing them would, I submit, be almost absurd, it becomes impossible to maintain the maximum taxes at the sums which I have mentioned."

It was in consequence of all this that the schedule of the present Bill took its present form. The number of classes was increased and the difference between the various classes were diminished. The result was a schedule according to which the taxation on the trading and professional classes would undoubtedly have been assessed under a system nearly approaching the assessment of percentage on the estimated annual amount of their earnings. In other words, the assessment would have been very like that of an income tax; and I quite admit that this was hardly consistent with some of my own remarks, or with the Statement of Objects and Reasons, which said that "the system of classification now in force is generally retained." In the existing Acts, the system followed was to have a small number of classes. It was always admitted that under such a system there must be a good deal of inequality, and that the burden must fall more heavily on the poorer than on the richer persons included in a class. But this inequality was accepted as a smaller evil than that involved in making an inquisition into individual incomes. I do not, therefore, deny that the schedule to the present Bill, although theoretically much fairer and more logical than the schedules of the existing Acts, is open to the objections to which I have alluded.

The announcement which I have made that the Government proposes to maintain, with very little alteration, the existing License Tax Acts will, I hope, go far to remove these objections, for I do not see how it can still be said that this is an income tax in disguise. If the present proposals be

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adopted, the obnoxious schedule will disappear and the existing system will remain in force in all its main features.

There were, my Lord, only two things, which the Government in introducing this measure looked upon as essential. It desired in the first place to exempt from taxation a great multitude of people with small incomes. Experience had shown that we were taxing more than a million persons—I now believe the number to be at least a million and a quarter—for the sake of £240,000 a year. This was clearly neither politically nor financially wise.

The second object which the Government had was to extend taxation to the official and professional classes. There had been a very general feeling, the justice of which we could not deny, that they ought not to remain untouched, when direct taxation was being levied on the traders and landholders. This feeling found expression in public meetings, and in memorials of the Chambers of Commerce of all three Presidencies.

The Government desires that these two objects shall be carried out in the most equitable way possible, and provided that they are gained, it looks upon everything else as matter of detail. It cannot give up these taxes, because it considers it essential to maintain them; but it is most anxious to do everything in its power to reduce their defects to a minimum, and to remove, so far as practicable, every cause of difficulty which it is possible to foresee.

I will now state as clearly as I can the course which the Government proposes to adopt.

We desire to make no changes in the existing Acts which are not, in view of the determination to extend taxation to the professional and official classes, unavoidable.

In regard to the professional classes, it will, I believe, be sufficient to insert in the existing Acts a single section, to the effect that the words "trade," and "calling," whenever they occur, shall be deemed to include a profession.

In regard to the official and salaried classes, no change of any importance is contemplated by the Government in the Bill as it now stands, but there are some details in regard to which alterations may be found proper. A good deal of complaint has been made regarding the sections which oblige private employers to levy the tax from persons in their employment, and which impose certain liabilities on both parties. These and many other questions will doubtless be considered by the Select Committee, and the Government will accept whatever view appears to the Committee and to the Council to be just.

In regard to the trading classes, before coming to other matters, there is one announcement of importance which I have to make on behalf of the Government.

When this Bill was introduced, I stated that the Government proposed that Rs. 250 should be the minimum income liable to this form of taxation, and I said that in fixing this amount we were giving greater relief to the poorer classes of traders than most of the local Governments think necessary. It is now estimated that by this change we shall exempt not less than 1½ million persons from taxation, and shall give up revenue to the amount of about £240,000. The Government now proposes to extend this relief still further. We find that by sacrificing an additional sum of about £100,000 we shall be able to fix the lower limit of liability to the tax at an annual income of Rs. 500, and exempt from taxation at least 250,000 more people. Thus the Government now proposes to do. There will remain in all India certainly not more than 250,000 traders liable to the tax. The financial result of all the changes thus proposed will be as follows. We now obtain from the license tax £870,000 a year. We propose to give up a sum of £340,000. We expect, on the other hand, to obtain £240,000 from the extension of taxation to the professional, official, and salaried classes, and from raising the maximum tax on the commercial classes to the Madras limit, as I shall presently explain. Thus we expect to get altogether from these taxes £770,000, or £100,000 less than the amount which we now receive.

The effect of these measures will be to remove from the schedules of the existing License Acts (which vary somewhat in their details in different provinces, and of which it is not now necessary to speak in detail) those classes and grades including traders whose annual earnings are less than Rs. 500

Since, as I have already explained, we do not propose to repeal the existing Acts, the present classification will otherwise remain unaltered with the following exceptions. In Bombay the maximum fee now payable is Rs. 200; in Bengal, the North-Western Provinces, Oudh, the Punjab and wherever the Northern India License Act is in force, the maximum fee is Rs. 500; and in Madras it is Rs. 800. We propose to leave the Madras schedule unaltered; to add in the Bengal and Northern India schedules one class with a fee of Rs. 800; and to add in Bombay two classes, one paying Rs. 500 and the other paying Rs. 800. Thus the maximum tax at present leviable in Madras will be applied throughout India.

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As, with these exceptions, no change is proposed in the present law, so far as it affects the richer classes of traders, the tax will be levied exactly as it is now. Whatever objections there may have been to this form of taxation will no doubt remain, so far as the persons are concerned who are liable to it; but at any rate there will be no ground for the charge that we are completely changing the character of the existing Acts and virtually introducing an income tax. For in this respect there will be absolutely no alteration in the present system.

In thus avoiding anything like an income tax, and as one of the consequences of fixing a maximum fee of Rs. 800 as the highest amount which can be demanded from any trader or professional man, however rich, we find ourselves landed in a difficulty.

The sum of Rs. 800 is much less than that which will be paid by some of the highest officers of Government at the rate of  $1\frac{1}{2}$  per cent. on their salaries. The number of officers in this position will, however, be very small. There will be the Viceroy, the Governors of Madras and Bombay, the Lieutenant Governors, the Commander-in-Chief, the Members of Council, the Chief Justice, and possibly a few others. Excepting these officers, the highest salary paid to any Government officer in India is Rs. 50,000 per annum. One and a half per cent. on this sum would be Rs. 750. Thus, the maximum tax ordinarily paid by the officials, professional men, and traders, will be approximately the same; but there will be this exception that the few high officers already mentioned will have to pay more, and some of them a great deal more, than Rs. 800 per annum. Your Excellency, for instance, will have the pleasure of paying an annual tax of Rs. 3,600.

It is, of course, impossible to maintain that this is just, but it is an illustration of the numerous anomalies which must arise under any system of direct taxation short of a general income tax. It is not so serious an anomaly as others which I could mention; as for instance, that presented by the fact that there are in this Province of Bengal landed proprietors receiving incomes measured in hundreds of thousands of pounds, which are now almost untouched by taxation. The only way in which we could make the richest class of traders and professional men pay as much as the high officers that I have mentioned would be by applying to them a system of assessment virtually the same as that of an income tax. As we desire to avoid this, we must be content to let these officers pay more than their equally rich neighbours. It would no doubt be possible to fix a maximum of Rs. 800 for the official classes also, but it seems to the Government that this would lead to still worse evils. We could not with propriety, or indeed with decency, say that all Government servants with salaries between Rs. 1,200 and Rs. 50,000 a year shall pay at the rate of  $1\frac{1}{2}$  per cent. on their salaries, but those officers who get more than Rs. 50,000 shall be exempted from paying in proportion. The fact is that the system under which the trading classes are taxed being essentially different from that which is applicable to the officials, it is impossible that the burden should fall with complete equality on both classes alike. I may add that financially this part of the question has little importance. The number of traders and professional men with incomes exceeding Rs. 50,000 a year is very small, and the additional revenue obtained by making them pay more than the maximum license fee of Rs. 800 would not be great. Taking everything into consideration, it is not worthwhile to add more classes to the License Acts, merely for the purpose of rendering the law more symmetrical, and theoretically more equal, and making a few rich traders and professional men pay as much as the highest officials.



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I have now, my Lord, explained all the principal changes which the Government thinks it desirable to make in the Bill now before the Council. If the motion which I am about to make be agreed to, and the Bill be referred to a Select Committee, we shall propose to the Committee to adopt these modifications in the Bill. I have no doubt that the Committee will be able to suggest other improvements.

It will be observed from all I have said to-day that, although the Government is quite ready to make many important changes in this Bill, it adheres to the opinion that the taxation of the richer members of the trading, professional and official classes is essential. They have been contributing little or nothing towards the expenses of the State. Justice and financial considerations alike require that they should so contribute, and it is only by direct taxation that this object can be gained. My Lord, I often read in the newspapers that one of Sir John Strachey's most mischievous delusions is his persistent preference of direct to indirect taxation in India, and that his constant desire is to substitute the former for the latter. My Lord, every man's motives are best known to himself; but, if language be any indication of motive, I may ask my critics to point out any single occasion on which I have said anything of the kind. I affirm, not only that I have never, either in public or in private, maintained any such doctrine, but that no such idea has ever entered into my head. If in formerly approving the imposition of the income tax and other forms of direct taxation, and in regretting their loss, I have erred, I have erred in company with many of the wisest and most experienced of Indian statesmen, among whom I will now name one only, Lord Lawrence, my honoured and lamented master. No man knew India better than he, and never was there a man who would have more strongly and indignantly refused his consent to measures which he thought must entail injustice and oppression on the people. He believed—and I believe—that they are some classes of the community which have borne no proper part of the public burdens, although no classes are better able than they to bear their share; that it is by direct taxation alone that they can be reached; and that with reasonably good administration, which it is certainly within our power to secure, there is no necessity whatever for any gross abuses in the assessment and collection of taxes of this kind. If we could make these classes contribute in any other way to the necessities of the State, without adding to the burdens of others who already contribute in fair proportion to their means, we should be most glad to do so; but this is impossible. We impose direct taxation upon them, not because we prefer direct taxation to indirect, but because we must tax them directly or not at all.

I have been now speaking as if the taxation now proposed out to be permanently maintained, independently of the actual financial position in particular years, not necessarily with its present details, but at least substantially. Those who differ from this opinion will have ample opportunity of stating their views, since, as I have already said, it is not proposed to ask the Council to pass this measure, nor even to ask the Special Committee finally to report upon it, until the Financial Statement for next year is before the Council and the Public. The view that taxation of this kind, although it may be tolerated for a time, in case of unavoidable necessity, ought to be given up whenever the condition of the finances makes it possible to dispense with it, has often been maintained. It has lately been expressed very clearly and temperately and well in the memorial submitted by the Bengal Chamber of Commerce. The Chamber produces evidence, drawn from the accounts and statements published by the Government, to show that there has been a great improvement in our financial position; it says there is a widespread impression that the Government could now afford to dispense with the license tax altogether, and that before any attempt is made to pass the measure before us into law, a full statement of the present and prospective position of the public finances should be made. I cannot now discuss that position, but the hope with which the memorial of the Chamber concludes, has been met by the announcement which I have already made that the final consideration of this Bill will be postponed until after the publication of the Financial Statement. With regard to the general financial position, I can now only repeat what I said when the Bill was introduced, that there has happily been great improvement, that we trust the

country has passed through its disastrous and long-continued period of scarcity and suffering, and that the condition and prospects of the finances are highly encouraging and satisfactory.

I have only a few more words to add. It might be supposed from many of the criticisms which this measure has received that the Government was proposing to impose fresh and heavy taxation on the country. Nothing could be further from the real intentions of the Government; and I trust the proposed modifications of the Bill will, when they are made in it, remove every disposition to such criticisms, for they will certainly remove every justification for them. The result will be that we shall exempt from taxation about a million and three-quarters of persons who, if not absolutely, are still relatively poor, and we shall transfer, not the whole, but the greater part of the burden hitherto borne by these classes, to about 35,000 persons, the great majority of whom are more or less highly paid Government officials. We shall get altogether £100,000 less revenue than we get now. The measure is essentially one which has for its object the equitable readjustment of taxation. It will reduce, not increase, the burdens of the country.

No. 29, dated 16th January, 1880.

No. 226.] *From* — A. MACKENZIE, Esq., *Secy. to the Govt. of Bengal, Financial Department,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

The Hon'ble Sir J. Strachey, in his speech in Council on the 24th December last, while explaining the changes which the Government of India have now determined to introduce in the Bill for taxing trades and professions, stated as follows:—

We now propose to leave all the local Acts in force. Certain amendments in the schedules which prescribe the fees to be levied on the various classes, and a provision extending the tax to professional men, will be required, but this can be done by a very few sections in our Bill, which, so far as it affects the trading and professional classes, will then become a very small measure. A great part of the Bill will disappear altogether, and the provisions of general application to all India will be almost confined to those which extend taxation to the official and salaried classes.

I am to request that this decision may, as regards Bengal at least, be reconsidered for the following reasons.

2. As His Excellency the Viceroy in Council is aware, the Bengal License Tax Act (I of 1878) contains special provisions for the assessment and levy of the tax in the town of Calcutta under which the Commissioners and their Chairman are entrusted with the duties that in other parts of the country fall upon the Collector. The working of these sections has in practice proved to be extremely unsatisfactory. The Commissioners are very unwilling to take any active part in the work of assessment or the disposal of objections, and the Chairman finds it impossible to compel them to do so. The whole work practically therefore falls upon the Chairman himself, who is already overburdened with other duties. The result has been a very insufficient assessment, great delays in the disposal of objections, heavy remissions, and serious arrears of collections. The Lieutenant-Governor is quite convinced that the present arrangements in Calcutta cannot continue, and it would have been necessary on this ground alone to amend the Bengal Act during the current session.

3. Again, now that all incomes below Rs. 500 are to be exempted from tax, and if the assessment and collection of the tax in Calcutta is made an imperial or provincial matter, the necessity of retaining a special schedule for the town, based on the existing municipal schedule, ceases to exist.

4. In Sir Ashley Eden's opinion it would be well to avoid separate legislation on the subject of the license tax in the Bengal Council, while the Supreme Legislature is actually engaged in settling the details of the Bill introduced by Sir John Strachey. On every ground the most desirable and convenient course would be that the Supreme Legislature should, as originally intended, repeal the Bengal Act, and provide for the levy of the Trades and Professions Tax in Bengal in the same way as in the North-Western Provinces and the Punjab.

The machinery employed for the collection of the tax must in all these provinces be much the same, and the provisions of the "Northern India

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License Act, 1878," would, with slight alterations, suit Bengal equally well, the place of the Collector of the district being in Calcutta taken by "such officer as the Lieutenant-Governor might select or appoint for the work." The Lieutenant-Governor has no special wish to retain the sections in the Bengal Act enabling the Government to entrust the work of collection, &c, to municipalities or unions. These provisions have been but seldom taken advantage of, and, under the restrictions now to be placed on taxation, would be always a dead-letter. Again, the time for assessment and period of limitation laid down in the Bengal Act have been shown by experience to be insufficient.

5. I am therefore to suggest that the Select Committee now sitting on the Trades and Professions Tax Bill may, with the permission of His Excellency the Governor-General in Council, be instructed to provide for the total repeal of the Bengal Act, and the treatment of Bengal on the same footing as the other provinces dealt with in that measure.

No. 932, dated 23rd January, 1880.

No 227.]

*Endorsed by the DEPARTMENT OF FINANCE.*

Copy forwarded to the Legislative Department for consideration.

Dated 31d February, 1880.

No. 228.]

*Telegram from—The Secretary of State, London,  
To—The Viceroy, Calcutta.*

Gazette, January 3rd, Trades and Professions Tax. Have you sent letter with explanations of reasons for complete change in Bill ?

No. 671, dated 5th February, 1880.

No 229.]

*Telegram from—The Viceroy, Calcutta,  
To—The Secretary of State, London.*

License Tax. I regret that we inadvertently omitted to send covering despatch with Financial Member of Council's explanations published in the Gazette of the 3rd January. Separate report appeared unnecessary, because changes proposed would restore measure to the identical form in which it was proposed by us on the 22nd of July 1878, and sanctioned by your despatch No. 402, dated 21st November, same year. Sole difference is the exemption from taxation of all traders with incomes under 500 rupees, which we felt sure you would approve. The great and unexpected improvement in our financial position may, however, make it expedient to reconsider the question of extending taxation to the official and professional classes. We shall telegraph our conclusion shortly.

No. 857, dated 16th February, 1880.

No. 230 ]

*Telegram from—The Viceroy, Calcutta,  
To—The Secretary of State, London.*

With present condition and prospects of finances we could not justify extension of taxation to official and professional classes, and have resolved to drop proposal. Sole change in existing Acts will be exemption of all incomes under 500 rupees.

Dated 17th February, 1880.

No. 231.]

*Telegram from—The Secretary of State, London,  
To—The Viceroy, Calcutta.*

Your's yesterday: License tax. Policy of abandoning extension much questioned here for reasons stated in my despatch No 402 of 1878. How do you justify suspending operations of famine insurance another year ?

No. 232.]

No. 891, dated 18th February, 1880

Telegram from—The Viceroy, Calcutta,  
To—The Secretary of State, London.

Sep. Rev. Pro., June  
1880, Nos. 1104 to  
1227.

Your's yesterday. License tax extension. Whatever view be taken of policy it is impossible now to carry measure; neither I nor any Member of Executive Government can support it, and Legislative Council would probably not accept it. Your doubts regarding famine insurance not understood. In my telegram of 14th for famine insurance read protective works. We suspend nothing and have fulfilled all financial conditions and plans made in 1878. Our explanation regarding famine insurance will be complete and unanswerable.

No. 233.]

No. 1267, dated 17th June, 1879.

From—E. J. SINKINSON, Esq., Under-Secretary to the Govt. of India, FINANCIAL DEPT.,  
To—The Secretaries to the Governments of Bengal, Bombay, N.-W. P., Punjab, and Madras.

Sep. Rev. Pro., June  
1880, Nos. 1294 to  
1330.

The Acts under which the license tax was imposed in the several provinces differ from one another in many particulars, and the Governor General in Council has not hitherto been able to prescribe any general forms for the statistical returns which it is necessary to obtain.

2. With the object of giving as little trouble as possible to the local Governments and their officers, and of preparing the forms of returns required by the Government of India in the manner which will be most generally convenient, I am directed to request that the Government of

will be good enough to forward, as speedily as practicable, for the information of His Excellency in Council, a set of the forms which, in the opinion of , would be suitable for general adoption, and which could be filled up in the without difficulty.

3. The forms should show, *inter alia*, for each class and grade, the number of persons assessed, the rates of assessment, and the amount of tax assessed and collected. They should also contain, in as much detail as may be easily practicable, a classification of the various persons assessed, showing the numbers belonging to each of the principal trades and occupations liable under the Act, and the distribution of such persons under the several classes and grades.

No. 234.]

No. 261, dated 18th July, 1879.

From—C. ROBERTSON, Esq., Secy. to the Govt. of the North-Western Provinces and Oudh,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In reply to your letter No. 1267, dated 17th June, I am directed to forward a copy of a letter from Secretary, Board of Revenue, North-Western Provinces, No. 888N.-IV.-B, dated 11th July, with four forms, drawn up by the Board of Revenue, as meeting the requirements of these provinces, and suitable for general adoption in regard to the working of the Northern India License Tax Act, II of 1878.

No. 235.]

No. 888N.-IV.-B, dated 11th July, 1879.

From—J. S. MACKINTOSH, Esq., Secretary to the Board of Revenue, N.-W. Provinces,  
To—The Secretary to the Government of the North-Western Provinces and Oudh.

With reference to your No. 234, Separate Revenue (License Tax) Department, dated 27th June 1879, I am desired by the Junior Member to forward a set of forms, four in number, which appear to be suitable for general adoption, and to contain the information required by the Supreme Government, and which could be filled up in these provinces without difficulty.

No. 236.]

APPENDIX A.

RETURNS OF OPERATORS UNDER THE NORTHERN INDIA LICENSE ACT, 1878.  
Statement of Realizations under Act II of 1878 for the year

Division.		District.		Population		No of persons licensed	
H.A.P.	6	Fees paid.		1st grade, Rs 500	2nd grade, Rs 250	No of persons licensed.	
		Fees paid.		3rd grade, Rs 175	4th grade, Rs 100	No of persons licensed.	
H.A.P.	7	Fees paid.		Total Class I		No of persons licensed.	
		Fees paid.		1st grade, Rs 10	2nd grade, Rs 50	No of persons licensed.	
H.A.P.	8	Fees paid.		Total Class II		No of persons licensed.	
		Fees paid.		4th grade, Rs 10	Total Class III		No of persons licensed.
H.A.P.	9	Fees paid.		1st grade, Rs 5	2nd grade, Rs 2	No of persons licensed.	
		Fees paid.		Total Class III		No of persons licensed.	
H.A.P.	10	Fees paid.		Total of all classes.		No of persons licensed.	
		Fees paid.		Realized from fines under section 16		No of persons licensed.	
H.A.P.	11	Fees paid.		Total gross realizations.		No of persons licensed.	
		Fees paid.		Under section 18		No of persons licensed.	
H.A.P.	12	Fees paid.		Under section 5		No of persons licensed.	
		Fees paid.		Under section 16		No of persons licensed.	
H.A.P.	13	Fees paid.		Total.		No of persons licensed.	
		Fees paid.		Expenditure on establishment		No of persons licensed.	
H.A.P.	14	Fees paid.		Net produce of tax.		No of persons licensed.	
		Fees paid.		Percentage of cost of establishment		No of persons licensed.	

No. 237.]

APPENDIX B.

RETURN OF OPERATORS UNDER THE NORTHERN INDIA LICENSE ACT, 1878.  
Statement showing the number of persons of each scheduled trade or dealing licensed for the year under Act II of 1878.

Division.		District.	
Companies registered under the Indian Companies Act, 1866			
Bankers			
Professional money-lenders.			
Owners of cotton screws.			
Persons keeping shops for the sale of European goods			
Hotel-keepers			
Wholesale dealers			
Dealers in precious stones			
Sugar manufacturers or refiners			
Indigo-manufacturers.			
Tee-manufacturers.			
Total number of persons under Class I			
Cloth sellers			
Metal vessel sellers.			
Fuel-sellers (talwala)			
Chandris			
Letters-out of conveyances and cattle			
Contractors (shikadars)			
Printers and publishers			
Manufacturers of lac			
Commission agents			
Brokers.			
Bill brokers			
Pawn brokers			
Money-changers			
Dealers in gold and silver lace			
Druggists			
Harness-makers			
Dealers in metals, not being merely artisans			
Grain dealers			
Retail dealers in grain			
Auctioneers			
Coach-builders			
Tobacco sellers.			
Dealers in horses, cattle, or elephants			
Timber merchants			
Woolen manufacturers.			
Silk-manufacturers.			
Persons carrying on trades and dealings specified in Class I, whose annual earnings are not so large as to warrant their assessment in that class			
Total number of persons under Class II			
Artisans, traders, and dealers not above specified			
Persons falling under any head mentioned in Class I or Class II, and whose annual earnings are not so large as to warrant their assessment in either of those classes			
Total number of persons under Class III			
Total number of persons licensed			

No. 238.]

APPENDIX C.

RETURNS OF OPERATIONS UNDER THE NORTHERN INDIA LICENSE ACT, 1878.

Statement of Objections under section 12 and prosecutions under section 20.

DIVISION.	DISTRICT.	RESULT OF PETITIONS UNDER SECTION 12							RESULT OF PROSECUTIONS INSTITUTED AT THE INSTANCE OF THE COLLECTOR UNDER SECTION 20.			
		Number of persons who presented petitions under section 12.	Number of persons in whose cases Collector interfered without presentation of petitions.	Total of columns 3 and 4.	Number of persons transferred to another class or grade	Number of persons removed altogether from the list	Number of persons whose petitions were rejected.	Number of persons whose cases are still under consideration.	Number of persons prosecuted	Number of persons convicted	Total amount of fines imposed.	Amount realised.
1	2	3	4	5	6	7	8	9	10	11	12	13
											Rs. A. P.	Rs. A. P.

No. 239.]

APPENDIX D.

RETURNS OF OPERATIONS UNDER THE NORTHERN INDIA LICENSE ACT, 1878.

Statement showing action by Commissioner under section 15.

DIVISION.	DISTRICT.	Number of applications presented to the Commissioner under section 15.	Number of cases in which the application was rejected or the assessment upheld.	Number of cases in which the fee was lowered or remitted.	Number of cases in which the fee was raised.	Number of cases undecided.	NET INCREASE OR DECREASE IN TAXATION DUE TO COMMISSIONER'S ACTION	
							Increase.	Decrease
1	2	3	4	5	6	7	8	9

See Part I, June 1880, Nos 1296 to 1380.

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Sep Rev Pro., June  
1880 Nos. 1294 to  
1830

No. 240.]

No. 2318, dated 28th July, 1879.

*From*—LEPEL GRIFFIN, Esq., *Secretary to the Government of the Punjab,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

In reply to No. 1267, dated 17th June, I am desired to forward a copy of a letter No. 49C., dated 9th instant, from the Secretary to the Financial Commissioner, and of its enclosures, being a set of forms prescribed by this Government for exhibiting the results of the license tax, which appear to the Hon'ble the Lieutenant-Governor suitable, and which can be filled up in this province without difficulty.

No. 241 ]

No. 49C., dated 9th July, 1879.

*From*—J. A. E. MILLER, Esq., *Secretary to the Financial Commissioner, Punjab,*  
*To*—*The Secretary to the Government of the Punjab.*

With reference to your No. 2007 of 21st June forwarding instructions of the Government of India, regarding preparation of returns showing the results of the license tax, I am directed to state that the subject had already been considered in this office, and a set of forms had been drawn up, which contain all the particulars required by paragraph 3 of the Government of India letter.

2. A copy of the circular and forms is enclosed. The English copies have been issued to Deputy Commissioners, and the vernacular copies are now going out.

These returns will be compiled in this office, and a general report on the working of the tax will then be submitted.

No. 242.]

Circular No. 28, dated 30th June, 1879.

*From*—J. A. E. MILLER, Esq., *Secretary to the Financial Commissioner, Punjab,*  
*To*—*All Commissioners and Deputy Commissioners in the Punjab.*

Deputy Commissioners are requested to furnish a report on the results of the license tax of 1878, and to fill up three returns in the annexed form.

2. Care should be taken to exclude from these returns figures appertaining to the tax for 1879, the collection of which commenced in January.

3. The returns here prescribed should be complete up to 31st March 1879.

4. Copies of Deputy Commissioners' returns should be sent to this office direct, together with office copies of their reports. Fair copies of the reports will be submitted through Commissioners and forwarded with their remarks.

5. It is requested that in these reports Deputy Commissioners will, among other points of interest, carefully describe the mode in which *net income* for taxation has been calculated on various classes of payers, and what deductions have been allowed for working expenditure of traders and manufacturers.

6. It should, also, be explained in the case of village artisans, whether their receipts in the shape of fixed allowances of grain have been taken into account, and generally on what principles tax-payers have been placed in the one rupee and the two rupees grade of the lowest class.

No. 243.]

No. I.

Statement showing the demand, collections, and balances of assessments under the License Tax Act of 1875 up to 31st March 1879.

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DETAIL OF CLASSES AND GRADES.	ENTIRE TAX ASSESSED		Amount of remission granted For details, see Statement No. III.	Net amount of tax for collection after deducting remissions	Amount of tax collected during the year.	Balances due at the close of the year	NUMBER OF PETITIONS OF OBJECTION		APPEALS TO COMMISSIONER		REFUNDS SANCTIONED.			Cost of collection.	REMARKS.
	Numbers of persons taxed	Amount of tax.					Admitted.	Rejected	Admitted	Rejected.	Amount of collections refunded on objection.	Amount of collections refunded on appeal	Total refunds For detail, see Statement No. III		
CLASS I ... { 1st Grade ...	...														
... { 2nd do. ...	...														
... { 3rd do. ...	...														
... { 4th do. ...	...														
Total Class I ...	...														
CLASS II ... { 1st Grade ...	...														
... { 2nd do. ...	...														
... { 3rd do. ...	...														
... { 4th do. ...	...														
Total Class II ...	...														
CLASS III ... { 1st Grade ...	...														
... { 2nd do. ...	...														
... { 3rd do. ...	...														
Total Class III ...	...														
GRAND TOTAL ...	...														

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Deputy Commissioner's Office, }  
 District ; }  
 The 188

Deputy Commissioner.

See Rev. Pro. Jans  
 1880 Nos. 1394 to  
 1880

1879-80.]

LICENSE TAX.

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Sep Rev Pro. June  
1880, Nos 1294 to  
1330

No. 245]

No. III.

Statement showing details of remissions and refunds on account of the License Tax of 1878-79.

DESIGNATION.		Amount re- mitted before collection			Amount re- funded after collection		
		Rs	A	P	Rs	A	P
CLASS I	Companies registered under the Indian Companies Act, 1866 ...						
	Bankers						
	Professional money-lenders						
	Owners of cotton screws						
	Persons keeping shops for the sale of European goods						
	Hotel-keepers						
	Wholesale dealers						
	Dealers in precious stones						
	Sugar manufacturers or refiners						
	Indigo manufacturers						
	Tea-manufacturers						
CLASS II	Cloth-sellers						
	Metal-vessel sellers						
	Fuel sellers (talwalas)						
	Chaudhris						
	Letters-out of conveyances and cattle						
	Contractors (thikadars)						
	Printers and publishers						
	Manufacturers of lac						
	Commission agents						
	Brokers						
	Bill-brokers						
	Pawn-brokers						
	Money-changers						
	Dealers in gold and silver lace						
	Druggists						
	Harness-makers						
	Dealers in metals, not being merely artisans						
	Grain-dealers						
	Retail dealers in grain						
	Auctioneers						
	Coach-builders						
Tobacco-sellers							
Dealers in horses, cattle, or elephants							
Timber merchants							
Woollen-manufacturers							
Silk-manufacturers							
Persons carrying on trades or dealings specified in Class I, whose annual earnings are not so large as to warrant their assessment in that class							
CLASS III	Artisans, traders, and dealers not above specified						
	Persons falling under any head mentioned in Class I or Class II, and whose annual earnings are not so large as to warrant their assessment in either of these classes						
Total							

Deputy Commissioner's Office,  
District,  
The 188 . Deputy Commissioner.

No 246]

No. 1848, dated 8th August, 1879.

From—J. H. GARSTIN, Esq, Acting Secretary to the Govt. of Madras, Revenue Dept.,

To—The Secretary to the Government of India, DEPARTMENT OF FINANCE

In reply to your letter dated 17th June, No. 1267, I am directed to forward the accompanying Proceedings\* of this Government, with which are enclosed copies of forms drawn up by the Madras

\* Dated 8th August 1879, No 1647.

Board of Revenue for the License Tax Administration Report.

2. These forms appear to exhibit in considerable detail information desired by the Government of India, though some of the columns may not be everywhere required.

No. 247.] *Extract from the Proceedings of the Government of Madras, Revenue Department,—* Sep Rev Pro., June  
No. 1647, dated 8th August, 1879. 1880, Nos. 1294 to  
1880

Read—

Letter from the Government of India, Department of Finance and Commerce, dated 17th June 1879, No. 1267, requesting to forward, as soon as possible, a set of forms suitable for general adoption for statistical returns in connection with the license tax.

Read also the following—

*Proceedings of the Board of Revenue, Madras,—No. 1975, dated 8th July 1879.*

Copies of forms prescribed by the Board for the License Tax Administration Report in their Proceedings, dated 20th March 1879, No. 742, and which seem to contain all the particulars required by the Government of India, are herewith forwarded for the information of Government.

2. Monthly statements are obtained by the Board from Collectors in Form F, appended to Rules sanctioned in G. O., dated 4th May 1878, No. 664; but in regard to them the entry of "Description of trade or industry" in column 1 is not insisted on as likely to delay the preparation and submission of the statements

*Order thereon by the Government of Madras.*

The forms drawn up by the Board will be forwarded to the Government of India.

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Statement showing the operation of the License Tax Act in the district of \_\_\_\_\_ during the year 188

1		Designation of the officer authorised to grant licenses, &c, whether a tahsildar, deputy tahsildar in zemindari tracts, or divisional officer
2		Name of the taluq, &c, comprised in the range
3		Area
4		Population
5		Number
6		Amount
7		Number
8		Amount
9		Number of cases in which appeals have been rejected.
10		Number of cases in which the tax has been reduced
11		Number of cases in which the tax has been wholly remitted
12	Rs	Total amount reduced or remitted
13		Number of cases in which appeals have been rejected
14		Number of cases in which the tax has been reduced
15		Number of cases in which the tax has been wholly remitted
16	Rs	Total amount remitted or reduced
17		Number.
18	Rs	Amount
19	Rs	Within the calendar year
20	Rs	In the subsequent three months.
21	Rs	Total.
22	Rs	Refunds actually made on appeals, &c
23	Rs.	Refunds which have still to be made according to orders passed
24	Rs	Total
25	Rs	Net collections
26	Rs	Remaining amount due on the 1st April 188 , which cannot be collected, i. e., difference between columns 18 and 25
27		Number of cases in which penalties have been imposed
28	Rs	Amount.
29		Number of cases in which penalties have been imposed
30	Rs	Amount.
31		Remarks explaining the cause of the balance left uncollected

Note—Municipalities should be shown as separate ranges, and the collections should be the sums paid by the Municipalities, inclusive of the remuneration allowed to them on account of the duties imposed upon them. The remuneration will appear under Charges.

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 Sep Rev Pro, June  
 1880, Nos. 1294 to

No. 249 ]

Statement showing the classes under which the License Tax has been charged in the district of

during

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No. II

Description of trade, dealing, or industry		1	
Class I.	Number as finally settled on appeals.	2	
	Amount as finally settled.	3	Rs.
Class II.	Number as finally settled on appeals.	4	
	Amount as finally settled.	5	Rs.
Class III.	Number as finally settled on appeals.	6	
	Amount as finally settled.	7	Rs.
Class IV.	Number as finally settled on appeals.	8	
	Amount as finally settled.	9	Rs.
Class V.	Number as finally settled on appeals.	10	
	Amount as finally settled.	11	Rs.
Class VI.	Number as finally settled on appeals.	12	
	Amount as finally settled.	13	Rs.
Class VII.	Number as finally settled on appeals.	14	
	Amount as finally settled.	15	Rs.
Class VIII.	Number as finally settled on appeals.	16	
	Amount as finally settled.	17	Rs.
Class IX.	Number as finally settled on appeals.	18	
	Amount as finally settled.	19	Rs.
Class X.	Number as finally settled on appeals.	20	
	Amount as finally settled.	21	Rs.
Class XI.	Number as finally settled on appeals.	22	
	Amount as finally settled.	23	Rs.
Class XII.	Number as finally settled on appeals.	24	
	Amount as finally settled.	25	Rs.
TOTAL.	Number as finally settled on appeals.	26	
	Amount as finally settled.	27	Rs.

Note—The statement should include the assessment in Municipalities also

See, Rev. Pro., June to 1880, Nos 1294 to 1880.

Sep Rev Pro, June  
1880, Nos 129<sup>4</sup> to  
1330.

## No III.

No. 250.] *Statement showing the entire collections and charges on account of the License Tax in the district of*

Receipts.		Expenditure	
	Rs.		Rs.
1. Collection of tax by Government officers ..	...	Charges of collection—	
2. Ditto paid by Municipalities ...	...	1. Establishment ... ..	..
3. Penalties imposed under sections 19 and 21 ...	..	2. Contingencies ... ..	...
4. Miscellaneous collections ...	...	3 Remuneration to Municipalities for expenses of collection ... ..	..
		Refunds ... ..	..
Total ...	.	Total ..	...

NOTE—Under Establishment details should be given.

No. 251.]

No. 2835, dated 20th August, 1879.

From—J. B. PRILE, Esq, C. S. I., *Acting Chief Secy. to the Govt. of Bombay, Financial Dept.,*  
To—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

As requested in paragraph 2 of the Government of India Financial letter No. 1267, dated 17th June last, I am directed to forward, for submission to the Government of India, the accompanying copies of a set of license tax forms which, in the opinion of this Government, would be suitable for general adoption and would be filled up in this Presidency without difficulty.

## No. I.

Sep Rev Pro. June  
1880, Nos. 1294 to  
1330.

No. 252.] *Return of assessments of persons or firms, exclusive of Joint Stock Companies, under  
Bombay Act III of 1878 (License Tax) for the year ending*

1	2	3	4	5	6	7	8
CLASSES OF INCOMES	Grade (to be filled up in the Presidencies and Adminis- trations in which classes are sub-divided)	Rates of assessments	Number assessed.	Amount of assessments.	Amount of remissions.	Net collections.	Remarks.
I. Incomes not less than Rs 10,000 and upwards							
II. " " 7,500 but less than Rs. 10,000							
III. " " 5,000 " " 7,500							
IV. " " 4,000 " " 5,000							
V. " " 3,000 " " 4,000							
VI. " " 2,000 " " 3,000							
VII. " " 1,500 " " 2,000							
VIII. " " 1,250 " " 1,500							
IX. " " 1,000 " " 1,250							
X. " " 750 " " 1,000							
XI. " " 500 " " 750							
XII. " " 350 " " 500							
XIII. " " 250 " " 350							
XIV. " " 150 " " 250							
XV. " " 100 " " 150							
Total							

## No. II.

No. 253. *Return of assessments of Joint Stock Companies under Bombay Act III of 1878  
(License Tax) for the year ending*

1	2	3	4	5	6	7	8
CLASSES OF INCOMES.	Grade (to be filled up in the Presidencies and Adminis- trations in which classes are sub-divided)	Rates of assessments	Number assessed.	Amount of assessments.	Amount of remissions.	Net collections.	Remarks.
I. Incomes not less than Rs. 10,000 and upwards							
II. " " 7,500 but less than Rs 10,000							
III. " " 5,000 " " 7,500							
IV. " " 4,000 " " 5,000							
V. " " 3,000 " " 4,000							
VI. " " 2,000 " " 3,000							
VII. " " 1,500 " " 2,000							
VIII. " " 1,250 " " 1,500							
IX. " " 1,000 " " 1,250							
X. " " 750 " " 1,000							
XI. " " 500 " " 750							
XII. " " 350 " " 500							
XIII. " " 250 " " 350							
XIV. " " 150 " " 250							
XV. " " 100 " " 150							
Total							



No. 254.]

No. III.

Annual Return showing details of assessments under Bombay Act III of 1878 (License Tax) of the several trades, dealings, and industries carried on by persons or firms and Joint Stock Companies for the year ending

TRADES, DEALINGS, AND INDUSTRIES.	CLASS I		CLASS II		CLASS III		CLASS IV		CLASS V		CLASS VI		CLASS VII		CLASS VIII		CLASS IX		CLASS X		CLASS XI		CLASS XII.		CLASS XIII		CLASS XIV		CLASS XV		REMARKS	
	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered	Number assessed	Tax recovered		
Agents																																
Artisans (not keeping shops for the sale of manufactured articles)																																
Bankers																																
Brokers																																
Contractors																																
Dealers in animals																																
Dealers in agricultural produce																																
Hotel keepers																																
Letters-out of conveyances, horses, or cattle (livery stable-keepers)																																
Manufacturers, wholesale, of—																																
1 Cotton goods																																
2 Woollen goods																																
3 Jute, flax, and hemp																																
4 Silk																																
5 Indigo																																
6 Sugar																																
7 Tea																																
8 Metals and machinery																																
9 Others																																
Merchants																																
1 General																																
2 Opium																																
3 Piece-goods																																
4 Grain																																
5 Salt																																
6 Others																																
Money-changers																																
Money lenders																																
Owners of conveyances, horses, or cattle plying for hire																																
Ship or boat owners																																
Traders in—																																
1 Woven fabrics and dress																																
2 Building materials and furniture																																
3 Metals																																
4 Food																																
5 Salt																																
6 Spirits, drugs, and tobacco																																
7 Fuel																																
8 Animal and vegetable substances (not food)																																
9 Books and stationery																																
10 Miscellaneous																																
Joint Stock Companies—																																
1 Banking																																
2 Cotton spinning and weaving																																
3 Gas																																
4 Insurance																																
5 Jute and hemp																																
6 Land																																
7 Navigation																																
8 Press																																
9 Railway																																
10 Telegraph																																
11 Trading																																
12 Tramway																																
13 Others																																

LICENSE TAX



Sep Rev Pro, June  
1880, Nos. 1294 to  
1830.

No. 258.]

No. II.

Statement showing the number of persons assessed under each class and grade, classified according to professions, in the town of Calcutta

CLASSIFICATION OF ASSESSERS ACCORDING TO PROFESSIONS	NUMBER OF PERSONS ASSESSED DURING THE YEAR UNDER						Total number of persons assessed.	Total number of houses assessed.	Amount of tax	REMARKS.	
	Class I		Class II, Rs 100	Class III, Rs 60	Class IV, Rs 25	Class V, Rs 12					Class VI, Rs 5
	Grade I, Rs 500	Grade II, Rs 200									

No. 259.]

No. III.

Statement showing the demand as originally assessed, collections, remissions, refunds, and balance under each class and grade.

DISTRICT	Class.	Demand including demand carried on from the preceding year.	Collections *	Remissions †	Refunds ‡	Balances	Percentage of collections on demand	REMARKS.
	Class I { Grade I							
	" II " II							
	" III ...							
	" IV for Calcutta							
	" V "							
	" IV for Mofussil							
	" V †							
	Total ...							

\* (1) All collections made on account of fines and penalties should be separately explained in each class. Thus Rs 2,000 collected, of this sum, Rs 200 were realised on account of fines, &c, imposed

† (2) All remissions and refunds should be explained in a separate sheet.

‡ Class VI, Calcutta, to be shown with Class V for the Mofussil.

No. 260.]

No. IV.

Statement showing the number of petitions of objection presented, decided, and pending at the close of the year under each class and grade.

DISTRICT	Class.	Total number of assessments.	Number of petitions presented during the year.	Number of cases in which the assessment was upheld	Number in which the assessment was modified	Number of cases struck off without hearing.	Number pending at the close of the year	REMARKS.
1	2	3	4	5	6	7	8	9
	Class I { Grade I							
	" II " II							
	" III ...							
	" IV for Calcutta							
	" V "							
	" IV for Mofussil							
	" V †							
	Total ...							

† Including Class VI for Calcutta.

No. 261.]

No. V.

Statement showing the number of appeals presented, decided, and pending at the close of the year under each class and grade

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1380.

DISTRICT.	Total assessments made	Number of objections disallowed by officers subordinate to Collectors and therefore open to appeal	Number of appeals presented during the year.	Number of cases in which order appealed against was upheld.	Number of cases in which order appealed against was reversed	Number struck off for default	Number pending at the close of the year.	REMARKS
1	2	3	4	5.	6	7	8	9

No. 262.]

No. VI.

Statement showing the population, number of villages, and the total number assessed under the Licence Tax.

DISTRICT.	Population	Number of villages in the district according to census.	Number of villages in which there are assesseses	Total number of persons assessed.	Percentage of persons assessed to population.	Proportion of persons assessed to villages in the district	REMARKS
1	2	3	4	5	6	7	8
				Class I { Grade I " II " III " IV " V " VI*	...	...	...
				Total	...	...	...

\* This applies to Calcutta only.

No. 263.]

No. VII.

Statement showing receipts and expenditure during the year.

DISTRICT.	Net receipts after deduction of refunds, &c.	Charges, i. e., pay of establishment, travelling allowance, postage, stationery, and contingencies shown detail by detail.	Percentage of charges on total receipts	REMARKS.
1	2	3	4	5
	Tax Penalty Fines Distress fee Total	...	...	...

Rep Rev Pro., Sep  
1880, Nos 1561 to  
1572.

No. 264.]

No. 1668-85, dated 4th May, 1880.

From—J. W. CRISHOLM, Esq., *Offg. Secretary to the Chief Commissioner, Central Provinces,*  
To—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

The existing rates of pandhri assessment in these provinces were sanctioned in letter of the Financial Department, No. 1374, dated 16th March 1878, and as a result of the inquiries into the working of the Pandhri Act carried out under Financial Department orders No. 2417, dated 19th August last, I am directed by the Chief Commissioner to submit the accompanying draft notification for sanction, with the following explanation of the modification recommended.

2. The limit of assessable income has been raised from Rs. 150 to Rs. 250. Taking the figures of last year's assessments, this relieves 26,508 persons from assessment, out of an aggregate of 52,905 persons now assessed. There is a unanimity of opinion among local officers that this relief to the poorer class of pandhri payers should be granted; and there is also a general concurrence of view that the limit of assessable income should not be raised higher than Rs. 250 per annum. Looking at the origin of the tax, the manner in which the people regard it, and the general circumstances of the Central Provinces, the Chief Commissioner is satisfied that an income of Rs. 250 per annum is the fairest minimum of income which can be fixed as liable to pandhri. It is to be remembered that for years this was the minimum of income on which pandhri was realised, and that it was fixed after careful inquiry. Not many years ago pandhri was imposed on incomes of Rs. 75 a year, and this is the minimum income liable to taxation under the Act. The tax would change its character entirely if the minimum was raised higher than is now proposed, and the Chief Commissioner trusts, therefore, that the limit fixed will meet the approval of the Government of India. This limit was found in every way suitable when formerly in force, and as a fact it does not affect any section of the people who can be considered poor.

3. In the revision of rates no change has been proposed in the incidence of the tax on the classes whose incomes range from Rs. 250 to Rs. 750. But representations have been received that the existing scale makes too marked and sudden a rise in the assessment imposed on an income of Rs. 1,000 per annum. Thus at present an income of not less than Rs. 850, but less than Rs. 1,000 is assessed at Rs. 9, while, if the income reaches Rs. 1,000, the assessment imposed is Rs. 20, being at the rate of 2 per cent. on estimated profits. On a few rupees additional annual income the assessment is at once increased by Rs. 11, and this pressure is all the more felt as the income on which the tax is imposed is not in itself a large one.

4. To remedy this, the Chief Commissioner proposes to assess incomes ranging from Rs. 1,000 and to less than Rs. 2,000 at  $1\frac{1}{2}$  per cent. instead of 2 per cent., and to raise the payments of the two classes next in the scale from Rs. 8 to Rs. 9, and Rs. 9 to Rs. 12. In this way the scale would rise gradually from Rs. 7 to Rs. 9, then to Rs. 12, and on Rs. 1,000 would be Rs. 15. This arrangement equalises the incidence of the tax on all incomes up to Rs. 2,000.

5. No doubt the inequality of incidence again arises when a rate of Rs. 40 is imposed at 2 per cent. on an income of Rs. 2,000, while on an income of Rs. 1,900 the rate as now proposed will only be Rs. 28-8. Still a much smaller number of persons will be affected; and as the 2 per cent. rate will only fall on incomes of Rs. 2,000 and upwards, it will be paid by a class in extremely comfortable circumstances who would not be in a position fairly to complain of the pressure of the assessment. Should circumstances hereafter arise justifying a reduction of rate in the case of these higher assessments, such reduction will be granted. At present the Chief Commissioner only proposes to reduce the rate of assessment on incomes of Rs. 1,000 and less than Rs. 2,000, as the relative pressure of the rates on incomes of Rs. 1,000 has been especially complained of.

6. If the proposals as recommended are approved of, the present and proposed arrangement of classes would compare as follows:—

Class	Present assessable income		Rate.		Proposed assessable income		Rate
	Rs	Rs.	Rs	Rs.	Rs.	Rs.	Rs
I	150	and less than 250	2	250	and less than 350	350	3
II	250	" 350	3	350	" 450	450	4
III	350	" 450	4	450	" 550	550	5
IV	450	" 550	5	550	" 650	650	6
V	550	" 650	6	650	" 750	750	7
VI	650	" 750	7	750	" 850	850	8
VII	750	" 850	8	850	" 1,000	1,000	9
VIII	850	" 1,000	9	1,000	" 2,000	2,000	1½% <sup>∞</sup>
IX	1,000	and over	*2% <sup>∞</sup>	2,000	and over	*2% <sup>∞</sup>	

\* Maximum assessment Rs 500.

7. The last figures before the Chief Commissioner give Rs. 3,43,957 as the assessments imposed under the present rates. The removal of the lowest class involves a reduction of Rs. 53,000, and the revision of rates now proposed, it is estimated, will involve a further loss of about Rs. 30,000. The sanctioned Budget Estimate for pandhri in the current year is Rs. 2,70,000, and it is believed that assessments under the revised scale will realise this amount. Under the scale as now proposed a higher revenue can readily be realised should the necessity arise, by reverting to a two per cent. assessment on incomes of Rs. 1,000, and raising the payments of the two next classes from Rs. 9 and Rs. 12 to Rs. 10 and Rs. 15. For the present what is recommended relieves entirely the poorest class of payers, and affords a sensible reduction of rates to the great majority of the intermediate class with moderate incomes.

8. The loss of revenue which will result from the above revision will be much the same as if the present† Class II of pandhri payers had been exempted from liability to pandhri. But this class has always paid pandhri; it cannot be considered poor; all local opinion is against exemption; and if once removed from the pandhri lists there would be great difficulty in reimposing the tax. The Chief Commissioner is strongly against reducing still further the amount of income liable to pandhri. In his opinion it is better to continue assessing at moderate rates, to be increased when absolutely required for the expenditure of the State, than to relieve absolutely classes who can pay with the risk of later on having to reimpose taxation on them.

9. The revisions proposed have been carefully considered; and if the amended rates are sanctioned by the Government of India, I am to ask that the accompanying notification may be returned for issue at an early date.

No. 265.]

*Draft Notification*

In exercise of the powers conferred on him by section 2 of Act XIV of 1867 (The Pandhri Act), the Chief Commissioner, with the sanction of the Governor General in Council, is pleased to notify that the rates and classes of assessment under the Act shall be those mentioned below, with effect from 1st April last:—

Class	Persons whose incomes or profits are not less than		And less than	Per annum.
	Rs.	Rs.	Rs.	Rs.
I	...	250	350	3
II	...	350	450	4
III	...	450	550	5
IV	...	550	650	6
V	...	650	750	7
VI	...	750	850	8
VII	...	850	1,000	9
VIII	...	1,000	2,000	12

to be assessed at 1½ per cent. per annum on such income or profits as estimated by Deputy Commissioner.

Persons whose incomes or profits, as estimated by the Deputy Commissioner, are, or exceed, Rs. 2,000 per annum, will be assessed at 2 per cent. on

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such estimated income or profits, provided that no person shall be assessable at a sum exceeding Rs. 500.

No. 266.]

No. 804, dated 25th May, 1880.

*Telegram from—Finance Secretary, Simla,  
To—Chief Commissioner, Central Provinces.*

Your pandhri letter fourth. How many would be exempted, and what sum lost, were the minimum fixed at Rs. 500?

No. 267.]

Dated 26th May, 1880.

*Telegram from—Chief Commissioner, Central Provinces.  
To—Finance Secretary, Simla.*

Seventeen thousand persons more would be exempted, and fifty-seven thousand rupees lost, if minimum fixed Rs. 500.

No. 268.]

No. 1053, dated 7th June, 1880.

*From—R. B. CHAPMAN, Esq., C.S.I., Secretary to the Govt. of India, DEPT OF FINANCE,  
To—The Chief Commissioner, Central Provinces.*

In reply to your letter No. 1668-85, dated 4th May 1880, I am directed to state that the Governor General in Council has decided that, as by the Indian License Tax Act of 1880 all persons with incomes of less than Rs. 500 a year are exempted from taxation, a similar exemption should be made in respect of the pandhri tax. Incomes of Rs. 500 and upwards should accordingly be reclassified with rates of tax, and a revised notification prepared for approval.

No. 269.]

No. 2303-115, dated 23rd June, 1880.

*From—J. W. CHISHOLM, Esq., Offg. Secretary to the Chief Commissioner, Central Provinces,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

In reply to your letter No. 1053, dated 7th instant, I am desired by the Chief Commissioner to submit, for the consideration of the Governor General in Council, the following circumstances connected with the origin and working of the Pandhri Act in these provinces, which, in the opinion of the Chief Commissioner, render it undesirable to raise summarily the limit of assessable income from Rs. 150 to Rs. 500.

2. The pandhri tax existed under the Mahratta Government, and was practically assessable on all persons not engaged in agriculture. It included the whole of the trading and artisan classes, and absolute inability to pay may be said to have been the only ground for exemption. In the Nagpur province the tax existed for years on the old footing under the British Government, and a limit of assessable income was only finally fixed when the Pandhri Act (XIV of 1867) was passed. In fixing the limit of taxable income at Rs. 75 a year, it was judged that, looking at the increased price of commodities, members of the trading and artisan classes, who had smaller estimated incomes, possessed no margin which could fairly be taxed. But the Pandhri Act did not change the principle of the tax, which was still made assessable on all incomes "derived from any other source than agriculture." Only the mode of assessment was simplified, for an enquiry was no longer necessary as to whether a person liable was able to pay at all, but whether the income earned amounted to Rs. 75 a year.

3. If pandhri is retained on its original footing, the main question to be decided in applying the tax is the limit of income which should be left free, as affording no margin for taxation. As the expense of living has considerably increased since the Pandhri Act was passed, there is a unanimity of opinion among local officers that the tax should not be imposed on persons whose incomes are less than Rs. 250 per annum. When formerly fixed at this limit the tax worked smoothly, there were no complaints, and, as in these provinces

any Native with an income of Rs. 250 a year must be regarded as being in comfortable circumstances, the tax does not, as a fact, touch the poor. The Chief Commissioner submits that, in a matter of this kind, the opinion of local officers should carry weight, and they agree in urging an income of Rs. 250 as the limit at which assessment to pandhari should commence.

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1572.

4. The Chief Commissioner begs to represent that no necessity exists for raising the limit of assessable income to Rs. 500, and the result of any such step is to change the whole character of the tax by excluding entire classes who are in a position to pay, who are accustomed to this tax, and who have paid for years without protest. It is true that in other provinces under the License Tax Act of 1880 incomes of less than Rs. 500 are exempt from taxation; but then no pandhari was originally in force in other provinces, the classes exempted had not become accustomed to direct taxation by paying at fixed rates for years, and local feeling, instead of being altogether in favour of a familiar tax long in operation as in the Central Provinces, is hostile to a new tax affecting classes, formidable in numbers, hitherto entirely free from direct taxation of any kind. As pandhari was paid in these provinces when no license tax existed elsewhere, there can, the Chief Commissioner thinks, be no hardship in classes continuing to pay who have always paid, and who would presumably have continued to pay, if no License Acts had been introduced in other provinces at all.

5. The Pandhari Act ceases to be a local Act, suitable to the circumstances of the province, if the rules as to assessments have to be modified on every occasion according to the conclusions arrived at in reference to the provisions of License Acts in other provinces. The present form of direct taxation in other provinces is novel, and if found unsuitable will doubtless be changed. The great advantage of pandhari, as it has hitherto been worked, is that, as regards the great body of the payers, no material changes have been necessary, based on systems of direct taxation applied to other provinces. The tax is everywhere understood, and there is no uncertainty or dissatisfaction in regard to its application. Mere uniformity of system seems to Chief Commissioner scarcely an object to be aimed at in comparison with the question of suitability of taxation to the dissimilar circumstances of different provinces. In the present instance even uniformity of system is not attained, for, if the limit of income on which pandhari be imposed is assimilated to the License tax limit in other provinces, the method of assessment and incidence of the tax will still remain quite distinct.

6. I am to urge then, in connection with the orders for raising the limit of income assessable to pandhari to Rs. 500,—

- 1st.—That it is inexpedient, as changing the character of the local tax, which has always been supposed to fall on all non-agriculturists able to pay.
- 2nd.—That all local officers agree that persons with incomes of Rs. 250 per annum can well pay; and that this is the limit best suited to the circumstances of the province.
- 3rd.—That limited as above, the pandhari tax has been realised for years without complaint, and that it does not touch any section of the people who can be called poor.
- 4th.—That no claim to exemption exists in the Central Provinces based on exemptions in other provinces, as pandhari would have been paid by all classes as before if no License Acts had been introduced elsewhere.
- 5th.—That, further, as pandhari has always been paid in the Central Provinces, there seems no call to assimilate it in any way with systems of direct taxation in other provinces which may undergo change.
- 6th.—That attempts at partial assimilation will not ensure uniformity, the nature and incidence of the local tax being distinct and regulated by a special Act.

7. On the financial results, the Chief Commissioner has only to remark that there will be a considerable loss to provincial revenues, and this from the exemption of classes from direct taxation who make no claim to such exemption, and whom it will be impossible again to tax without raising an outcry, and perhaps engendering a sense of injustice at a revival in any form of an impost once withdrawn.

8. The Chief Commissioner has deemed it his duty to lay these facts before Government, and to solicit a reconsideration by the Governor General in Council of the orders fixing Rs. 500 as the limit of income on which the local pandhari tax should be imposed.



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1572.

No. 270.]

No. 2047, dated 29th July, 1880.

*Telegram from—Finance Secretary, Simla,  
To—The Chief Commissioner, Central Provinces.*

Your No. 2303-115, dated 23rd June. Either when income tax was taken off or on occasion of some reduction, a petition came from the Central Provinces claiming parallel concession. My office has lost trace of it. Can you give clue ?

No. 271.]

No. 37 H., dated 22nd August, 1880.

*From—J W. CHISHOLM, Esq., Offg. Secretary to the Chief Commissioner, Central Provinces,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

With reference to your telegram of 29th ultimo, I am directed to forward the accompanying copy of a petition protesting against pandhari as the income tax had been removed. This petition was received with Finance Department endorsement No. 3846 of 20th December 1873. It professes to be from two residents of Nagpur as representing the community. As at the time the Chief Commissioner had made a report to Government on the whole pandhari question, and as the petition itself was believed to be anonymous, no special action was taken in connection with it, and it was filed. Your reference is probably to this petition, as none other is traceable. A copy is accordingly sent.

No. 272.]

Dated 24th November, 1873.

*From—RAJARAM MANGALOW GHODEY and another, Representatives of Nagpurians,  
Central Provinces,  
To—His Excellency the GOVERNOR GENERAL, India.*

We, the inhabitants of Nagpur, Central Provinces, most respectfully beg to bring to your kind notice the partiality and injustice exercising towards us in imposing the pandhari tax upon us

We all, excepting pensioners and Government servants, are under the heavy burden of income tax in the form of pandhari tax, 1 per cent. Is it not cruel and very oppressive to assess a pandhari tax upon the Nagpurians alone, while all Her Majesty's subjects are free from that loathsome burden ? In the time of income tax, your gracious disposition pleased to exempt those whose income is about Rs. 1,000 annually ; but you are now so cruel not to exempt one but whose income is only about Rs. 200 annually. The pandhari tax is a poison and dagger to us ; why are all Her subjects free from tax ? Is it not a very cruel and visible partiality to exempt the Government servants who draw thousands of rupees monthly, and grind and bruise those who convert their blood to sweat under hard labours and suffer invariable troubles and mental vexations to support their family with even attachment of cooking utensils by the instrumentality of Native officers, such as tehsildars and police darogas. For this pandhari tax as there is no place to flee from this iron, thorny yoke, so we shall do nothing, but pray to the Almighty, who is the ruler of mental powers, to correct Her Majesty's mind and extinguish such a malicious and partial disposition from among Her. To love one and hate another is not upright.

We cannot represent our agony in glowing words, because we are ignorant and poor class of people. Servants do not undertake our petitions, because they are exempted from this burden. *Yesterday* one of us for only Rs. 7, whose gross income is not even Rs. 400, has been very cruelly and oppressively dealt and damaged and spoiled his reputation weighing a grain. This oppression is commenced in the city of Nagpur from last week. Let us see who dies and who lives. If you do not take the immediate notice of this, you will be cursed by death. There are many such things going on in these provinces. We hope not to be connived by selfishness.

No. 273.]

No. 2449, dated 21st August, 1880.

*From—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPARTMENT OF FINANCE,  
To—The Chief Commissioner, Central Provinces.*

In paragraph 7 of your letter No. 2303-115, dated 23rd June 1880, you apparently assume that the loss of revenue which would result from the remis-

tion of the pandhari tax on incomes below Rs. 500 would fall on the provincial revenues of the Central Provinces.

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2. I am to explain that it is not the intention of Government to require the provincial resources to meet the loss which would follow the adoption of the measure proposed in my letter No. 1053, dated 7th June 1880. The Imperial Treasury has borne the loss of revenue resulting from the several modifications of the License Tax; and the same course would be followed in the case of the pandhari tax.

3. I am to enquire whether this explanation will cause any change in your opinion on the proposal to exempt from the pandhari tax incomes below Rs. 500.

No. 274.]

No. 3261-172, dated 4th September, 1880.

*From*—J. W. CHISHOLM, Esq., Secretary to the Chief Commissioner, Central Provinces,  
*To*—The Secretary to the Government of India, DEPARTMENT OF FINANCE.

In reply to your No. 2449, dated 21st ultimo, I am desired to state that the Chief Commissioner's special recommendation for retaining pandhari in its original character as a local tax was not in any way influenced by the question of loss or otherwise to provincial revenues. Such loss was simply mentioned as an unwelcome result of the remission of pandhari on all incomes below Rs. 500; but it was not the ground for urging that in these provinces no such remission was called for.

2. Apart altogether from the question of loss or gain to the provincial revenues, it was the expediency of maintaining the principle of a local tax which prompted the representation to Government in connection with the pandhari. The pandhari has absolutely no connection with the License Acts of recent introduction in other provinces; and there seems no reason why, in separate provinces, the limits of assessable income, under taxes of a different character, should be made identical. If uniformity in taxation is considered an imperative necessity, then the Chief Commissioner would point out that the pandhari ceases to be a local tax. Taxation under the Pandhari Act must in future be regulated by what has been decided as suitable for other provinces; and if hereafter the License Acts are withdrawn in favour of some other form of taxation, pandhari too would disappear.

3. The final result of a policy of assimilation in taxation is to do away altogether with local taxes. There must follow changes in the nature of the taxes imposed, and these have a tendency to widen the area of discontent. The Chief Commissioner is satisfied that it is better for the province to have a tax which is familiar to the people, and against which in consequence there are no tangible complaints, even if its range include classes exempt elsewhere, than to be subject to frequent changes in the form of taxation coincident with the requirements of other provinces.

4. As a fact, the pandhari has, in the Central Provinces, been a most suitable tax, and the footing on which the Chief Commissioner proposes to retain it has the support of all local officers. I am therefore to urge, for the favourable consideration of His Excellency the Governor General in Council, that no changes are required merely to ensure uniformity of taxation,—an end not hitherto arrived at, as pandhari has been realised under separate rules for years before the imposition of any license tax in other provinces.

No. 275.]

No. 3002, dated 28th September, 1880.

*From*—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPARTMENT OF FINANCE,  
*To*—The Chief Commissioner, Central Provinces.

With reference to the correspondence ending with your letter No. 3261-172, dated 4th September 1880, I am directed to state that the Governor General in Council approves the modifications in the classifications and rates of pandhari tax proposed in your letter No. 1668-85, dated 4th May 1880.

Sep. Rev. Pro., Sep.  
1880, Nos. 1661-  
1572

No. 276.]

No. 1052-52 Conf., dated 23rd March, 1880.

*From*—J. NUGENT, Esq., *Acting Secy. to the Govt. of Bombay, Financial Dept.,*  
*To*—*The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

The maximum fee payable by any person assessed under the Bombay License Act of 1878 is Rs. 200 per annum; under the Madras Act, however, the maximum fee is Rs. 800, whilst under the Bengal Act I of 1878, and the Northern India License Act of 1878, the maximum fee is Rs. 500. No reason exists in the opinion of this Government, why the maximum rate of assessment leviable in this Presidency should be so much lower than it is in the other Presidencies; and, moreover, in view of the considerable diminution in the yield of the license tax, which will result from the operation of Act VI of 1880, it seems desirable to adopt measures to increase the revenue derived from the taxation under the Act of the wealthiest portion of the trading and mercantile community, which can well afford in this presidency to pay fees as large as those levied in Madras. Under the existing Bombay Act a wealthy Joint Stock Company or a firm clearing lakhs of profits yearly pays precisely the same amount as an individual or firm which earns but Rs. 10,000 per annum.

2. Under these circumstances, the Hon'ble the Governor in Council, I am to state, is very strongly of opinion that an amendment of the Bombay License Act of 1878 is requisite, and would propose to alter the Act by adding to schedule B six new classes on Rs. 800, Rs. 700, Rs. 600, Rs. 500, Rs. 400, and Rs. 300 respectively. These classes would be numbered I to VI, and the present class I would then become class VII.

3. The Hon'ble the Governor in Council, I am directed to state, would express an earnest hope that this proposal will meet with the approval of the Government of India; and as, if fresh legislation to carry out this project is sanctioned, it is essential that no delay should be permitted to occur in taking the measures necessary to introduce and pass the Bill in the local Legislative Council, I am desired to request that you will be so good as to move the Government of India to favor this Government with an early reply by telegraph.

No. 277.]

No. 196, dated 21st April, 1880.

*From*—R. B. CHAPMAN, Esq., C.S.I., *Secy to the Govt. of India, DEPT. OF FINANCE.,*  
*To*—*The Chief Secretary to the Government of Bombay.*

I am directed to acknowledge the receipt of your letter No. 1052-52 Conf., dated 23rd March 1880, intimating that the Government of Bombay propose to amend the Bombay License Act, 1878, by adding six new classes to schedule B of the Act.

2. In reply, I am to state that the Governor General in Council does not think it desirable, at the present time, to make any further alteration in the License Acts, and that the whole subject must lie over for future consideration.

Sep. Rev. Pro., June  
1880, Nos. 1282 to  
1284

No. 278.]

No. 531, dated 10th May, 1880.

*From*—C. G. MASTER, Esq., *Secy. to Government, Madras, Revenue Department,*  
*To*—*The Secy to the Govt. of India, DEPARTMENT OF FINANCE.*

I am directed to state, for the information of the Government of India, that with the approval of His Excellency the Governor General in Council, the Government of Madras propose to legislate with the object of reducing the maximum rates of license tax under Act III of 1878 (Madras) to the highest rates prevailing elsewhere.

2 The schedules of the several presidencies, as they stand now, are shown below in juxtaposition :—

Sep Rev Pro. June 1880, Nos. 1282 to 1284

MADRAS.		BOMBAY		NORTHERN INDIA		BENGAL. CALCUTTA.		RURAL DISTRICTS.		
Class	Rs.	Class.	Rs.	Class.	Rs.	Class	Rs.	Class.	Rs.	
I ...	800	I ...	200	I {	500	I {	500	I {	500	
II ...	700	II ...	150		200	200	200	II {	200	
III ...	600	III ...	100		150	100	100	III ...	100	
IV ...	500	IV ...	80	II {	100	III ...	50	III ...	50	
V ...	400	V ...	60		75	25	25	IV ...	20	
VI ...	300	VI ...	40		50	12	12	V ...	5	
VII ...	200	VII ...	30	25	VI {	5	1	VI {	2	
VIII ...	100	VIII ...	25	10		2		2	V ...	5
IX ...	50	IX ...	20						VI {	2
X ...	25	X ...	15							
XI ...	10	XI ...	10							

3. The original amending bill of the Government of India, which would have equalized the license tax everywhere, having been abandoned, the effect of the subsequent\* legislation has merely been to exempt earnings, &c., under Rs. 500 yearly from all tax, and to abolish rates below Rs. 10 in Madras, Bombay and Northern India.

\* Act VI of 1880.

4. In September last the Madras Chamber of Commerce complained of the higher rates of tax in force in Madras, and were told that the subject would receive consideration in due course. The representation has lately been renewed, and His Grace the Governor in Council considers that the time has come to take such action as is reasonable.

5. This Government, therefore, propose that the three highest classes under Madras Act III of 1878, as amended by Act VI of 1880, shall be struck out, and that all traders, &c., whose annual net earnings or profits shall be adjudged to be Rs. 25,000 or more, shall pay a fee of Rs. 500 yearly.

No. 279.]

No. 1051, dated 5th June, 1880.

Telegram from—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPT. OF FINANCE,  
To—The Secy. to the Govt. of Madras.

Your 531, May 10th.

Proposed amendments License Tax sanctioned.

No. 1052, dated 5th June, 1880.

No. 280.] From—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPT. OF FINANCE,  
To—The Chief Secy to the Government of Madras.

In reply to your letter No. 531, dated 10th May 1880, I am directed to convey the sanction of His Excellency the Governor General in Council to the proposed amendment of the Madras License Act.

No. 281.]

No. 52, dated 12th August, 1880.

From—J. A. DAVIES, Esq., Acting Under Secy. to the Govt. of Madras, Legislative Dept.,  
To—The Secy. to the Govt. of India, DEPT. OF FINANCE.

Sep Rev Pro., Oct 1880, Nos 1924 and 1925.

With reference to your telegram and office letter No. 1052, dated the 5th June last, sanctioning the proposed amendment of the Madras License Act, 1878, I have the honour, by order of

An Act to amend the Schedule annexed to the Madras License Act, 1878, as amended by Act VI of 1880.

[Deposited.]

His Grace the Governor, to forward copy of the Act specified in the margin, which was passed by the Madras Council on the 9th ultimo, and formally assented to by His Grace the Governor on the 6th instant, and to request that it may be submitted to the Right Hon'ble the Governor General for His Excellency's assent.

1 Bill as introduced, with the Statement of Objects and Reasons

2. Proceedings of Council, dated 9th July 1880.  
[Deposited.]

2. Two copies of the enactment in the form in which it was introduced into the Council are enclosed, together with the papers specified in the margin.

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No. 1026, dated 27th September, 1880.

No. 282.] *From*—D. FITZPATRICK, Esq., *Secy. to the Govt. of India*, LEGISLATIVE DEPT.,  
*To*—*The Acting Under-Secy to the Govt of Madras, Legislative Department*

I am directed to return herewith, with the assent of His Excellency the Viceroy and Governor General signified thereon, the authentic copy of the Act noted on the margin, which was received with your letter No. 52, dated the 12th ultimo, to the address of the Secretary to the Government of India in the Finance Department.

No. 283.]

No. 1027.

Copy forwarded to the Finance Department for information. Original papers returned.

[ NO ORDERS. ]

Dated 22nd February, 1881.

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No. 284.] *From*—THE HON'BLE KRISTODAS PAL, *Secy., British Indian Association*,  
*To*—*The Secretary to the Government of India, DEPT OF FINANCE.*

In view of the Budget for the ensuing year the Committee of the British Indian Association desire to solicit the attention of His Excellency the Viceroy and Governor General in Council to certain important matters connected with the administration of the finances.

1. The decentralisation of the finances, even on the limited scale on which it has been adopted, has brought into prominence the great fact that while Bengal is the most productive province, in fact the back-bone of the national exchequer, it receives scant justice in the way of employment of its own resources for its own benefit. The total revenues of Bengal, imperial, provincial and local, come to about eighteen crores and a half excluding allotments and contributions received. The following figures give the amount under each head during the past official year:—

ACTUALS OF BENGAL REVENUE IN 1879-80.

<i>Imperial.</i>	<i>Provincial.</i>	<i>Local.</i>	<i>Total.</i>
Rs.	Rs.	Rs.	Rs.
14,50,80,952.	3,41,42,591.	39,62,700.	18,31,86,243.

Apart from the imperial revenues, which are not at the disposal of the local Government, the provincial revenues, which have been made over to it under a special contract for five years, show considerable increase. Thus the actual gross receipts of the provincial fund in 1879-80, exclusive of the imperial allotment, were Rs. 3,41,42,591 against 3,20,77,647 in 1878-79. There was an improvement during the year in nearly every branch of the revenues. The excise receipts rose from Rs. 70,28,000 to Rs. 72,07,000; stamps from Rs. 1,07,85,000 to Rs. 1,14,99,000; registration from Rs. 9,89,000 to Rs. 10,29,000; law and justice from Rs. 16,46,000 to Rs. 17,76,000; railways from Rs. 17,53,000 to Rs. 25,14,000; irrigation and navigation from Rs. 15,27,000 to Rs. 16,69,000; and it is understood that the receipts from State Railways, excise and other branches of the Provincial Revenue have shown a still more remarkable increase during the current year. On the other hand, the expenditure on the part of the local Government being limited, the opening balances for the last three years have been increasing. Thus the opening balance on 1st April 1878 was Rs. 26,89,706; on 1st April 1879, Rs. 42,79,025; and on 1st April 1880, Rs. 53,51,283. The receipts from the public works cess, and the net earnings of productive works in Bengal, aggregated Rs. 42,59,000 during the past year, while the charge for interest was Rs. 34,92,000, leaving a balance of Rs. 7,62,000—a sum which, apart from the large provincial surplus, would have provided interest on a further capital expenditure of Rs. 1,70,44,000. The amount of capital expenditure actually incurred was Rs. 38,28,000; for the current year it is limited to £260,000; out of a total grant of £2,500,000 for the whole empire. His Honour the Lieutenant-Governor, in his last Adminis-

tration Report remarks: "It seems doubtful whether that limit was ever intended to be applied to a province in the financial condition of Bengal. Indeed, the Committee of the House of Commons laid down the principle that the amount to be expended on productive public works should mainly depend upon the financial condition of the country, and contemplated an increased expenditure as the financial position improved. It is hoped that it may be found possible to allot to Bengal for the future a share of the gross amount to be expended more nearly proportioned to the extent and importance of the province. There are many works which are much required in the interests of the country, such as a system of railways for Central Bengal, bringing Bhugwangola, Jessore, and Khoolna into direct railway communication with Calcutta; a railway to Dacca, Naraingunge, and Mymensingh; further extensions of the Behar system; and a coast canal to connect Orissa with Bengal, and thus to bring that part of the country into easy direct communication with the rest of Bengal. It was the want of such a work as this which led to the mortality in the famine of 1866. This was admitted on all sides, and yet in 1880 nothing has been done to remedy this evil. Practically, expenditure on public works in Bengal has been suspended for the last three years, owing to the financial anxieties caused, first, by the Madras famine, and then by the Afghan war."

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It has been shown above that the opening balance of the Bengal Provincial Fund on the 1st April 1880 was 53½ lakhs. Referring to the same subject the Lieutenant-Governor remarks: "There is no reason why this Government should retain a working provincial balance of more than 15 lakhs. The cause of the large accumulation has been, not the inability of this Government to expend its revenues usefully, but the necessity under which it has been placed, by the orders of the Government of India, of rigidly restricting expenditure in every Department in view of the heavy charges of the Madras famine and the Afghan war, and the special calls for assistance made on the Provincial Governments. Expenditure on ordinary public works has, by these orders, been kept down to the lowest figure possible, and charges which must inevitably be incurred for court-houses, jails, and the like have been postponed. At the same time a scheme for the improvement of the judicial system of the province admitted on all hands to be necessary, has been indefinitely postponed under the mistaken impression that Bengal could not afford to pay for this great boon. This pressure had its effect in limiting the estimates for the current year. But for the ensuing year it will be necessary to make provision for suitable expenditure on ordinary public works and other provincial charges. Amongst other things, the grant for primary education, which was largely reduced four years ago under financial pressure, must now be placed upon a proper footing."

It will be thus seen that though the provincial exchequer of Bengal is flourishing, pressure has been brought to bear upon it by the Government of India to the serious detriment of local improvement. When the five years' contract was made with the local Government under the new system of provincial finance, it was distinctly understood that whatever the fruits of good management of provincial revenue, they would be enjoyed by the tax-payers of the provinces during the currency of the contract. Various improvements in provincial administration, such as the establishment of appellate benches, the extension of primary education, the erection of proper court-houses, and the like, were postponed or checked, while the embargo put by Parliament upon imperial expenditure on productive public works, though not strictly applicable to provincial finance, has been made to apply to the execution of local public works calculated to improve communication, to foster local trade, and to contribute to the development of the resources of the soil, though the provincial fund is quite able to provide for the cost of such works. On the other hand, the Government of India has levied extra contributions from the Provincial Government for the purposes of the Afghan war and the Famine in other provinces in contravention of its contract. Within the last two years it has taken 20 lakhs from the Bengal Government, and a further demand, it is rumoured, has been made upon it. The action of the Government of India has thus neutralized the advantages of the new system of provincial finance. Neither the tax-payers of Bengal nor the local Government, the Committee

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venture to say, suspected that such would be the result of the freedom of financial administration accorded to the local Governments under the Decentralisation system, while it has been attended with increased taxation. The Committee of the British Indian Association appeal to His Excellency the Viceroy and Governor General in Council to consider the necessity, the propriety, the justice of permitting Bengal to appropriate its own surplus to local improvement.

II.—The question of the suitability of a direct tax to the circumstances of this country was set at rest by Lord Northbrook's Government in 1874 after a full and careful investigation, and His Lordship's decision was in perfect unison with the sentiments and feelings of the people. A direct tax was, however, revived by his successor in the shape of a license tax. The imposition of this tax gave rise to loud discontent through the length and breadth of the land. Last year much of the inconvenience and hardship produced by the low minimum of taxable income was redressed by the raising of that minimum from Rs. 200 to Rs. 500. By this alteration relief was afforded to a large number of poor persons, who had been originally subjected to the tax. But practically the evils of a direct tax have not been, as they could not be, avoided. A proper assessment of the tax would necessarily lead to an inquisitorial enquiry, which would be fraught with the greatest abuse, oppression and hardship. It is, therefore, practically left to guess, and abuse, oppression, and hardship are therefore equally rife. The Lieutenant-Governor of Bengal, in reviewing the administration of the License tax in 1879-80, remarks: "Under the first five classes the proportion of objections to assessments was 40 per cent. and upwards in 11 districts. This is a very unsatisfactory state of affairs for the second year of the working of the Act." The License tax has been well described by the North-West Board of Revenue as "a tax upon ostensible means susceptible of modification by appeal to actual income." The Board continues: "The assessment is practically a guess as to income based upon an estimate of ostensible means." To establish this position, the Board brings forward an overwhelming mass of evidence. One officer writes: "In the matter of ascertainment of any person's income, the greatest assiduity and unceasing care in enquiry fail to leave one's mind satisfied. In gauging any trader's profits it is only the most distant approach to the vaguest conviction that is possible, even when the profits are all derived from one source. The difficulty is intensified when the profits of a person are derived from varying sources: some assessable with license tax under the Act and others not so. The persons from whom information is to be obtained, or rather to be sought for, may without exaggeration be divided as follows:—First come those who really do not know and do not profess to be able to give any information. Secondly, those who do not know but volunteer endless information as inaccurate as it is copious. Thirdly, those who do know and won't tell. I have met with all these three classes in profusion, but the fourth kind of informers, those who do know and will tell, are so rare as to be unknown to me at least. It is hard indeed, from the imperfect data obtainable, to form an opinion as to a rate of taxation which shall not be either unduly lenient or exceedingly oppressive." Another officer says: "Assessing is very unsatisfactory work, as one has no real data to go upon. I was in several instances inclined to modify the assessment, being guided by the appearance of shops, but the panchayat gave me good reasons for going over to their opinion. If natives were allowed to assess themselves, they would under-state their incomes to an enormous extent, yet it is mere guess-work to assess people on the statements of their neighbours." Another officer observes: "I know of no more unsatisfactory work than making or revising assessments under the License Tax Act. One has really no sound data to go upon, and one can at best only make a more or less shrewd guess at a man's income. Very few, if any, keep such accounts as of themselves command credence; and as regards the amounts of a man's income, every one asked really has a different opinion, but generally assents to what is suggested by some one else, and no one will candidly state his own income." Another officer notes: "It certainly is no pleasant task to go into a town and enquire into assessments \* \* \* I could only wish the results of one's enquiries were satisfactory, but one feels one is merely making guesses. Appearances are very deceitful." Another officer makes this

candid confession: "My experience has been that in making assessments the tendency is, and always has been, to over-assess. I do not defend my own assessments beyond this much, that in each case I have with some trouble satisfied myself that, judging from the person's circumstances, his admissions and what other people say to his face, his income appears to be up to grade in which it is made, and *the burden of proof that his income is less is clearly with the person whom I have assessed.*" Whereupon the Junior Member of the Board of Revenue pertinently remarks: "Unfortunately in the vast majority of cases where villages are concerned, proof as to income does not exist. The assessor can only after the most strenuous endeavours guess, and if the guess-work be wrong, the assessee can only revile Government and pay." A Collector, after doing a hard day's work in hearing license tax appeals, makes this significant entry in his diary: "I cannot say that I have decided, or can hope to decide, any of these cases, save on a conjecture which is almost as likely to be wrong as right." After making the above extracts the Board remarks: "An amount of time and energy and labour was devoted to the matter which, looking to the comparatively insignificant results, might, it may be thought, have been otherwise more profitably utilised." The demoralisation, which a direct tax gives rise to in this country, is equally deplorable. Thus one officer says: "In almost every case the most violent and bitter accusation of bribery and extortion were brought by the assessees against the patwaris, and it is quite impossible for the assessing officer to form any opinion as to the truth or falsehood of such accusations." Another officer remarks: "The assessments in this pargana appear to have been made by the late tehsildar (since dismissed) through kanungoes and patwaris, who have made their assessments to *vary inversely as the amounts of bribes obtainable.*" Again: "Even tehsildars (it is needless to speak of subordinates) did not always escape the temptations which, in one shape or another, accompany a virtually arbitrary and haphazard impost, such as the license tax inevitably became in the lowest class." The Board accordingly comes to the conclusion that "enormous cost of collection, serious interference with other more important public works, grievous uncertainty as to the equity of the results obtained, and demoralisation of important classes of public servants, would be sufficient to condemn any tax." The Board thus summarise the objectionable features of the license tax as it has been worked:—"The first, the enormous labour (and consequently cost) involved in anything that could be even supposed to be a satisfactory assessment. The second, the grievous interference with performance of other more important duties than the praiseworthy devotion of our already fully occupied officers to license tax work necessarily entailed. The third, the extreme uncertainty that prevailed, after every possible exertion had been made as to whether anything *like real* justice had been done. The fourth, the wide opening for corruption and general demoralisation that the assessments of the lower classes afforded to subordinate officials, and especially to that numerous and most important class, the village accountants." It is true that neither the Bengal Government nor the North-West Government advises the repeal of the license tax, but the facts given above show conclusively that this tax, such a tremendous engine of annoyance, injustice, oppression and demoralisation, should not be retained. The yield of this tax is again so inadequate, estimated at a little more than half a crore per annum, that it is well worthy of the consideration of His Excellency the Viceroy and Governor General in Council as to whether such a fruitful source of dissatisfaction and discontent should be retained for such a small financial return. The general prosperity of the finances, the Committee venture to think, would fully justify the repeal of this obnoxious tax.

The license tax forms a counterpart of the Provincial Public Works Cess in Bengal and the land rates in Northern India. Although the Public Works Cess was in 1877 first imposed in Bengal for the enforcement of the principle of provincial liability for works of provincial utility, it was the next year admitted by the late Finance Minister to be a part of the programme of famine taxation. Thus in his Budget speech of 1878 he said: "It was not necessary to repeat here the reasons which led the Government of India to the conclusion that the new taxes necessary for providing an insurance against famine should fall partly on the trading and partly on the agricultural classes." The

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trading classes were reached by the license tax. "He added: The tax on the agricultural classes has been imposed in the provinces of Northern India and Bengal alone." In discussing the question of remission of taxation, Sir John Strachey in his Budget speech of last year remarked as follows:

"Considering that precisely the same reasons were given by the Government, and accepted by the Legislature, for imposing fresh taxation on the trading and on the agricultural classes, with the object of protecting the country against the financial consequences of famine, and that special stress was laid upon our desire to make the burden fall with approximate equality on each of these classes, it would be difficult, for the present Government at least, to accept any proposition for treating them differently now. In fact, it would be hardly possible to maintain the cesses on the land, if the tax on trades were abolished. It might be more possible to defend the abolition of the cesses on the land and the maintenance of the tax on trades. But it is needless to discuss such questions. Practically, so far as we are now concerned, these taxes on the agricultural and trading classes stand on the same basis."

The Committee solicit that this subject may receive due consideration of His Excellency in Council.

III.—Should, however, the Government of India, for financial reasons, consider themselves unable to dispense with the license tax, and should it be absolutely necessary to continue it for a time, the Committee venture to hope that they will place it on an equitable basis, as far as practicable, and render it uniform and general in its incidence, so as to include within its scope the official and professional classes, to whom the settled rule of the British Government has been a source of so much profit and advantage. If the landed classes are made to pay in the shape of land cesses, and the merchant, the trader, and the artisan, to contribute in the shape of the license tax, it is but fair that the official, who sells his labour to the State, and the professional person, who makes his living by the employment of his wit and acquirements, should be called upon to bear a legitimate share of the burdens of the State. It is also observable that if the license tax is to form a part of the fiscal system of the country, it ought to be applied to the purposes for which it was originally designed. The Committee will not dwell on the history of the license tax and the Famine cesses, constituting the basis of a Famine Insurance Fund, on the reasons for the formation of that fund, on the disappearance of the fund, and on the dissatisfaction and discontent with the breach of faith thus involved has evoked. In justice to the tax-payers and to the Government itself, the Committee respectfully submit, the Famine Insurance Fund should be restored, and, as originally promised, it should be "religiously" applied to famine purposes. Entertaining this view, they would take the liberty to suggest that the Famine Insurance Fund be made a statutory fund, that it be set apart for the relief of the sufferers from the famine in future, that until the necessity for such appropriation of the fund should arise, its annual proceeds be invested in Government securities, so that it may form a sort of reserve fund to be drawn upon on the recurrence of a famine.

IV.—The policy of Government regarding the import duties on cotton goods has been a subject of much discussion. There are three aspects of this question,—commercial, financial, and political. The experience of the last two years has shown that the import duties were not of a character to protect local manufactures, and that was the opinion of a great number of persons familiar with the subject. But in the face of strong opposing opinion it was deemed expedient and consistent with the free trade policy of England to abolish them, and in that view Lord Northbrook's Government in 1875 exempted the lower cotton goods from the import duty. In 1878 Lord Lytton's Government held that that measure had not been complete, and they accordingly extended the exemption to certain other cotton goods. Thus the import duty, as far as it could possibly be supposed to have served as a protective duty, ceased to exist. But in 1879 the Government went further and exempted cotton goods of yarns not finer than 30s and thus surrendered an annual revenue of about £200,000. No plea of removal of protection could be urged in favour of this measure. The recognised organs of the European mercantile community in this country were of the same opinion. Thus the Bengal Chamber of Commerce remarked at the time, that they "could see no special claim that cotton goods and yarns, of descriptions not manufactured in India, have for relief over other articles that are as useful to the people and as necessary for their comfort and well-being." They added: "If the depression of a

given industry in England be a sufficient reason for the abolition of duties upon such portion of the products of that industry as may be imported into India, it appears to the Committee that woollens, metals, and hardware have, at least, an equal claim to liberal consideration, for the depression in these trades commenced at an earlier date and has been as severe in its character." The Madras Chamber was still more emphatic. This measure had been evidently undertaken as a step in advance of the total abolition of the import duties on cotton goods. So the commercial reason for this partial remission of the cotton duty failed. But practically this measure has had the effect of protecting one class of Lancashire goods against another. Seeing that all goods of yarns not finer than 30s would be duty-free, the manufacturers have generally directed their industry to this class of goods, and the result is that cloths made of yarns slightly finer than 30s. are handicapped with duty. The Government did not doubtless contemplate this sort of protection of one class of Manchester manufactures to the detriment of another, but it has not been able to stem the tide when it has been allowed to set in. But the partial remission of the duty has given satisfaction to nobody. The manufacturer is not satisfied, because it has caused a great disturbance to his manufacturing arrangements; the merchant is not satisfied because it has, by encouraging the admixture of fine with coarse yarns, with a view to avoid the duty, rendered him liable to heavy penalties; the custom-house official is not satisfied, because while he considers it his duty to protect the Government revenue by checking fraud and deceit, his motive is misconstrued, while the Indian tax-payer is not satisfied, because a considerable revenue has been wantonly sacrificed. The influx of duty-free goods has certainly been very large since the remission of the duty, but the Committees are informed by the highest commercial authority in this city that the remission of the 5 per cent. duty has not benefited the consumer in India, because the increased importations have not lowered the prices of the goods affected. Thus the only ground, on which the remission of the duty could have been justified, *viz*, the good of the people, has not been realised. It is also observable that the consumption of country cloths has not been in the least checked by increased importations of grey goods from England. If the duty thus remitted had a protective tendency, such would not surely have been the result. So much for the commercial aspect of the question.

The financial aspect of the question still less justifies the remission. The import duties on cotton goods are retained for financial reasons alone, and while they have been condemned by Parliament, the pledge has been repeatedly renewed that they shall not be repealed until the finances of India would admit of their total abandonment. In 1879, when the remission was given, the financial position of Government was embarrassing, if not perilous. During the preceding two years it had to meet a heavy famine budget, and in order to tide over the difficulties it had not only to borrow money, but also to raise about 2½ millions of additional taxation. Thus—

	£
Bengal.—Public Works Cess, 1877	338,000
Punjab—Famine Cess, 1878	200,000
North-Western Provinces and Oudh.—Famine Cess	428,000
Central Provinces—Famine Cess	12,860
License tax	750,000
Salt tax in Madras and Bombay	800,000
	2,526,860

The Famine Insurance Fund, which had been formed with some of the above-mentioned taxes, disappeared. The Government of India, in their Resolution on the Budget for 1879-80, were constrained to say: "The insurance provided against future famines has virtually ceased to exist; and the difficulties in the way of fiscal and commercial and administrative reform have been greatly aggravated. Nor can it be any way assumed that the evil will not continue and go on increasing. Under such circumstances, it is extremely difficult to follow any settled financial policy; for the Government cannot even approximately tell what income will be required to meet the necessary expenditure of the State." Such was the financial position of India in 1879 when this partial remission of the cotton duty, resulting in a loss of £200,000, was

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given. In 1880-81 the position of the finances was worse, for although the revenues generally were in a prosperous state, the war deficit, which had been sadly miscalculated, came to be five or six millions more than the original estimate. The financial prospects of this year are doubtless cheering, for, with the prosperity which has followed in the wake of abundant harvests, the general revenues have, as a matter of course, benefited; but the Government must provide for the war deficit and the Famine Insurance Fund; and so long as these two cardinal objects are not attained, the Committee appeal to His Excellency in Council to consider whether the Government is in a position to make a further remission of the cotton duties or continue what was conceded in 1879 in such total disregard of the real state of the finances of the country. It is also observable that even if certain branches of the Indian revenues be prosperous, that should not be accepted *ipso facto* as a proof of the soundness of the financial condition of India. In the first place, as the Committee have observed above, the war deficit must be met; in the second place, provision must be made for famine insurance; in the third place, the exchange difficulty is a serious disturbing element; and in the fourth place, the opium, which yields about one-sixth of the Indian revenue, is a very precarious source of income. On this point, the observations of the Right Honourable Mr. Gladstone, addressed to the House of Commons in 1879 when he condemned the partial remission of the cotton duty referred to, are very pertinent. He said: "Indian revenue appears to be surrounded with an unusual number of risks and difficulties. It is less solid on its basis than a corresponding revenue of equal amount in our own country, or probably in any other. There are peculiarities in its nature: it is hampered by the difficulties of exchange; it does not show that solidity and up-springing power in meeting difficult times which we should desire; and the review of the whole case greatly deepens in my mind—as I think it may also in the minds of others—a sense of the gravity of the situation and a conviction that we ought not to put ourselves off with any unreal or secondary remedies, but, if we can, go to the root of the matter." So long as the financial difficulties adverted to above are not satisfactorily met, the Committee, with due deference, submit it would not be wise to dispense with the cotton duties, which yield about three quarters of a million. The tax, whatever it is, is very trifling, and being indirect is not at all felt by the consumers, who after all pay it. The revenue, which would be sacrificed by the surrender of the cotton duties, must be recouped somehow, and the people of India would consider it a national calamity if this indirect tax be replaced by a direct tax such as the license tax or an income tax. If the finances do really admit of reduction of taxation, the License tax, which is a fertile source of annoyance, injustice, and oppression, has a priority of claim to remission before the cotton duties, which cause no inconvenience to the consumer, no injustice, no oppression, no discontent. The Committee may add that if the duties be totally repealed, the repeal will not in the least benefit the consumer in India, as the remission of the 5 per cent. duty has not benefited him.

The political aspect of the question is certainly the most serious. It is nothing more nor less than the sentiments, feelings, and interests of the whole people of India arrayed against the interests of a few manufacturers of Lancashire. Here is a source of revenue the most unobjectionable, because it yields a substantial income, it does not press upon any class of the population, it is not attended with injustice, hardship or oppression. As the remission of the 5 per cent. duty already made shows, its abandonment will not benefit the Indian consumer in the least; on the contrary, though the financial condition of India is not altogether sound, the sacrifice which the surrender of the cotton duties would involve would practically have the effect of making a present of some three quarters of a million to the rich manufacturers of Lancashire, and as the people of India are not in a position to make this sacrifice, they naturally complain. If the interests of the whole United Kingdom were concerned, it might be worthy of consideration whether India should not yield to a cry, however selfish, of the governing country. But when only a handful of the British public, however rich and powerful, are concerned, as it meet, is it right, is it just that the interests of two hundred millions of Her Majesty's loyal subjects, poor but devoted and grateful subjects in India, should be

sacrificed, and their feelings and sentiments set at naught? It is not for the Committee of the British Indian Association, speaking on behalf of these millions, to venture to advise the Government in a matter like this; but they do not hesitate to appeal to His Excellency the Viceroy in Council to consider this question, not from a narrow sectional point of view to which Lancashire would limit it, but in that broad, enlightened and impartial spirit which benefits the representative of Sovereign, in whose dominion the sun never sets; whose beneficent sceptre sways hundreds of millions of many nationalities, creeds and countries; whose glorious mission it is to do even-handed justice to them all, irrespective of distinctions of race, religion, and colour; and who seeks solace in the advancement of their welfare and happiness.

V.—Lastly, the Committee reiterate their conviction that a sound administration of the finances must be based on sound economy; and in that view, it is of the utmost importance that a rigid economy should be enforced in all branches of public expenditure. But no branch of public expenditure presents such a promising field for work as the Army. Lord Lytton's Government were fully alive to this subject, and they appointed a Commission to report on army reform and retrenchment. Their report, the Committee believe, is still before the Government of India. They sincerely and earnestly hope and pray that His Excellency the Viceroy and Governor General in Council will strongly urge upon the Home Government, on behalf of the people of India, the imperative necessity of such reform in the British Indian Army as may combine economy with efficiency.

No. 285.]

No. 1104, dated 11th March, 1881.

*From—R. B. CHAPMAN, Esq., C.S.I., Secy. to the Govt. of India, DEPARTMENT OF FINANCE,  
To—The Secretary, British Indian Association, Calcutta.*

I am directed to acknowledge the receipt of your letter, dated the 22nd February 1881, and in reply to state that the remarks made by the Committee of the British Indian Association, on certain important matters connected with the administration of the finances of British India, will receive the careful consideration of the Government of India.

No. 286.]

Dated 21st February, 1881.

*From—H. W. I. WOOD, Esq., Secy., Bengal Chamber of Commerce,  
To—The Secretary to the Government of India, DEPARTMENT OF FINANCE.*

Nearly 3 years ago (23rd March 1878), the Chamber of Commerce submitted to Her Majesty's Secretary of State for India a memorial with reference to the exceptional character of the License tax which had been recently introduced in Bengal by His Honor the Lieutenant-Governor with the sanction of his Excellency the Governor General in Council.

The Committee, whilst acknowledging the necessity for making special provision to meet the exceptional charges that might in the future be incurred in years of famine without encroaching on the revenue required for ordinary State expenditure, and whilst expressing the readiness of the mercantile and trading classes to bear their fair share of the taxation required for making such provision, expressed the opinion that the action of Government was a departure from these principles of equity which should govern financial administration, inasmuch as the Act threw on certain classes of the public only a burden which should have been distributed amongst all alike.

Last year a Bill, called the "Trades and Professions Tax Bill," was introduced into the Legislative Council. It was intended to supersede the License tax; but the Committee of the Chamber, considering it to be virtually an Income tax and open both in principle and detail to many very serious objections, were compelled to enter their protest against it.

This Bill, however, provided that the salaried and professional classes should bear their share of taxation, a principle for which the Chambers of Commerce had so long contended, but it was subsequently withdrawn, and the License Tax reintroduced almost entirely in its original form, with however

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one desirable change in the exemption of those whose annual incomes did not exceed Rs. 500.

His Excellency the Governor General and the Finance Minister, whilst seeming to admit that the contention of the Chamber was reasonable, did not think it desirable at that time to extend the tax to the salaried and professional classes, for reasons which were explained in their Budget speeches.

The Committee of the Chamber now desire respectfully to submit, for the consideration of His Excellency the Governor General in Council, that the objections which have been from time to time advanced against the License tax, and more especially its exceptional character, are still felt as strongly as ever, and they would gladly see the abolition of a tax which has proved to be not only vexatious and unpopular, but in its assessment and collection unjust and oppressive.

If, however, the financial position should not admit of this, the Committee desire respectfully to urge the removal of the existing inequality and the establishment of the principle that all classes of Her Majesty's subjects, who alike share in the advantages which accrue from the necessary expenditure of the State, should proportionately, when able to do so, contribute their share of whatever taxation it may be found necessary to impose on the country, thus removing, especially from the Native mind, the belief that especially selected classes of Europeans are exempted from taxation in opposition to those principles of justice which happily characterise the action of Her Majesty's Government at home and abroad.

No. 1033, dated 5th March, 1881.

No. 287J From—R. B. CHAPMAN, Esq., C.S.I., *Secretary to the Government of India,*  
DEPARTMENT OF FINANCE,

To—*The Secretary to the Bengal Chamber of Commerce, Calcutta.*

I have laid before the Governor General in Council your letter, dated 21st February 1881, urging the abolition of the License Tax, and suggesting that, if this is not possible, the tax should be extended to all classes of the population. In reply, I am directed to say, for the information of the Chamber, that the subject of your communication will receive the careful consideration of the Government of India.

No. 288.] *Legislative Council, Friday, 14th November 1879.*

#### TRADES AND PROFESSIONS TAX BILL.

The Hon'ble SIR JOHN STRACHEY moved for leave to introduce a Bill to impose a tax on Trades and Professions. He said :—

“MY LORD,—Nearly two years have elapsed since the Government of India resolved that it was necessary to take active measures for the improvement of its financial position, and especially for providing funds to meet the heavy charges and obligations which are entailed upon the State by the periodical occurrence of famine.

“I do not now propose to consider how far those measures have been financially successful. When they were taken, India was only just recovering from one of the most terrible and widespread famines recorded in her history. The year that followed, although less disastrous than its predecessors, was not prosperous; and it is only now, in the year 1879, that it seems possible to hope, with some confidence, that the long period of scarcity and famine through which the country has been passing has really ended. The seasons have this year been favourable. In almost all parts of India the prospects of agriculture, on which almost everything else depends, appear excellent, and we see, I hope, general signs of increasing prosperity.

“Unfortunately, famine was succeeded by war, and by another misfortune, which, considered from a merely financial point of view, was still more serious. I refer, of course, to the great disturbance in the relations between silver and gold, which has entailed upon the revenues of India such grave consequences. I do not now propose to enter into any general questions of finance. The time is not far distant when they will come under discussion. All that I will

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now say is that I feel satisfied that India will be well able to bear all her own proper burdens; that I see much that is encouraging and satisfactory in the condition and prospects of her finances, and no cause whatever for despondency.

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"Among the financial measures taken at the beginning of last year, one of the most important was the imposition throughout India of a license tax on traders. I will not recapitulate the reasons which led the Government of India to adopt this form of taxation, but I shall have to refer to them presently. Reserving whatever further remarks I may desire to make on this subject, it is sufficient now to say, as I said in this Council on the 9th February, 1878, that there was this strongest of all possible justifications for taxing the commercial and trading classes, that excepting that small section of them composed of Europeans, they paid scarcely anything towards the expenses of the State.

"We have now had sufficient experience of the new taxes to enable us to form a judgment on their merits and their defects. Financially, the license tax has been successful, for it yields already about £870,000 a year; and taxes of this kind become more productive as knowledge and experience are gained by the assessing officers. With one exception the tax has been successful in other respects also. The greater part of the amount which it has yielded has been assessed and collected without difficulty or opposition; and although the tax has undoubtedly been unpopular, as all direct taxation must be, there has been only one really serious and valid objection to it. It has become clear that it descends too low, and that it falls on large numbers of people, on whom the imposition of taxation in such a form is neither expedient nor profitable.

"In the North-Western Provinces, Oudh and Madras, no person was made liable to the tax whose annual earnings were less than two hundred rupees; but throughout the rest of India, in Bengal, Bombay and the Panjáb, the minimum taxable income was fixed at one hundred rupees.

"When, my Lord, the Council was discussing the imposition of the license tax, I spoke on this subject as follows:—

"As to the objection, which has been raised in some quarters, that this tax will fall mainly on the poor, I content myself with simply denying the fact. It will touch no person whose net earnings are less than rupees 100 a year, and if anybody asserts that, in the Provinces to which this Bill refers, any man is poor who possesses an income of rupees 100 a year, he is ignorant of the facts. Such a man is not poor; he is a man far removed above poverty, and well able to pay his contribution towards ensuring the country against famine. To say that our new taxation will fall upon the poor is either an error or a calumny."

"I do not retract or qualify a word of what I then said.

"I assert as positively as ever that in the greater part of India, a man with rupees 100 a year is not poor. Strange as it may sound to English ears, a small trader or artisan or agriculturist in India, whose net income is £10 a year, certainly commands more, not only of the necessaries, but of the comforts of life, than a man with five or six times that income in England; and it is also certain that the taxes paid by the former are far less onerous than those of the latter. In confirmation of this I may remind the Council of the remarks made by the Lieutenant-Governor of Bengal, Sir Ashley Eden, when the Northern India License Bill was under discussion; no one is likely to question his authority on such a subject. Repudiating the assertion that the tax would fall on the poorest classes,—

'It may be difficult,' he said, 'for men who know nothing of the country to realise that practically a Native with an income of rupees 100 a year is in a better position than a European trader or mechanic in Europe with an income of £100 a year. I am sure that every one really acquainted with the Native habits and modes of life and requirements will agree with me that this is so.'

"It is not, therefore, on the ground that the license tax falls heavily on the poor that I now admit that it affects a very large class which ought to be exempted. The reason for exempting them is, that the numbers brought under taxation have been far larger than was anticipated, and experience shows that it is not politically wise or financially worth while to collect from a great multitude of people fees so small as those which are imposed on the smaller incomes by the present license tax.

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"The difficulty of preventing extortion and oppression on the part of the petty officials entrusted with the duty of collecting the tax has proved, in some parts of India, serious, and it is impossible to doubt that there has often been reason for the numerous complaints which have been made. Fully as this must be admitted, and greatly as it must be regretted, it would be a mistake and an injustice to suppose that such abuses have been universal; and as experience has been gained, there has been, I hope, everywhere, improvement in the manner in which the assessments and collections have been made. I see no reason to doubt that if the existing limit of liability to the license tax were maintained, the local Governments would everywhere succeed in removing all serious cause for complaint on such grounds as those of which I am now speaking. This is merely a question of good or bad administration. In some Provinces, we are assured already by the local Governments that the tax is levied in so satisfactory a manner that no reason exists, in their opinion, for any large exemption of the smaller incomes. Thus, in Bombay, where there were at first many complaints of over-assessment and oppression, we are now informed that the collections are made without any trouble or complaint, and that all former difficulties have been removed. The Bombay Government does not think it necessary to exempt incomes of rupees 100 a year from liability to the tax. So also in the Panjáb. The Lieutenant-Governor has given a decided opinion that, so far as that Province is concerned, the only change that should be made in the minimum limit of liability is to raise it from rupees 100 to rupees 120.

'The reason,' it is stated, 'which Sir Robert Egerton has for this opinion is, that the Act is now fairly understood, and its provisions accepted by the people of this Province. The machinery is now in working order, and cases of oppression and hardship will become with each assessment more rare. Great care has already been taken in examining and amending the first assessments, and it is consequently, in His Honour's opinion, wiser to continue a tax which has been accepted and is working fairly well, than to make changes which may be theoretically right, but which, inasmuch as they are novel, will distract the minds of the people, and which, by diminishing the income derived from the license tax, may necessitate the imposition of fresh and strange taxation. For these reasons, the Lieutenant-Governor would desire to maintain the present minimum with the slight alteration proposed by the Financial Commissioner.'

"When opinions of this kind are expressed by the Governor of Bombay and the Lieutenant-Governor of the Panjáb, Sir Richard Temple and Sir Robert Egerton, than whom there are certainly no higher or more competent authorities, I think that I may claim to have made good my assertion that, even in those Provinces where incomes of rupees 100 a year have been taxed, there is no foundation for the statements which have been made in some quarters that the result has been general and unjust oppression of the poor.

"Nevertheless, the Government of India has come to a decided conclusion that an alteration of the law is desirable, and I can explain the reasons for this conclusion in a few words.

"When the License Tax Acts were passed, it was left to the local Governments to determine what should be the lowest limit of taxable income. The only interference exercised by the Government of India was to prevent this limit being less than rupees 100, for some of the local Governments would have gone lower. It was not then foreseen how disproportionately large would be the number of persons assessed in lowest classes, and how comparatively small would be the financial return.

"The schedules attached to the various local Acts differ so much that I cannot give strictly accurate statistics, but there is no doubt that more than a million persons whose incomes are between rupees 100 and rupees 250 a year are now liable to the tax, and that the amount which they pay does not exceed £240,000. The mere statement of this fact is sufficient. It cannot be right for the sake of raising so small a sum to impose direct taxation on so great a multitude of people. Although there has not been in any part of India any reason whatever for thinking that the tax has actually led to political discontent, or the smallest apprehension of anything of the kind occurring, it is nevertheless politically wise to amend the law.

"In regard to the amount which it would be desirable to fix as the lower limit of ability to the tax, every Government in India has been consulted.

I have already referred to the opinions of the Governments of Bombay and of the Panjáb, and have said that they were disposed to make little or no alteration in the existing limit of rupees 100. The Government of the North-Western Provinces and Oudh thinks that rupees 240 would be a suitable amount; this is rupees 40 higher than the present minimum in those Provinces. In Bengal, as the Council is aware, the Lieutenant-Governor, with the approval of the Government of India, exempted, not long ago, all incomes between rupees 100 and rupees 250 from liability to the tax. This was done by executive order; the Act gave to the Lieutenant-Governor the necessary authority. Both Sir Ashley Eden and Sir Steuart Bayley, who is now acting as Lieutenant-Governor of Bengal, concur in thinking that rupees 250 may properly be adopted in future as the minimum. The Government of Madras has also accepted rupees 250.

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"The Government of India now proposes that rupees 250 shall be the minimum income liable to this form of taxation. It will be understood, from what I have said, that in fixing this amount we are really giving greater relief to the poorer classes of traders than most of the local Governments think necessary; but it is better in this matter to err on the side of liberality. We think also that it will be desirable to maintain the same limit of rupees 250 throughout India. When the tax was first imposed, it was urged that circumstances differed much in different Provinces, and that it was not certain that the same minimum limit of taxable income would everywhere be appropriate. There is undoubtedly truth in this, but it is very difficult in practice to arrive at satisfactory conclusions on such questions, and it appears best to have a uniform limit. There is no part of India in which it will be a hardship to oblige a trader with an income of rupees 250 to pay a fee of four rupees a year. As I have already stated, it is estimated that by the changes now proposed we shall exempt more than a million persons from taxation, and shall give up revenue to the amount of about £240,000.

"There are various other points in which the existing License Acts require amendment, but I need not now detain the Council with explanations of them, and I have to speak of other matters of importance.

"In the first place, I must explain why the apparently unusual course has been taken of introducing a Bill such as this at Simla. The explanation is simple. All the License Tax Acts, excepting that in force in Lower Bengal, require the assessments and collections to be made for the calendar year. The Collector makes his demand on the first January, and the whole of the tax must be paid into the treasury, under serious penalties for default, by the first February. It is, therefore, obvious that if important alterations are to be made in the existing law, they ought to be made before the first January. Much confusion and embarrassment would follow from any subsequent change unless we are prepared to leave the present system of taxation virtually unaltered for the greater part of another year. There is another reason which renders it highly desirable that the intentions of the Government in regard to the License tax should be made publicly known as soon as possible. If the Collectors are allowed to make their inquiries and prepare their lists and their assessments on the assumption that the law is to remain unaltered, they will have, later on, to do a great part of their work over again; and it is extremely important that they should know what is proposed as early as possible in the cold season when they can give personal attention to this part of their duties. The Government has this year been obliged, by obvious reasons connected with the affairs of Afghanistan, to remain longer in this part of India than has been usual; and if the introduction of the present measure were to be delayed until the Government reaches Calcutta, it would hardly be possible that it should become law, as I now hope it may do, by the end of December.

"I come now, my Lord, to another and very important part of my subject. It is a question which has, for some time past, been before the Government, and its consideration has been rendered the more necessary by the proposal to sacrifice £240,000 a year out of the sum now yielded by the license tax.

"The reasons which originally led the Government to confine this tax to trades and dealings, and not to bring under it the professional and official classes, were, as I thought, fully explained by me at the time. My observations were, I suppose, misunderstood; at all events they have been widely misrepresented.



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It has been alleged that I asserted that traders generally benefit by famines, and that justice required that no officials should be taxed, and arguments have been gravely brought forward to show that this cannot be. No such absurd assertions were ever made by me. My statement was that when scarcity affects one part of India, the producers of grain, the dealers in grain, and other traders in parts of the country not so affected make large profits; and that while the agricultural and trading classes are, on the one hand, those that require large measures of relief in a region suffering from extreme scarcity, so, on the other hand, these are the classes which are in a position to obtain large profits when their own Provinces are flourishing, and other Provinces are suffering. I said further that the less wealthy members of the professional and official classes, who depend on fixed incomes for their support, or on incomes little affected by competition, suffer from the pressure of high prices, not only when scarcity prevails in their own Provinces, but when it prevails elsewhere. The high prices which, under such circumstances, serve to enrich the producing and trading classes, entail (I said) suffering on the small officials and on those subsisting on wages the amount of which they are powerless to regulate. The general truth of all this cannot, I feel sure, be impugned, and I shall not waste the time of the Council in further repudiating ridiculous opinions which have been attributed to me, but which I certainly never expressed.

"Apart from that natural dislike which is everywhere felt to any new taxation, and from complaints as to the manner in which the license tax has been assessed, the principal objection to it has been that it is partial, and does not go far enough. The commercial communities in the three Presidency-towns have submitted memorials praying for its extension to the official classes, and there has been, no doubt, a very general feeling, shared by the officials themselves, that they ought to bear their share of the new taxation. The arguments contained in the memorials to which I have referred, if their logical consequences had been accepted, would have led to the imposition of an income tax rather than to an extension of the license tax; but the re-imposition of a general income tax was not thought desirable, and it was determined that the new taxation should be confined to certain classes of the community. Fresh taxation was imposed on landholders throughout the greater part of India; and traders were specially and unhesitatingly selected as constituting that class which bore the smallest share of the expenses of the State, compared with the great benefits it receives from our rule. It may be a fair subject for argument whether the line drawn by the Government of India, when it did not extend the tax beyond traders and landholders, and did not include the professional and official classes, was the best possible line; but it is altogether misleading to suggest, as has been done, that the official classes were alone excepted.

"It is perhaps not necessary to refer more to the past. But I may remark that in matters such as these, Government cannot be guided by mere abstract ideas, and that, in the nature of the case, conflicting opinions have to be reconciled, and divergent interests to be considered. There has been no disguise that on this occasion advocates of an income tax were not wanting. As on many other occasions, a compromise was adopted, which, like all compromises, was open to criticism from one side or the other.

"The Government has never concealed from itself that there are practical inconveniences, as well as political evils, in not bringing the wealthier portion of the professional and salaried classes under taxation similar to that which has been placed on traders and, in the Bengal Presidency, on landholders; and now that we are proposing to modify that taxation, and to make a sacrifice of revenue, the re-consideration of the whole subject has (as I have already said) been forced upon us. Every local Government in India has now concurred with the Supreme Government in the opinion that taxation similar in amount to that already borne by the wealthier classes of traders should be extended to the wealthier classes of officials, and that the license tax should apply generally, as it already does in Calcutta, not only to trades but to professions. Although it is not proposed by the Bill which I am asking leave to introduce that any taxation shall be actually levied from any person until after the commencement of the next official year on the 1st April,

1880, it seemed plainly desirable not to delay the announcement which I have now made. It would not have been proper, when it became necessary to make important alterations in the License Tax Acts, as they affect traders, to leave the public under the impression, for several months to come, that the Government proposed to make no alteration in the law as it affected the official and professional classes. The proposal of the Government now is to deal with the whole subject in a single measure. It wishes, for the reasons which I have already explained, that this measure should be placed before the public as soon as possible, and that it should become law before the end of the year

"I will postpone the observations which I shall have to make in some detail in explanation of the Bill which I am asking leave to introduce. I will now give a summary only of its more important provisions.

"In order to avoid minute inquisition into incomes, the existing License Tax Acts, as the Council is aware, divide the persons taxed into classes. The Bill maintains this system, with (as I shall notice presently) some modifications which are obviously required in the case of the higher grades. The classification is so arranged, that the average incidence of the tax shall always be as near as possible to one and a half per cent. on estimated annual earnings. On the lowest class of all, that is, on incomes between rupees 250 and rupees 350, the average rate will be somewhat less. It is proposed to make no difference between the trading and professional classes; but separate provisions will be necessary for the taxation of the salaried classes, whether official or non-official. The rough process of classification, which is desirable in the case of traders and professional persons, whose exact incomes are unknown, would obviously be inexpedient and inconvenient in the case of the salaried classes. The amount of the actual salaries of all public servants is known, and those of the servants of companies and private persons can easily be ascertained. It is proposed, therefore, to assess the salaried classes by a percentage on their actual salaries. This was the plan adopted under the Certificate Act, No. IX of 1868, after the plan of taxing them by classes had first been tried under the License Act, No. XXI of 1867. Following the precedents of those two Acts, it is proposed to exempt from liability to the tax the military servants of Government not in civil employment, whose pay and allowances do not exceed rupees 500 per mensem, or rupees 6,000 per annum; and for all other salaried persons, it is proposed, following the same precedents, to make rupees 100 per mensem, or rupees 1,200 per annum, the lower limit of taxable income. The rate of the tax will be nearly the same as the average rate assessed on traders, or one and a half per cent.

"It is estimated that the extension of taxation to the official and professional classes, in the manner now proposed, will yield very nearly the same amount as that sacrificed by giving up the tax on the lower classes of traders, or about £240,000. From a merely financial point of view, the Bill will therefore, if it becomes law, have no appreciable effect upon our revenues. We shall gain no more than we lose, and the measure will only be one of re-adjustment of taxation. But we shall obtain somewhat greater equality in the incidence of taxation, and we shall remove, I hope, all grounds for the assertion (the justice of which, however, I am far from admitting) that we have placed undue burdens on the poor, and shewn undue favour to the rich. We shall transfer to about 35,000 persons, three-fifths of whom are more or less highly paid officials, the greater portion of the burden now borne by upwards of a million traders, who, if now actually poor, belong, at any rate, to the humbler classes of the community."

The motion was put and agreed to.

THE HON'BLE SIR JOHN STRACHEY introduced the Bill to impose a Tax on Trades and Professions. He said:—

"MY LORD,—It is not necessary that I should detain the Council much longer in explanation of this Bill, and I have already sufficiently stated the reasons which make the Government desirous that it should be introduced and published with no avoidable delay. The Bill, so far as the trading classes are concerned, follows in most respects the provisions of the existing License Tax Acts.

"It differs from them, however, in some important particulars.

"In the first place, this will be an Imperial measure, which will supersede all the Local License Tax Acts now in force. There will not, I think, be any

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difference in the opinion that under the circumstances this course will be the most convenient to adopt. The Bill, as I have already said, will apply to all persons exercising professions, and to persons in service, whether public or private, as well as to the commercial classes. For the latter class, *i. e.*, persons engaged in trade, the lowest income taxable will be Rs. 250 per annum.

"All incomes derived from business have been grouped, as under the present Acts, in classes, which have been so arranged that practically the average incidence of the tax upon each of these classes may be expected to be about  $1\frac{1}{2}$  per cent. There will thus be little or no change in regard to the greater number of persons who are now taxed and who will remain liable under the new measure. But, under the existing Acts, the highest fees that can be levied on the largest incomes vary from Rs. 200 in Bombay to Rs. 800 in Madras. The extension of taxation to other classes, in the manner that has been proposed, will obviously render it necessary to remove what would otherwise be an indefensible advantage in favour of the richer members of the trading classes. The schedule has therefore been so arranged that the richer traders will pay, like others, at the rate of about  $1\frac{1}{2}$  per cent. on their presumed incomes.

"In the assessment of incomes the system actually in force will be generally maintained. No inquisition will be made; the assessing officer will proceed, as under the existing Acts, upon the best information that is available to him, without making enquiries of the persons to be assessed.

"Persons, however, who object to their assessment may, after paying half of the sum assessed, demand that their objections should be heard, and may shew, if they wish, that their assessment has been erroneous. The orders passed on such objections have been made open to revision, in order to afford the means of remedy where the objections may not have received due consideration.

"As the sums payable under the proposed Act will, in some cases, be much larger than those leviable under the existing License Tax Acts, provision has been made for payment of the tax, whenever it exceeds Rs. 40, in two instalments. For the same reason, it has been provided that a persons whose income ceases during the year of taxation may claim a proportionate abatement from the sum assessed upon his profits for the entire year.

"To remove doubts which may arise in the case of persons who are in the receipt of salaries, a definition has been introduced of the word 'pay.' In the case of persons receiving salaries, whether from the Government or from private employers, the tax will be levied at a fixed and uniform rate of  $1\frac{1}{2}$  per cent.

"Salaries of less than Rs 100 per mensem or Rs. 1,200 per annum will not be liable to taxation. In this respect the precedents of the License Tax of 1867 and of the Certificate Tax of 1868 have been followed. Military officers also and soldiers in receipt of allowances not exceeding Rs. 500 per mensem or Rs. 6,000 per annum have been exempted, as they were then; but it is not proposed to continue the same exemption to members of the Police, which has now become a purely civil force.

"Provision has been made, in the case of persons in private employ, for the collection of the tax through their employers.

"The Bill has been made applicable to the whole of British India, but power has been reserved to exempt such territories and classes of persons as cannot properly be brought under its operation.

"Such a class is the commercial class, or rather a portion of it, in the Central Provinces, who already pay the Pāndharī tax. In several of the Scheduled Districts which are now exempt from the operation of the license tax it will, no doubt, be necessary to make similar exemptions under the new measure.

"There is, I think, only one other matter which need now be noticed.

"In the existing License Tax Acts, prominent attention was drawn, in the Preamble and in the body of the Acts, to the fact that these taxes were imposed with the object of effecting 'a permanent increase of the revenue, in order to provide means for defraying the public expenditure from time to time incurred, and to be incurred, for the relief and prevention of famine in British India.' These words have been omitted in the present Bill, and it is desirable that I should explain the reason.

"I do not now propose to enter into any discussion in regard to the measures taken by the Government nearly two years ago with the object of protecting the country against the financial liabilities involved by the occurrence from time to time of famine, and of providing to the utmost of its power the means of preventing and relieving these calamities. Nor shall I now consider how far the Government has been able to carry these objects into effect. The time is not distant when the proper opportunity for such discussions will arrive. Meanwhile, I have only a few words to say.

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"I quite admit that the financial part of this subject was somewhat complicated, and that it was not very easy of comprehension to a person who had not given careful attention to it. The difficulty has been increased by the fact that, since the Government of India explained the policy which it hoped to carry out, that policy has been very seriously modified by the obligation, placed on us by the Secretary of State, of greatly reducing our expenditure on those productive public works the construction of which we had looked upon as the best safeguard against famine.

"I had supposed, my Lord, that if there was one thing which had been made clearer than another in regard to the measures in question, it was this,—that, although it was sometimes convenient to talk of a Famine Insurance Fund (I believe, however, that I myself on no single occasion used the expression), the Government altogether repudiated the idea that it was desirable to constitute any separate fund from the produce of the new taxes for the purpose of meeting expenditure on Famine. I said in the plainest language that I could find, in the debate in this Council on the 9th February, 1878, that the creation of any separate fund would not only be useless but mischievous,—that it would disturb the adjustment of grants and accounts, and cause suspicion and trouble to all concerned. I will repeat the words which I used on that occasion :—

"What the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to famine, which shall be felt in the same way as the obligation to provide proper Courts of Justice, Police, Education, and so forth. For none of these objects has it ever entered into the mind of any one to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate Famine Fund than for separate funds for any of these other objects which are obligatory on the Government."

"The words that were inserted in the existing License Tax Acts, and which I have quoted served, undoubtedly to increase the misapprehension of these questions, and, although the policy of the Government remains unchanged, it is thought desirable to omit them.

"It has, My Lord, unhappily become the fashion of late to attribute to political opponents, not only ignorance and lack of wisdom, but the basest motives of deliberate dishonesty. The Government of India, or some of its Members, have had, in respect of this subject of famine-insurance, their full share of this vile usage, degrading to those alone who practise it. To such people scorn and silence are the only fitting reply, and they will certainly receive no reply from me. They will doubtless find in the omission of all reference to famine in the preamble of this Bill fresh evidence of the intention of the Government to evade or repudiate the solemn obligations which it assumed.

"To honourable critics of another stamp and to the public I give the assurance that the Government proposes no change of policy. It undertook, for the first time nearly two years ago, the responsibility of making provision for the protection of the country against the financial consequences of famine. It has never, notwithstanding the new and unexpected difficulties which have supervened, swerved from the policy of which it then proclaimed the necessity, and it will continue, to the utmost of its power, to carry out that policy in the future."

The Hon'ble MR. BATTEN said :—"The Hon'ble Sir J. Strachey has in the course of his first speech mentioned the reasons for which it was thought justifiable to exempt the professional classes and officials from the taxation imposed by the Acts of 1873. I think there is much force in those reasons, but their force is certainly less in the case of the richer persons of those classes, who can well afford to bear their share in the burden which was then thrown

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exclusively on the commercial classes. I am, therefore, glad to find that the measure now proposed is designed to relieve the poorer traders and artisans at the expense of the more wealthy, professional, official and other salaried persons. I still think, however, that the reasons to which I have referred justify the exemption of officials and other salaried persons, who are in receipt of less than one hundred rupees a month, from taxation of this kind, although persons who derive their income from trades or handicrafts are subjected to the tax if their incomes are as low as two hundred and fifty rupees a year. The lower paid officials and other salaried persons are not only more hardly pressed by high prices in times of scarcity than are tradesmen and handicraftsmen, owing to the greater fixity of their incomes and the greater difficulty they have in protecting themselves by claiming increased salaries; but their standard of living and their consequent necessary expenditure is higher. This remark applies to all small-salaried persons, whether Natives or others; but it applies especially to the poorer European and Eurasian clerks. I do not think that any one will deny that this class on salaries between Rs. 20 and Rs. 100 a month is comparatively in more straitened circumstances than is the class of petty traders and artisans who earn an equivalent income. On these grounds, I think that the proposed minimum salary of one hundred rupees per mensem, for persons to be taxed under chapter III of the Bill, is fair and equitable. But I would go a step further and apply the same minimum to the poorer classes of professional persons whom it is now proposed to tax under chapter II. These poorer professional persons are very much in the same position as the poorer salaried persons, and it would be difficult in some cases to draw a line between them. They belong to the same stratum of society and live in much the same way. I would therefore ask that this point may be considered by the Council. The financial sacrifice from exempting professional persons whose income is less than rupees 1,200 per annum will be quite insignificant. I am aware that there may be some difficulty in defining this class, but I have no doubt that, with the help of the able Secretary in the Legislative Department, that difficulty can be surmounted. The idea is, that no person, whether salaried or professional, who was not subject to taxation under the Acts of 1878, shall be subjected to taxation under the measure now to be introduced, if his income is less than rupees 100 per mensem or rupees 1,200 per annum, and I have no doubt that words can be found to embody this idea.

"I am afraid that the commercial classes who have loudly demanded—I do not say unjustly demanded—that the taxation which they have been paying for the last two years shall be shared by Government officials and professional persons, will be somewhat disagreeably surprised to find that the inevitable and logical consequence of a compliance with their demand will be to raise very considerably the maximum taxes which they themselves will have to pay. The maximum tax is now, in Madras rupees 800; in Bengal rupees 500; and in Bombay only rupees 200. Directly it is determined that officials shall be taxed by a percentage on their salaries—and any other mode of directly taxing them would, I submit, be almost absurd—it becomes impossible to maintain the maximum taxes on the commercial classes at the sums which I have mentioned.

"These taxes represent respectively one and a half per cent. on monthly salaries of rupees 4,444, rupees 2,777, and rupees 1,111. Now, there are many officials receiving salaries higher than even the highest of these amounts, and consequently many officials who, if taxed at one and a half per cent. on their salaries, will pay more than the maximum taxes now levied on the commercial classes. There can be no possible reason for taxing the highest paid officials at a less percentage than the lower paid, and there can be no possible reason why any officials should be taxed higher than equally wealthy gentlemen who derive their incomes from commerce.

"If Your Lordship will permit me to make a personal illustration, I would ask if there is any reason why a company, firm or merchant, with an annual income of rupees 2,40,000, should be taxed less than the Viceroy, who draws an equivalent salary, and who will have to pay at one and a half per cent. on that salary an annual tax of rupees 3,600? Hence, it seems to me that the taxation of officials involves, and rightly involves, higher taxation of the richest commercial classes, who have hitherto escaped with comparatively the lightest burden, especially in the Bombay Presidency. In that fortunate Presidency

a merchant with an income, say, of rupees 50,000 a year—and I hope there are many such—has paid less than half per cent as his tax, while his poorer brethren have been taxed at four times that rate.

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“Besides extending taxation to official and professional incomes, the present Bill will remove these unjust inequalities in the taxation of the commercial classes, and I think on both grounds it deserves the support of this Council.”

The Hon'ble SIR JOHN STRACHEY:—I should like to say a few words with reference to one suggestion made by the Hon'ble Mr. Batten that, with regard to the minimum amount of taxable income, the professional classes should be treated, not like the traders, but like the officials. I am sorry that we had not this suggestion before us when the Bill was framed; for I think it is one that well deserves consideration. In drafting the Bill, the precedents of the Certificate and License Tax Acts of 1867-68 were, in regard to this matter, simply followed; but I think Mr. Batten has given very cogent reasons in support of the view he has now stated to the Council. Financially the question has no importance at all. The amount we should receive from the tax would, for all practical purposes, be much the same under both plans. Therefore, on merely financial grounds, there could be no objection to Mr. Batten's proposal. As this subject has not been before the Government, I am not now able to say anything definite regarding it; and until it has been further considered by the Government, I must reserve the final expression of my own opinion. I think, however, I may say without impropriety, that my own personal present feeling is decidedly in favor of the adoption of the suggestion which the Hon'ble Member has made.

Sir J Strachey.

His Excellency THE COMMANDER-IN-CHIEF:—There is one point that strikes me with reference to this License Tax. In some municipalities a professional tax is already levied, which is the same thing. It affects the income of all professional men exactly in the same way. Is it proposed by this Bill that a man should pay twice under those heads?

Sir F P Haines.

The Hon'ble MR. BATTEN:—Yes. He will pay both the municipal and the imperial tax.

Mr. Batten.

The Hon'ble SIR JOHN STRACHEY:—There is no change made in that case in the existing law.

Sir J Strachey

His Excellency THE COMMANDER-IN-CHIEF:—This is a matter which affects a certain number of military men who already protest against the municipal tax now imposed on them, as your Lordship is aware, in Madras. There is a great deal of feeling on the part of the military authorities in Madras with reference to the incidence of the professional tax as it stands now. Sir Neville Chamberlain, for instance, is bound to pay for a license to draw his sword in Madras—to exercise his profession—and he positively cannot carry out the duties of the commission imposed upon him by the Queen without paying this tax.

Sir F. P. Haines

In various other stations—in Bellary for instance—I understand that they even go the length of taxing the battery-horses belonging to Government under the Municipal Act. There is a very strong feeling with regard to this tax amongst the officers serving in Madras, and if the proposed new tax is now placed on the top of that, naturally the irritation will be doubled.

There are also certain officers who pay British income tax on part of their pay. Now, that is certainly a first charge on the pay they receive, and I should like to know whether an officer who draws an income of, say, rupees 2,000 or rupees 6,000, and has to pay a certain sum on part of that income as British income tax, is not entitled to rate himself in the next lower number in the schedule as an abatement.

The Hon'ble MR. BATTEN:—He does not come under the schedule at all. The tax on officials will be  $1\frac{1}{2}$  per cent. on their salaries, and the schedule does not apply to them.

Mr. Batten

His Excellency THE COMMANDER-IN-CHIEF:—But the principle is the same; and what I should like to know is, whether an officer is entitled to an abatement of taxation on the sum on which he has already been taxed under the head of Income tax elsewhere.

Sir F. P. Haines.

His Excellency THE PRESIDENT:—I may mention, with reference to one portion of the remarks of my hon'ble friend Sir Frederick Haines, that the Government of India have at present in preparation a Bill for the purpose of

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prohibiting the levy of any municipal tax upon military officers without the previous sanction of the Governor General in Council.

His Excellency THE COMMANDER-IN-CHIEF :—That of course meets every objection that I could possibly urge on that point.

Sir J Strachey

The Hon'ble SIR JOHN STRACHEY moved that the Bill be published in the local official Gazettes in English and in such other languages as the local Governments might think fit.

The Motion was put and agreed to.

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#### TRADES AND PROFESSIONS TAX BILL.

Sir J Strachey

The Hon'ble SIR JOHN STRACHEY moved that the Bill to impose a tax on Trades and Professions be referred to a Select Committee consisting of the Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Maharaja Jotindra Mohan Tagore, and the Hon'ble Messrs. Batten, Morgan and Paul and the Mover. He said :—“MY LORD, When this Bill was introduced into the Council, some six weeks ago, I explained the reasons which rendered it desirable that the measure should be passed into law before the end of the year. The most important of these reasons was this, that all the existing License Tax Acts, excepting that in force in Lower Bengal, require the assessments and collections to be made for the calendar year; the demand of the Collector has to be published in the beginning of January, and the tax has to be paid in February. It was, however, found quite impracticable to proceed with the Bill as soon as we had originally hoped to do. We are now holding our first meeting of the Legislative Council in Calcutta on the 24th December; the Bill has not yet been referred to a Select Committee, nor are all the papers connected with it, and all the opinions which have been received regarding it, in the hands of the Members of the Council. Under these circumstances it was clear that the idea of passing the Bill before the end of the year must be abandoned, and the Government had to consider what course should be adopted. The legal difficulties which seemed to render legislation in December necessary have however been got over, for the Government has been advised that it is in its power to give executive orders to the local Governments, which will have the effect of preventing any fresh assessments or collections being made pending the passing of a new Act. Instructions have been issued accordingly, and no embarrassment will be caused by the delay in legislating. This delay will in other ways be advantageous. There will be more time for the careful consideration of the Bill, and there is another important advantage which we shall gain. It was not altogether satisfactory that a measure of this kind should be enacted at a time when it is not possible to lay before the Council and the public a complete explanation of the financial position, and we shall now postpone, until after the publication of the Budget, the proposal to pass the Bill into law. It must at the same time be remarked, as I have more than once had occasion to say, that all the local authorities lay great stress on the importance of not leaving the work of assessing taxes of this kind until the weather has become so hot that the Collectors and European officers cannot easily visit the places where the assessments are made, and give to the matter their full personal attention. We shall therefore endeavour to bring out the Financial Statement at a somewhat earlier date than usual, and if meanwhile the Select Committee will consider all the details of the Bill, so that they may be able to report upon it as soon as possible after the Statement is made, we may hope that from an administrative point of view the delay in proceeding with the Bill will not be injurious.

“I must now, my Lord, explain to the Council the course which the Government proposes to take.

“We have received a great number of opinions and criticisms, many of them very valuable, from the local Governments and their officers, from various public bodies, and from other quarters, and the fresh light thus thrown upon the question will, I hope, enable us to make great improvements in the measure as it was originally introduced. I will state to the Council the principal changes which the Government now proposes in the Bill.

"In the first place it has become apparent that the wisdom of repealing all the local Acts and substituting for them one Imperial enactment is very questionable. Circumstances vary so much in the different provinces of India, and the machinery by which measures of this kind have to be carried out differs so greatly, that there are plainly many advantages in leaving all details to be settled by the local Legislatures and local Authorities, and in contenting ourselves with prescribing those general principles only which we desire should be everywhere carried out. This is, in the present case, the more true, because, as I shall presently explain, the changes which the Government has proposed to make in the local License Acts are really, with one exception, not great, and if the modifications in the Bill which I am about to describe to the Council be adopted, those changes will become still smaller. We now propose to leave all the local Acts in force; certain amendments in the schedules which prescribe the fees to be levied on the various classes and a provision extending the tax to professional men will be required; but this can be done by a very few sections in our Bill, which, so far as it affects the trading and professional classes, will then become a very small measure. A great part of the Bill will disappear altogether, and the provisions of general application to all India will be almost confined to those which extend taxation to the official and salaried classes.

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"I will now, my Lord, endeavour to state the principal points on which further explanations are necessary, and it will be convenient that I should first refer to some of the more important objections which have been made to the Bill.

"There has been a very common feeling that the Bill, in the shape in which it was introduced, was hardly to be distinguished from an income tax on the classes affected by it. The measure has been attacked as an unnecessary and unjustifiable attempt to re-impose, under another name, a hateful impost which was deliberately abandoned by the Government only six years ago. I fear that upon those who do not scruple to attribute to the Government of India deliberate and habitual dishonesty in all its dealings, words would be wasted in the attempt to prove that we have not been dishonest in this or any other particular instance. But, for the information of more charitable opponents, I am glad to take this opportunity of stating the facts.

"The conclusion having been arrived at that it was proper to extend to the official classes taxation somewhat similar to that which had been imposed under the License Tax Acts on traders, it was clear that there was only one reasonable way in which the decision could be carried out. This was to levy the tax by a percentage on actual salaries. It would have been impossible to have adopted any other plan. It is clear that the only reason for applying to the taxation of traders the system of classification adopted in the License Acts is, that there are no means of ascertaining the exact amount of their incomes, and it is highly desirable to avoid any minute inquisition. If it were possible to find out, by some perfectly unobjectionable means, their real income, everybody would agree that the plan of charging a percentage on that income would be the proper one to adopt. The rough process of assessment by classes necessarily leads to the injustice of taxing persons who have smaller means at the same amount as those who have larger, but this injustice was accepted as the lesser of two evils. In the case of the official classes we know every man's actual salary, and the salaries of the servants of Companies and private persons can easily be ascertained. To tax them in classes, like the traders, and not by a percentage on their salaries, would really be inequitable and indefensible. No one can believe that it would be accepted as reasonable that an officer receiving Rs. 5,000 a year should pay the same tax on his salary as one receiving Rs. 10,000; and no one would accept as a valid reason for such a conclusion the fact that this was the way in which taxation was imposed on persons deriving their incomes from trade.

"When, however, it was determined to tax the officials by a percentage on their salaries, it was naturally felt desirable to make the incidence of the tax on them and on the other classes as equal as was practicable. It was, as the Honourable Mr. Batten pointed out at the last meeting of this Council, an inevitable and logical consequence of this extension of taxation to the officials that the maximum taxes paid by the commercial classes should be raised. It was felt, as he said, that it was not right to tax a high official



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more heavily than an equally rich man who derived his income from commerce. 'The maximum tax on traders is now' (as Mr. Batten said) 'in Madras Rs. 800; and in Bengal Rs. 500; and in Bombay only Rs. 200. Directly it is determined that officials shall be taxed by a percentage on their salaries, and any other mode of directly taxing them would, I submit, be almost absurd, it becomes impossible to maintain the maximum taxes at the sums which I have mentioned.'

"It was in consequence of all this that the schedule of the present Bill took its present form. The number of classes was increased and the differences between the various classes were diminished. The result was a schedule according to which the taxation on the trading and professional classes would undoubtedly have been assessed under a system nearly approaching the assessment of a percentage on the estimated annual amount of their earnings. In other words, the assessment would have been very like that of an income tax; and I quite admit that this was hardly consistent with some of my own remarks, or with the Statement of Objects and Reasons, which said that 'the system of classification now in force is generally retained.' In the existing Acts, the system followed was to have a small number of classes. It was always admitted that under such a system there must be a good deal of inequality, and that the burden must fall more heavily on the poorer than on the richer persons included in a class. But this inequality was accepted as a smaller evil than that involved in making an inquisition into individual incomes. I do not, therefore, deny that the schedule to the present Bill, although theoretically much fairer and more logical than the schedules of the existing Acts, is open to the objections to which I have alluded.

"The announcement which I have made that the Government proposes to maintain, with very little alteration, the existing License Tax Acts will, I hope, go far to remove these objections, for I do not see how it can still be said that this is an income tax in disguise. If the present proposals be adopted, the obnoxious schedule will disappear, and the existing system will remain in force in all its main features.

"There were, my Lord, only two things which the Government in introducing this measure looked upon as essential. It desired in the first place to exempt from taxation a great multitude of people with small incomes. Experience had shown that we were taxing more than a million persons,—I now believe the number to be at least a million and a quarter,—for the sake of £240,000 a year. This was clearly neither politically nor financially wise.

"The second object which the Government had was to extend taxation to the official and professional classes. There had been a very general feeling, the justice of which we could not deny, that they ought not to remain untouched when direct taxation was being levied on the traders and landholders. This feeling found expression in public meetings, and in memorials of the Chambers of Commerce of all three Presidencies.

"The Government desires that these two objects shall be carried out in the most equitable way possible, and provided that they are gained it looks upon everything else as matter of detail. It cannot give up these taxes, because it considers it essential to maintain them; but it is most anxious to do everything in its power to reduce their defects to a minimum, and to remove, so far as practicable, every cause of difficulty which it is possible to foresee.

"I will now state as clearly as I can the course which the Government proposes to adopt.

"We desire to make no changes in the existing Acts which are not, in view of the determination to extend taxation to the professional and official classes, unavoidable.

"In regard to the professional classes, it will, I believe, be sufficient to insert in the existing Acts a single section, to the effect that the words 'trade' and 'calling,' wherever they occur, shall be deemed to include a profession.

"In regard to the official and salaried classes, no change of any importance is contemplated by the Government in the Bill as it now stands, but there are some details in regard to which alterations may be found proper. A good deal of complaint has been made regarding the sections which oblige private employers to levy the tax from persons in their employment, and which impose certain liabilities on both parties. These and many other questions will

doutless be considered by the Select Committee, and the Government will accept whatever view appears to the Committee and to the Council to be just.

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"In regard to the trading classes, before coming to other matters, there is one announcement of importance which I have to make on behalf of the Government.

"When this Bill was introduced, I stated that the Government proposed that Rs. 250 should be the minimum income liable to this form of taxation, and I said that in fixing this amount we were giving greater relief to the poorer classes of traders than most of the local Governments think necessary. It is now estimated that by this change we shall exempt not less than 1½ million persons from taxation, and shall give up revenue to the amount of about £240,000. The Government now proposes to extend this relief still further. We find that by sacrificing an additional sum of about £100,000, we shall be able to fix the lower limit of liability to the tax at an annual income of Rs. 500, and exempt from taxation at least 250,000 more people. Thus the Government now proposes to do. There will remain in all India certainly not more than 250,000 traders liable to the tax. The financial result of all the changes thus proposed will be as follows. We now obtain from the license tax £870,000 a year. We propose to give up a sum of £340,000. We expect on the other hand to obtain £240,000 from the extension of taxation to the professional, official, and salaried classes, and from raising the maximum tax on the commercial classes to the Madras limit, as I shall presently explain. Thus we expect to get altogether from these taxes £770,000, or £100,000 less than the amount which we now receive.

"The effect of these measures will be to remove from the schedules of the existing License Acts (which vary somewhat in their details in different provinces and of which it is not now necessary to speak in detail) those classes and grades including traders whose annual earnings are less than Rs. 500. Since, as I have already explained, we do not propose to repeal the existing Acts, the present classification will otherwise remain unaltered with the following exceptions. In Bombay the maximum fee now payable is Rs. 200; in Bengal, the North-Western Provinces, Oudh, the Punjab, and wherever the Northern India License Act is in force, the maximum fee is Rs. 500; and in Madras it is Rs. 800. We propose to leave the Madras schedule unaltered; to add in the Bengal and Northern India schedules one class with a fee of Rs. 800; and to add in Bombay two classes, one paying Rs. 500 and the other paying Rs. 800. Thus the maximum tax at present leviable in Madras will be applied throughout India.

"As, with these exceptions, no change is proposed in the present law so far as it affects the richer classes of traders, the tax will be levied exactly as it is now. Whatever objections there may have been to this form of taxation will no doubt remain, so far as the persons are concerned who are liable to it; but at any rate there will be no ground for the charge that we are completely changing the character of the existing Acts and virtually introducing an income tax, for in this respect there will be absolutely no alteration in the present system.

"In thus avoiding anything like an income tax, and as one of the consequences of fixing a maximum fee of Rs. 800 as the highest amount which can be demanded from any trader or professional man however rich, we find ourselves landed in a difficulty.

"The sum of Rs. 800 is much less than that which will be paid by some of the highest officers of Government at the rate of 1½ per cent. on their salaries. The number of officers in this position will, however, be very small. There will be the Viceroy, the Governors of Madras and Bombay, the Lieutenant-Governors, the Commander-in-Chief, the Members of Council, the Chief Justice, and possibly a few others. Excepting these officers, the highest salary paid to any Government officer in India is Rs. 50,000 per annum. One and a half per cent. on this sum would be Rs. 750. Thus the maximum tax ordinarily paid by the officials, professional men, and traders, will be approximately the same; but there will be this exception, that the few high officers already mentioned will have to pay more, and some of them a great deal more, than Rs. 800 per annum. Your Excellency, for instance, will have the pleasure of paying an annual tax of Rs. 3,600.

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"It is, of course, impossible to maintain that this is just, but it is an illustration of the numerous anomalies which must arise under any system of direct taxation short of a general income tax. It is not so serious an anomaly as others which I could mention, as for instance, that presented by the fact that there are in this Province of Bengal landed proprietors receiving incomes measured in hundreds of thousands of pounds, which are now almost untouched by taxation. The only way in which we could make the richest class of traders and professional men pay as much as the high officers that I have mentioned would be by applying to them a system of assessment virtually the same as that of an income tax. As we desire to avoid this, we must be content to let these officers pay more than their equally rich neighbours. It would no doubt be possible to fix a maximum of Rs. 800 for the official classes also, but it seems to the Government that this would lead to still worse evils. We could not with propriety or indeed with decency, say that all Government servants with salaries between Rs. 1,200 and Rs. 50,000 a year shall pay at the rate of 1½ per cent. on their salaries, but that those officers who get more than Rs. 50,000 shall be exempted from paying in proportion. The fact is that the system under which the trading classes are taxed being essentially different from that which is applicable to the officials, it is impossible that the burden should fall with complete equality on both classes alike. I may add that financially this part of the question has little importance. The number of traders and professional men with incomes exceeding Rs. 50,000 a year is very small, and the additional revenue obtained by making them pay more than the maximum license-fee of Rs. 800 would not be great. Taking everything into consideration, it is not worth while to add more classes to the License Acts, merely for the purpose of rendering the law more symmetrical, and theoretically more equal, and making a few rich traders and professional men pay as much as the highest officials.

"I have now, my Lord, explained all the principal changes which the Government thinks it desirable to make in the Bill now before the Council. If the motion which I am about to make be agreed to, and the Bill be referred to a Select Committee, we shall propose to the Committee to adopt these modifications in the Bill. I have no doubt that the Committee will be able to suggest other improvements.

"It will be observed from all I have said to-day, that, although the Government is quite ready to make many important changes in this Bill, it adheres to the opinion that the taxation of the richer members of the trading, professional, and official classes is essential. They have been contributing little or nothing towards the expenses of the State. Justice and financial considerations alike require that they should so contribute, and it is only by direct taxation that this object can be gained. My Lord, I often read in the newspapers that one of Sir John Strachey's most mischievous delusions is his persistent preference of direct to indirect taxation in India, and that his constant desire is to substitute the former for the latter. My Lord, every man's motives are best known to himself; but, if language be any indication of motive, I may ask my critics to point out any single occasion on which I have said anything of the kind. I affirm, not only that I have never, either in public or in private, maintained any such doctrine, but that no such idea has ever entered into my head. If in formerly approving the imposition of the income tax and other forms of direct taxation, and in regretting their loss, I have erred, I have erred in company with many of the wisest and most experienced of Indian statesmen, among whom I will now name one only, Lord Lawrence, my honoured and lamented master. No man knew India better than he, and never was there a man who would have more strongly and indignantly refused his consent to measures which he thought must entail injustice and oppression on the people. He believed—and I believe—that there are some classes of the community which have borne no proper part of the public burdens, although no classes are better able than they to bear their share; that it is by direct taxation alone that they can be reached; and that with reasonably good administration, which it is certainly within our power to secure, there is no necessity whatever for any gross abuses in the assessment and collection of taxes of this kind. If we could make these classes contribute in any other way to the necessities of the State, without adding to the burdens of others who already contribute in fair proportion to their means, we should be most glad to do so; but this is impossible. We impose direct taxation

upon them, not because we prefer direct taxation to indirect, but because we must tax them directly or not at all.

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"I have been now speaking as if the taxation now proposed ought to be permanently maintained, independently of the actual financial position in particular years, not necessarily with its present details, but at least substantially. Those who differ from this opinion will have ample opportunity of stating their views, since, as I have already said, it is not proposed to ask the Council to pass this measure, nor even to ask the Select Committee finally to report upon it, until the Financial Statement for next year is before the Council and the public. The view that taxation of this kind, although it may be tolerated for a time, in case of unavoidable necessity, ought to be given up whenever the condition of the finances makes it possible to dispense with it, has often been maintained. It has lately been expressed very clearly and temperately and well in the memorial submitted by the Bengal Chamber of Commerce. The Chamber produces evidence, drawn from the accounts and statements published by the Government, to show that there has been a great improvement in our financial position; it says there is a widespread impression that the Government could now afford to dispense with the license tax altogether, and that before any attempt is made to pass the measure before us into law, a full statement of the present and prospective position of the public finances should be made. I cannot now discuss that position, but the hope with which the memorial of the Chamber concludes has been met by the announcement which I have already made that the final consideration of this Bill will be postponed until after the publication of the Financial Statement. With regard to the general financial position, I can now only repeat what I said when the Bill was introduced, that there has happily been great improvement, that we trust the country has passed through its disastrous and long-continued period of scarcity and suffering, and that the condition and prospects of the finances are highly encouraging and satisfactory.

"I have only a few more words to add. It might be supposed from many of the criticisms which this measure has received that the Government was proposing to impose fresh and heavy taxation on the country. Nothing could be further from the real intentions of the Government; and I trust the proposed modifications of the Bill will, when they are made in it, remove every disposition to such criticisms, for they will certainly remove every justification for them. The result will be that we shall exempt from taxation about a million and three-quarters of persons who, if not absolutely, are still relatively poor and we shall transfer, not the whole, but the greater part of the burden hitherto borne by these classes to about 35,000 persons, the great majority of whom are more or less highly paid Government officials. We shall get altogether £100,000 less revenue than we get now. The measure is essentially one which has for its object the equitable re-adjustment of taxation. It will reduce, not increase, the burdens of the country."

The Hon'ble Mr. PAUL said, as a member of this Council, he should always be glad to support the necessary measures of the Government, and that he did not now desire to offer any opposition to the principle of this Bill. But he thought there were rules of practice which, under ordinary circumstances, must be observed. The present motion was to refer to a Select Committee a Bill which, as it was introduced, was the one which he held in his hand. That was the Bill which he had studied before coming to the Council meeting, and he now understood, from what the hon'ble the Financial Member had said, no doubt to Mr. PAUL'S great gratification, that the Bill would be shorn of many of what appeared to be its obnoxious provisions, which were in it as it was presented to the Council. The Government, as he understood the Hon'ble Member, pledged itself to make alterations on the lines which had been marked out by the mover of the Bill and to lay them before the Select Committee. It then followed that it was not this Bill which was about to be referred to a Select Committee, but it was the Bill with a number of substantial amendments. That being so, he thought the proper practice was that this Bill should be withdrawn, and another Bill, drawn in the manner proposed, should then be introduced. If that was done, he should raise a substantial objection to such new Bill. Leave had been given to introduce this Bill, and consequently the Council were on this occasion unable to give their assent to the

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referring of another and an entirely different Bill. But if a fresh Bill should now be brought forward on the lines which had been indicated by Sir John Strachey, MR. PAUL would then have this objection to raise, that as it appeared on the surface of the plan that had been sketched out before the Council that the necessity for the proposed measure depended upon the publication of a Budget-statement the introduction of such fresh Bill must of necessity be postponed till after the publication of the Budget. He maintained that there was not a single member of the Council who would not be most anxious to support the Government in any necessary measures which the Government was bound to adopt; but, on the other hand, it was nothing but fair that this Council should have, before it is called upon to legislate upon any measure, the fullest information, in order that any action taken should appear to be supported by substantial reasons. Therefore he should suggest as an amendment, that this Bill be withdrawn, with liberty to the hon'ble Mover to bring in another Bill.

Mr Kennedy

The Hon'ble MR. KENNEDY said he also, upon the same grounds, must oppose the motion of the Hon'ble the Financial Member as it had been brought forward. It seemed to him that they were not now called upon to refer the Bill which had been before the Council, but to refer another and a wholly different measure, with the principles or details of which, complicated as they were, he had not had an opportunity of becoming sufficiently acquainted to form any opinion whatever. Whether the Bill ought to go to a Select Committee or not, he was not in a position to form an opinion, one way or the other. The Council had before them a Bill which proposed the wise and proper course of consolidating into one Act this part of the taxation of the country. He did not know whether he was right, but as far as he could understand the expressions used by the Financial Member, the new Bill was to be based on an entirely different principle, leaving outstanding three, or perhaps four, separate financial measures, which were to be how he knew not, in what particular form he knew not: what was to be their independent effect he knew not, but he understood they were to be in some way brought in and incorporated with this measure. That this difficulty of understanding the proposition should arise showed that the objection was not merely technical. It was an objection based on the rules which had been introduced into the Council in order to facilitate the consideration of important measures, and it was an objection which he thought to have considerable weight. When, after asking leave and explaining the grounds upon which the measure was based, the Hon'ble Member in charge asked to refer to a Select Committee a Bill which was not even based on the principles of the Bill which had been introduced, MR. KENNEDY was bound to say that he could not assent to the measure without at least knowing what the grounds of the new measure were.

The Council was told that this was not an income tax, but though accustomed to deal with refined distinctions he was unable to see any difference between this measure and any other income tax, save this. The great and broad general objection to an income tax as it existed in England was, that transitory incomes, which were derived from the exertions and intellects of individuals subject to the vicissitudes of health and trade, were taxed at the same rate as incomes derived from realised property and the common sense of mankind was shocked at the injustice, though arguments were possible for the equal taxation of all incomes. That was not so here. The Financial Minister had taken good care that this precise objection should not apply, because here incomes derived from realised property were exempted, and the tax was imposed merely and exclusively on trades and professions—on the uncertain and fluctuating results of personal exertions. He could not assent to aiding the progress of a Bill which avoided the objection of equally taxing fluctuating income and realised property by carefully excluding from its operation every form of the latter.

Mr Morgan

The Hon'ble MR. MORGAN said that, when he came to the Council that day he was unaware of the important changes which had just been proposed by Sir John Strachey. It was his intention to have opposed the Bill which was now before the Council, on grounds upon which, perhaps, it was not now necessary to enter, inasmuch as that Bill seemed to have lost its existence. But he could not avoid coming to the same conclusion as the Hon'ble Mr. Paul, that there

was practically no measure before the Council, and there was no Bill to refer to a Select Committee. The Bill that was on the table proposed to repeal the existing License Tax Acts, but Sir John Strachey had stated that it was not the intention of the Government to repeal those laws, but to retain them, with very slight modifications as they at present stood. Therefore the Bill before the Council seemed to be without meaning; such clauses as applied to official salaries might stand, but otherwise it seemed to have no value, and therefore he was sorry to say he must oppose the motion.

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Mr Morgan.

The Hon'ble MR. BATTEN said that the Hon'ble Mr. Paul had, in the com-  
mencement of his remarks, suggested that, as the passing of this measure would depend on the condition of the finances, the further consideration of it should be postponed until after the financial statement had been made. Now he (MR. BATTEN) had not gathered from the speech of the Hon'ble Mover that the passing of the measure under discussion depended on the condition of the finances. In fact, it appeared that the financial result of the measure, if passed with the modifications suggested by the Hon'ble Sir John Strachey, would be merely to remit taxation to the amount of £100,000, and that the view of the Government was that, whatever the financial position might be, taxation of the kind proposed by the Bill before the Council ought to form a part of the permanent sources of the revenue. MR. BATTEN was, therefore, unable to understand why the consideration of the measure should be postponed. It was proposed not to pass the Bill until after the financial statement was made, in order to give time for its consideration in Committee and to the opponents of this kind of taxation to give expression to their views on the general question.

Mr. Batten.

Nor did MR. BATTEN follow the hon'ble and learned Advocate General in his objection to the committal of the Bill in its present form in consequence of the modifications indicated by the Hon'ble Sir John Strachey. He did not know whether the Hon'ble Members who had just spoken had studied the provisions of the four Acts which it was proposed to amend. These Acts were passed in this Council, and in those of Bengal, Madras, and Bombay. It would be found that Chapter II of the Bill now before the Council was little more than a re-enactment of the provisions of those four Acts which the Bill proposed to repeal. The modification indicated by the Hon'ble Sir John Strachey, as approved by the Government, would, instead of repealing and re-enacting the four Acts, leave them alone, which amounted to pretty much the same thing. The schedules alone would be altered, and even in these the alterations would be in the direction of maintaining the present law. No modifications were suggested in that part of the Bill which dealt with the taxation of the salaried classes or the extension of the tax to the professional classes on the same footing as the tax on traders.

The effect of referring this Bill to the Select Committee, after what had been said by Sir John Strachey, would be to enable them to consider its provisions in the light of the modifications which the Government were prepared to make. MR. BATTEN apprehended that the Select Committee would be at liberty to adopt or reject these modifications. If they rejected them, the Government would then have to consider what course it should take. But there seemed to be no sufficient reason for not referring the Bill to the Select Committee.

MR. BATTEN would ask the Council to consider what would be the effect of throwing out the Bill. It would simply be to maintain the four Acts in their present form. The taxation of the commercial class would remain as it was; the provisions of the law, including the procedure to which so much objection had been taken, would remain in force; the million and a half people whom the Government proposed to relieve of £250,000 taxation would continue to bear that burden, and the richer officials and professional men to whom it was proposed to transfer it would remain free. On these grounds MR. BATTEN cordially supported the motion which had been put to the Council.

The Hon'ble MAHARAJA JOTINDRA MOHAN TAGORE said he was inclined to support the view which had been taken by his friend the hon'ble and learned Advocate General, for the modifications which had been proposed in the Bill, in so far as he understood them, would completely alter its character and make it a new Bill altogether. Moreover, it was now proposed that this tax should

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no longer be raised, as was originally intended, for the purpose of providing means for meeting famine-expenditure, which was its only justification, but that its proceeds should form a part of the general revenues. On the other hand there was a strong impression, as had been correctly represented by the Chamber of Commerce and the British Indian Association, that the prospects of the finances had materially improved, and that the retrenchments which were to be effected would result in considerable saving, so much so that it would warrant the expectation of the Government being able to dispense with the license tax altogether. Under these circumstances he respectfully submitted that, until it was clearly shown that the public impression was unfounded, and the necessity of taxation was fully established, it would be neither expedient nor just to continue a direct tax of this nature, which had caused so much hardship and oppression, and consequent irritation in the public mind. But as it was not possible to get a correct insight into the financial position of Government till the budget-statement was published, he thought it desirable that my Bill for taxation should not be brought on until that time, the more so as the Hon'ble the Financial Member himself proposed not to proceed with this Bill before the publication of the financial statement. And as he thought there could be no great necessity for hurrying on a measure of this nature so long as the Acts now in operation were allowed to remain in force, the better course, in his humble opinion, would be, to wait till the financial exposition was made, and the public allowed an opportunity of knowing how far the Government stood in need of additional taxation. For these reasons he would support the view which had been taken by the Hon'ble Mr. Paul.

Mr Colvin.

The Hon'ble Mr. COLVIN said that he entirely concurred in the remarks that had been made by the Hon'ble Mr. Batten in reply to the objection which had been taken by some of the preceding speakers. He did not see how it could be said that the changes suggested in the Bill were so great that they virtually left no motion for consideration by the Council. The changes which the Financial Member had indicated were all in the direction of remitting, not of extending, taxation. The Hon'ble Member proposed, for instance, to exempt from taxation a very large number of the lower classes of traders, namely, all those who earned less than Rs. 500 per annum, instead of those only whose earnings were below Rs. 250. Again, as regards the richer classes, he proposed to tax them at a lower rate than they would be assessed at if the Bill remained unaltered. The only extension of taxation which was intended was in respect of the professional, official, and salaried classes; but this extension had formed a part of the original Bill and was not a new proposal to the Council. These being the only alterations suggested, as he had understood the Hon'ble Member, it did not appear to him that their nature was such as to require the introduction of a new Bill, indeed, except in taxing the salaried classes—and to this, as he believed, no exception had ever been taken by anybody—the Bill, so far from making important innovations, would hardly contain anything that was not a re-enactment of the provisions contained in the existing Acts on the subject.

As to the argument that there is no necessity now for continuing the license tax at all, he had been glad to hear the Financial Member say that direct taxation in this shape was not to be dependent hereafter on the fluctuations from year to year of the financial position, but was to be treated as a permanent source of revenue. All who had examined the subject must agree that there was no other way by which the trading classes could be made to bear their fair share of the general burden. There were great objections, no doubt, to direct taxation, so there were to indirect taxation. But it was useless to balance their respective merits for the present purpose, because there was no mode of indirect taxation by which trading incomes could be made to contribute in due proportion to the general revenues. It had been urged by the Hon'ble Maharaja Jotindro Mohan Tagore that the license tax, which it was proposed now to modify, had been originally justified on the ground that it was intended to supply the means of dealing the famine-expenditure, and that unless, as Mr. COLVIN understood him, this tax was strictly appropriated to that one particular purpose, it ought to be abolished. Mr. COLVIN was present at the discussions which took place at the time of the introduction of the License Tax Bill, and he certainly had not

heard it said that the proceeds of any particular tax were to be devoted to any particular purpose.

[The Hon'ble MAHARAJA JOTINDRO MOHAN TAGORE explained that what he had said was, that the general finances were not then in a position to meet the increased expenditure on account of famine, and therefore additional taxation was necessary to provide sufficient means for the payment of those expenses out of the general revenues.]

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The Hon'ble MR. COLVIN continued: He now understood the Hon'ble Member to say that the license-tax was introduced because additional taxation was necessary to meet the expenditure on famine, and that, until it was shown that such an addition to the revenue was still required, there was no ground for continuing the license tax. In that case the answer appeared to him to be that the necessity for the money continued with the necessity for the expenditure, and that the ordinary revenue of the country was still inadequate, without such help, to supply the yearly million or more which is necessary to provide for famine-requirements. He would not base any argument upon the state of the finances in the present year, because he had not sufficient information about them, and because the question did not really turn upon the state of the finances in one particular year. However prosperous that might be, the conditions of Indian finance did not appear to him to be such that it would be safe, on account of temporary prosperity, to relinquish a permanent branch of the revenue. The gain which had hitherto accrued upon exchange during the current year might be converted into a loss before its close. It was impossible also to shut one's eyes to the constant precariousness of our present opium-revenue. There were other items in the budget regarding which no one could foresee what a year might bring forth. Whatever might be the financial result of any single budget, he could see no sign of the finances becoming so permanently prosperous as to justify the hasty abandonment of a mode of taxation to which both the people who paid, and those who collected, the tax, were becoming familiarized, which was just and expedient in itself, which now yielded about three-quarters of a million sterling, and which might, if occasion arose, yield double that sum. For the reasons which he had given he should support the motion before the Council.

Mr Colvin.

The Hon'ble MR. HORN said he should have supposed that the assurances given by the Hon'ble Member in charge of the Bill that the Council would not be called upon to pass the measure, or even the Select Committee to report upon it, until after the Financial Statement and exposition of ways and means for the coming year had been laid before the Council, together with the announcement of considerable additional remissions to which the Government had consented, might have precluded the necessity for further debate. This, however, had unfortunately not been the case; and objections of two important classes had been brought forward. The objection which had been brought forward by the Hon'ble Mr. Paul had been described by himself as being a technical objection.

Mr Hope.

The Hon'ble MR. PAUL explained that he did not desire to be technical, though his objection was seemingly technical.

Mr. Paul

The Hon'ble MR. HORN observed that in that case the method with which he would deal with the first objection was very considerably simplified. The objection appeared to him to amount to this, that the declarations which had been made by the Financial Member were of such an important nature, and so materially altered the measure which was before the Council that morning, as to make that measure entirely non-existent, and that in fact there was now no Bill to refer to a Select Committee, since what was now proposed was a totally different Bill. MR. HORN was unable to see in what respects the Bill had become a totally different Bill. All that he had heard that day appeared to be declarations on the part of the Government that it was ready to make larger remissions than the Bill as introduced had provided for, and that it no longer considered it necessary to re-enact certain local laws which were at present in force. He thought that it would remain for the Select Committee to consider those suggestions and declarations; that the Committee would be at liberty to alter the Bill in accordance with the lines which had been sketched out or otherwise, and that it would be in a better position than if a new Bill embodying those suggestions were introduced, because it would not be in any way

Mr Ho pe



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pledged to the adoption of the principles now suggested, as it might be held to be if it had given leave to bring in and had referred to Committee a new Bill. The Members of the Government on the Committee too would be themselves in a far better position to consider any objections of detail that might be made to the plan which had been sketched out that day than if they stood formally committed to them. It would thus be far more convenient, both for the Government and the Members of the Committee, and more in the interests of the public in general, that the present Bill should be considered by the Committee by the light of the remarks which had been made by the Hon'ble the Financial Member than that this Bill should be withdrawn and a fresh Bill hereafter substituted. On the other hand, there were very considerable advantages in this Bill being referred to a Select Committee on the present occasion in preference to the course which had been suggested (if he understood it rightly) of a new Bill being introduced, but not until the Budget-statement had been made. The advantages were that the Select Committee would have most ample time to consider and elaborate all the details of the Bill, it would be able to study carefully all the reports which had been received and to call for necessary statistics and information from the local Governments which it might desire. The labours of the Committee would be purely provisional, inasmuch as it would not be called upon to report until after the Budget-statement of the coming year had been made, and it would be at liberty to make any alterations which, after full consideration of the Budget, it might think necessary. If the Council then decided that no taxation was requisite, the Bill would be dropped. If it decided that taxation was necessary, then there would be a measure complete, ready and carefully elaborated at hand. On the other hand, if the course which had been suggested of withdrawing this Bill and introducing a fresh measure after the financial exposition had been made were adopted, there would be considerable delay; the new Bill would necessarily be considered with far more hurry and in a perfunctory manner, while the actual assessment and collection of the tax would be put forward into the hot weather and the rains, and so the checks which were necessary for the prevention of fraud and extortion would be infinitely less, and the tax-payer would suffer.

The other point upon which a few remarks were necessary was in reference to the expectation which had been expressed by two hon'ble members and by the Bengal Chamber of Commerce, that if the state of the finances proved to be very favourable, the license tax might be dispensed with. MR. HOPE was not aware that the great scheme of a special insurance against famine, which was deliberately adopted two years ago, had been in any way set aside. He had not heard any declaration which might lead him to suppose that, and he should have been greatly surprised if any such declaration had been made. Whilst that great scheme lasted, it would be obviously inequitable to remit one portion of the taxation which was necessary for the provision of that insurance while retaining another portion. If there was one thing more clear than another, it was that the Council had decided that the non-agricultural portion of the community should pay their own fair share of taxation for protection from famines. He found that in the first debate which took place upon the subject, that of December 19th, 1877, it was distinctly stated that—

“The next very numerous class, although, of course, a small class compared to that of the agriculturists, is the class of traders and artisans. Although prosperous in ordinary times, this is a class on which, when famine occurs, pressure is the first to fall, and it ought to contribute for its own protection. Not only does it now contribute nothing for this purpose, but it is notorious that, throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a share of the expenses of the State.”

It was quite unnecessary for MR. HOPE to add a string of quotations to prove that position. It would be enough if, in addition to the quotation he had made, he, with His Excellency's permission, recalled what passed on January 16th, 1878, when a suggestion similar to that which had been made by two hon'ble members to-day was made by the Hon'ble Mr. Morgan. He having then urged, as had just been done, that the budget statement might shew that new taxation was not required, it was declared by Sir John Strachey that it was “an essential part” of the scheme of famine insurance “that these new taxes should be imposed equally, as far as one can do these things equally,

both upon the commercial and agricultural classes." Again, at a later period, His Honour the Lieutenant-Governor of Bengal made a remark which Mr. Hope took in the same sense:—

"There is no question that the proper principle to follow in respect to the raising of revenue for such purposes as that which has led to the present schemes of taxation is that all having a permanent interest in the welfare of the country should bear their share of its burdens. The measures now before the Council adjust the incidence of taxation upon all interests, whether trading or landed interests."

His Honour THE LIEUTENANT-GOVERNOR here remarked that he thought these quotations were unnecessary, as the Council was not now discussing the question of the principle of the tax. Leg Council, 24th Dec. 1879  
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The Hon'ble MR. HOPE said that he had made these quotations in answer to the remark which had fallen from some hon'ble members that this Bill should be withdrawn, as it might hereafter appear that this tax might be dispensed with. He was endeavouring to show that the license tax could not be dispensed with, as this Council had decided before that it was part of taxation designed to serve as a permanent famine insurance, and to be contributed by all classes of the people. He therefore considered that the quotations were perfectly pertinent and necessary to, his point, and he should continue them unless his Lordship ruled that he was out of order. Sir Ashley Eden.

His Excellency THE PRESIDENT thought that the Hon'ble Member's remarks were quite legitimate in reply to what had fallen from the Hon'ble Mahārājā Jotindra Mohan Tagore. Moreover, it was in accordance with the rules to discuss the principle of the Bill on a motion to refer it to a Select Committee. Lord Lytton.

The Hon'ble MR. HOPE then proceeded to say that, on the occasion to which he had been referring, His Lordship the President had concluded with an observation exactly in the same sense as those which MR. HOPE had already quoted, namely:— Mr. Hope.

"I think, then, I may fairly claim for the measures now before the Council, at least the modest merit of an equitable distribution of famine charges between the two great classes of the community who are, collectively, best able to bear them, and on whom such charges most reasonably fall."

There was also another reason, quite irrespective of the budget question, why such remission of taxation as that suggested should not be made, and it was this. This Council had deliberately confirmed the condition laid down by the Secretary of State, that the rayats should not be made to pay any taxation in the shape of assessment upon the land outside the revenue-assessment, unless a similar amount of taxation were raised from other classes of the community also. Therefore if the budget statement were to show that the sum raised by this tax might be dispensed with, that would not be sufficient, unless it could be also shown that the Government could dispense with the similar amount of taxation derived from the new rates on land. Whether the finances would be in such a position or not MR. HOPE was not able to say.

MR. HOPE would now turn to another and a totally different ground on which he opposed the suggestion that it might be possible to remit this taxation altogether, if the state of the finances should be favorable. He considered that constant changes of taxation to make up for minor fluctuations of income and expenditure were much to be deprecated. In England the mass of the people were accustomed to watch the commercial and agricultural prosperity of the country, competent to understand changes and causes, and able to accept with intelligent equanimity an extra penny of income tax, or an increase of duty on some article of consumption. But in India the position was just the reverse, and such a general condition was absolutely unknown. Certain sections of the community, indeed, were able to understand and criticise the financial position as people in England could, if not better. As a rule, the people were in a totally different intellectual and moral condition. Every change which took place was a source of anxiety, of disquietude, of speculation, and of rumours which were often unreasonable and even absurd. He could imagine few conditions more economically and commercially prejudicial, if not politically dangerous, than that all India should come to be thrown annually, from December to March, into a state of doubt and speculation as to what their fiscal burdens for the coming year would be.

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Moreover, if constant changes were to be avoided in taxation generally, they were especially so in the case of a direct tax, such as that now in question. Whatever might be the difficulties of preventing fraud and extortion in levying such a tax, they were most materially enhanced by constant changes in the rates or by abolition and re-imposition. There had been no less than fifteen different License and Income Tax Acts in the twelve years following the time when Mr. Wilson first introduced his great income tax, and the changes which had taken place had contributed in no small degree to the irregularities which took place in the collection and to the general unpopularity of the system. Direct taxation was nothing new in India; it formed part of the fiscal system which the British found on acquiring the country; it was still in some parts imposed by the Government in its ancient forms, such as the capitation tax in Burma and the pandhari tax in the Central Provinces, and it might be seen at work in most of the Native States around us. All such taxes were most productive, and proved least oppressive just in proportion as the rates remained unchanged for long periods of time, and the system was so crystallised that the tax-gatherer found no plea for demanding, and had little chance of recovering, if he did demand, more than was notoriously and justly due.

Of course, MR. HOPE continued, fluctuations of income and expenditure must occur; but we should avoid, as far as possible, perpetually adjusting taxation to fit them. Small fluctuations could be easily dealt with through the various expedients which loans for reproductive public works, balances, repayment of debt, and optional heads of expenditure afforded; larger ones by variations of indirect taxation, which could often be effected without the people being even conscious of increase or decrease, rather than by changes in direct taxes.

Upon these grounds, MR. HOPE trusted that if the famine insurance scheme was to be maintained at all, it might be maintained intact in principle. It was, further, much to be desired, though he could hardly hope for so fortunate a result, that the Select Committee would go so thoroughly into the matter as to enable the Council to decide, once for all, the vexed question of twenty years as to whether taxation of the non-agricultural classes could be suitably effected by direct methods of the income or license tax type, and, if not, to adopt some other method of reaching those classes instead.

Sir Ashley Eden.

His Honour the LIEUTENANT-GOVERNOR said it was not his intention to discuss the principle of this Bill. To the Bill as it stood he had very serious objections, which he should have felt it his duty to urge if it had not been that the explanations which had been made by his hon'ble friend Sir John Strachey as to the intentions of the Government had met most of his objections. He believed that there was not a single member present who did not condemn the Bill which the Council was now asked to refer to a Select Committee, and no one had condemned it more than the hon'ble Mover himself; and therefore it seemed to him that the Council would be stultifying itself if they accepted the motion, as it amounted to this, that they were asked to refer a Bill to a Select Committee which was not the Bill which the Committee would be asked to consider. Under these circumstances he could not help feeling that the arguments of the learned Advocate General in favour of withdrawing the Bill were very strong and sound. The question before the Council was a question of procedure; the rules for the conduct of business did not contemplate any such mode of procedure as that suggested by Sir John Strachey. Rule 18 provided that when a Bill was introduced, the member in charge of it should move either that it be referred to a Select Committee, or that it be taken into consideration by the Council, or that it be circulated for the purpose of eliciting opinions thereon. The Council was not asked to accept either of those three courses, which were the only courses really open to it, but to accept a Bill of which they had no knowledge, and to refer to a Select Committee a measure which they had no opportunity of considering. HIS HONOUR could see no reason why his hon'ble friend should not do what the learned Advocate General had suggested that he should do, namely, to withdraw the present Bill and to introduce another Bill which should really set out the policy and principles which the Government desired to follow. Either the Government had determined that the license tax should become a permanent part of the fiscal system of the country under all circumstances and without reference to the condition of the finances, or it had

not, but had resolved to leave the question to be settled on the publication of the annual estimates. He understood from the remarks of hon'ble members, who seemed to be informed of the intentions of the Government, that it had been finally determined to make the license tax a permanent tax; and if that were so, he thought that the proper course for the Government to pursue was to withdraw the present Bill which they had avowed themselves unable to support, and lay before the Council a Bill which should represent the real policy of the Government. It was better to say at once what was intended, and there could be no possible object under such circumstances in waiting for the budget. There would be nothing gained by delay, if the tax was really to be imposed without reference to the state of the finances which the budget statement might disclose. The Council should certainly, under no circumstances, be asked to refer to a Select Committee a Bill which it was admitted they were not really to adopt.

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If, on the other hand, the passing of a law introducing a license tax was to be dependent upon the annual estimates—His Honour gathered it was not—then nothing would be gained by referring this faulty Bill to a Select Committee of the Council, and there was great strength in the objections taken by the Advocate General. An executive Committee appointed by Government could prepare a measure to meet the views of Government, and it could then be brought in whenever it might be found convenient to do so. The question being, as he had said, a mere question of procedure, and the rules of the Council contemplating no such procedure as that suggested by his hon'ble friend, and the motion before the Council not being in accordance with any of the directions of Rule 18 to which he had already referred, he would strongly urge upon the Government the propriety of acceding to the amendment of the Advocate General, to which he had not yet heard a single substantial objection raised.

It had been pointed out by Mr. Batten and Mr. Colvin that the result of following the course of either preparing a new Bill at once, or of leaving the introduction of a Bill until the financial condition of the country should be ascertained, would be that the License Tax Acts, as they now stood, would remain in force, and a million and a quarter of the people, who would otherwise be exempted, would continue to be taxed; that the changes proposed were all in favour of the tax-payers; and that as a consequence of not following the course proposed by the Government, a number of poor traders would remain subject to the tax for some time longer. It seemed to His Honour that there was no force or truth in that objection. It would make no difference in that respect whether this Bill was withdrawn and another substituted at once, or whether the matter was left to be reported upon a few weeks hence by the Select Committee as proposed by Sir J. Strachey. The present laws would remain in force in precisely the same degree, and the men who were now taxed under them would continue to be taxed. If the Government had determined to remit taxation in respect to the proper classes of traders, it was open to it by an executive order to exempt them or any other classes affected by the law. That had already been done once, and the Hon'ble Mover had already explained that it was the intention of Government to do it again. The same remarks would apply to the observations which had fallen from the Hon'ble Mr. Hope: the delay would be no greater if the Bill were withdrawn and a proper one substituted, than it would be if, as proposed by the Government, the presentation of the report of the Committee should be deferred till after the submission of the annual estimates. His Honour would therefore strongly impress upon the Government that it was desirable, whatever the intention of Government might be as to the permanent character of the license tax, that it should bring in a Bill in a complete form and present it to the Council. It was surely better to bring in a Bill which should give form to the real intention of Government in such a state that the Council could examine and discuss it before it was referred to a Select Committee for consideration and report.

The Hon'ble MR. RIVERS THOMPSON said he could see no objection in the rules for the conduct of the business of this Council to the propriety of the course which his hon'ble colleague, Sir John Strachey, had taken in asking that this Bill should be referred to a Select Committee. The question before the Council was simply whether the Bill should be referred to a Select Committee

Mr Rivers  
Thompson

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Mr Rivers  
Thompson.

or not, and the motion had been opposed by the hon'ble and learned members opposite, on the ground, first, that the Bill as introduced was not the Bill which the Select Committee would have to consider; and secondly, that it would be much better, considering that this Bill dealt with large questions affecting the finances, that its further discussion should be postponed until the budget estimates for the year were laid before the Council. This Bill when introduced was called "The Trades and Professions Tax Bill, 1879," and it was in that character only that it was proposed that it should go before a Select Committee. He did not see that there was any change or alteration in the principle of the measure since it was first brought in; but as then it extended taxation to the professional and salaried classes of the community, who had been previously exempted under the License Acts, as such it remains for the Select Committee to consider. It seemed to him that if any Hon'ble Member had taken exception to the principle of the proposal as affecting those classes, or had raised any issue upon the question of direct taxation, this was the occasion when such an objection might have been urged. But nothing of this kind had been done. The principle which the Government asserted of the propriety and necessity of imposing a tax on trades and professions remained unaffected; and he should have thought, after the exhaustive statement which his hon'ble friend Sir John Strachey had made as regards the intentions of the Government, all in a beneficial sense, all tending to relieve the poorer classes, even to the surrender of revenue amounting to £100,000, and extending the minimum limit of taxation to Rs. 500 a year, the concessions would have satisfied hon'ble gentlemen opposite, and left no room for objection to the further progress of the measure.

In regard to the Financial Statement, to the publication of which it was desired to postpone the consideration of the proposals now submitted to the Council, it seemed to him that the sacrifice of £100,000 was not a very large sum for the Government of a country whose revenue and expenditure were something like sixty millions a year. After the fullest consideration, the Government had decided that the license tax was to be a permanent measure on the broad and general ground that there was every possible justification for imposing a tax on classes which had hitherto been exempt from the payment of any contribution to the necessities of the State. Whether therefore the finances were prosperous or not, or whether in a few weeks hence his hon'ble friend would still be in a position to submit a satisfactory budget, was immaterial to a question which affected only a small portion of the income, and in view to the resolution which the Government had adopted for equalising the burden of taxation and maintaining this tax as a permanent part of the fiscal administration of the country. With regard to the intention now expressed of retaining the local Acts in force, he would only say that such a course commended itself on the ground that it left to local Governments the procedure on all details which were suited to their circumstances and of which now they had gained some two years' experience. In some instances this desire had been expressed by local Governments, and it had therefore been decided to adopt that course. He should support the motion that the Bill be referred to a Select Committee.

Sir A. Arbuthnot.

The Hon'ble SIR A. ARBUTHNOT said that what he had to say in reply to the objection that had been urged by the Hon'ble Member who commenced the debate after the Hon'ble Sir J. Strachey's speech had been delivered, had been in a great measure anticipated by the remarks which had fallen from the Hon'ble Messrs. Batten and Hope, and by those which had just been made by his hon'ble colleague Mr. Rivers Thompson. But he wanted to say, with reference to the objection which had been advanced by his hon'ble and learned friend Mr. Paul, that that objection appeared to him; notwithstanding his hon'ble friend's disavowal of an intention to raise it, was a merely technical objection, to be in substance more or less of the character of a technical objection. It was an objection the validity of which he should be very much disposed to recognize if the measure now before the Council, and which the Council was requested to refer to a Select Committee, were entirely a novel one. If the Government had come to the Council with a new measure of taxation, and at the first meeting after the introduction of the measure had told the Council that while they wished to refer it to a Select Committee, they proposed to make very material alterations in it—in that case SIR A. ARBUTHNOT thought that Hon'ble

Members not in the secrets of the Government would be entitled to demand that before they consented to the reference, the details of the measure should be laid before them in a definite and clear form. But the measure now before them was in substance merely the amendment and modification of a law which had been in force nearly two years. The objects of the amendments had been fully explained to the Council. These objects were, in the first instance, to relieve from taxation a very considerable number of persons—he might say, in relation to the number of persons affected by the measure, an enormous number—from the pressure of taxation, and to bring under its operation certain classes of persons who were not now affected by it, but who, on principles of fair and equal justice, it had been deemed expedient to bring under taxation. The Government admitted that the measure was not in its present lines what could be called a complete measure; they had deferred to the objections which had been frequently raised, and which six years ago had led the Government to abandon an income tax, but they admitted that in thus abandoning the income tax, the Government and Legislature were placed under the necessity of exempting from taxation many classes of persons who, they all felt, ought in justice to be made liable to taxation. The question now before the Council was not whether the Bill should be converted into an Income Tax Bill, but whether its main principle of relieving the poorer classes who were included under the existing Act, and of bringing certain other classes under the tax, should be affirmed; and it appeared to SIR A. ARBUTHNOT that it would be far more convenient, for reasons which had been very fully dwelt upon by the Hon'ble Mr. Hope, that this measure should now go before a Select Committee, than that it should be withdrawn, and a delay of some weeks should take place in framing an amended measure embodying the exact terms of the provisions which his hon'ble friend Sir J. Strachey had sketched out in his speech. It was not perhaps very important that the consequence of delaying the reference to a Select Committee would be, so far as the law was concerned, to keep the poorer classes liable to taxation; for, as had been pointed out, their exemption could be obtained by an executive order. But the amendment of the present law involved other considerations. It was a measure which, in the hands of the Select Committee, might occupy a good deal of time, and it was one in regard to which it was desirable that the Select Committee should have ample time for consideration and examination.

It would be quite open to the Select Committee, notwithstanding the announcement which had been made by the hon'ble member in charge of the Bill, not to adopt the proposal that the existing Acts should be left in force, subject to an alteration of their schedules. On further consideration it might be deemed more expedient that, as was proposed when the present Bill was introduced into the Council, the whole of the law on the subject should be contained in a single Bill. This was a point which seemed to SIR A. ARBUTHNOT to deserve the careful consideration of the Select Committee, represented, as it would be, by members of all classes in the Council. The Hon'ble Mr. Batten had shown that substantially it made very little difference whether the proposal to leave in force the greater part of the existing local Acts were carried out, or the Bill were retained in its present form. It was for this reason that SIR A. ARBUTHNOT ventured to designate the objection raised by his hon'ble and learned colleague as being more or less of the character of a technical objection. As he understood the arguments of his hon'ble colleague, the Financial Member, the reason which had led him to suggest, and which had led other members of the Government to agree, that this Bill should not be reported upon or passed until the financial statement for the ensuing year was laid before the Council, was this, that it was yet to be determined to what extent the remissions of taxation could be made. The intention of the Government was that a Bill similar in its principles to the existing law, but comprising within its provisions the official and professional classes, and relieving the poorer classes of tradesmen, should be passed; but what the precise rates of taxation should be, and how far the proposed remissions should affect the several classes concerned, were questions which it was not expedient or convenient finally to determine, until the Government were in a position to explain to the Council and to the public the financial situation, as far as they could explain it, when the budget-estimates had been framed. As the Hon'ble

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Mr. Hope had pointed out to postpone the further proceeding with this measure until the financial statement had been made, would be to cause what seemed to him (SIR A ARBUTHNOT) a very inconvenient amount of delay. It would drive the proceedings which would have to be taken for bringing the measure into operation, into the hot weather, and would embarrass the administrative and executive officers very seriously in their work. It seemed to him that the business which in any case the Select Committee would have to do, would be better performed with ample time and leisure for consideration, for examination, and, if necessary, for reference to the various local Governments and Authorities who were concerned in this matter. It would be open to the Select Committee if, when the financial statement was made, the majority of them should consider that there was no necessity for retaining taxation of this kind, to urge that view upon the Council, and it would be then for the collective Council to consider the measure in all its bearings, to take into account, not only the present circumstances, but the prospects and possibilities of the future, with reference to the experience of the past, and bearing in mind these prospects and possibilities, which at the present time they must all feel were possibilities of a very serious character, to determine whether or not it was necessary to maintain a system of direct taxation as a part of the taxation of India. He hoped that under these circumstances, and after these explanations, the Council would allow this measure to go before a Select Committee, in order that it should receive from that body that ample examination and consideration which was necessary and which the Government desired that it should receive.

Lord Lytton

HIS EXCELLENCY THE PRESIDENT said it had not been his intention to make any remarks upon the present occasion, because although no doubt the proper time for discussing the principles of a Bill was on the motion for its reference to a Select Committee, yet, as a matter of fact, he might say that since he had had the honour of presiding over this Council, he did not remember an instance in which a Bill had encountered on its way to Committee any serious opposition not indicated at the time of its introduction. The present motion, however, had been opposed by the Hon'ble Mr. Paul, on the ground, as His Excellency understood it, that there was practically nothing to refer to the Committee, because the Bill on which leave was asked to go into Committee had been altered out of existence by the statements with which his hon'ble friend Sir John Strachey had accompanied his motion. HIS EXCELLENCY was unable to understand how it was possible that any Bill before this Council could be altered in its progress through Council by process of announcement. That was a procedure unknown to HIS EXCELLENCY. The authors of a Bill, whether it were a Government Bill or a private Bill, were, he conceived, perfectly free to announce in Council their readiness to accept certain alterations of it, if such alterations were approved or recommended by the Select Committee to which it is referred: and announcements of this kind might sometimes be very convenient. But it was not customary, and HIS EXCELLENCY believed it was not possible, for a Bill to be altered in Council, before it had been considered in Committee. Hon'ble Members could reject this Bill by refusing leave to refer it to a Select Committee, but the Government would certainly oppose any motion made with that object. They could not, however, alter the Bill by the adoption of clauses which were not yet before them. Sir John Strachey had stated on behalf of the Government its intention to propose or accept in Committee certain alterations of the Bill; but the Government had no intention of withdrawing the Bill, and no power to alter it without reference to a Committee. It would be for the Committee to recommend the alteration or retention of its present clauses; and for the Council then to accept or reject the recommendation of the Committee. HIS EXCELLENCY wished to remind the Council that the practical question involved in the consideration of this Bill was not whether fresh taxation should be imposed, but whether the existing taxation of the country should be maintained as it stood, or any portion of it remitted. His Honour the Lieutenant-Governor had observed that the Government should state its intention clearly on a point about which HIS EXCELLENCY thought the intentions of the Government had never been open to question. It was quite true that the maintenance of an additional source of revenue, or an additional charge upon revenue, which the Government had repeatedly declared that they regarded as permanent, would

not be affected by the state of our finances; but the possibility or prudence of lightening the present assessment, or modifying the present incidence of a permanent tax, was a question which the Council would be better able to discuss after Hon'ble Members had heard the financial statement.

The question being put, the Council divided and the motion was carried by a majority of 13 against 5.

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TRADES AND PROFESSIONS TAX BILL.

The Hon'ble SIR J. STRACHEY moved that the Resolution of the Council of the 24th December last, referring the Bill to impose a tax on Trades and Professions to a Select Committee, be cancelled. He said—

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Sir J. Strachey.

Here follows the Financial Statement for 1880-81, from which extracts only to financial measures have been printed:—

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“20. *Assessed Taxes and Customs* show a decrease of revenue, to which I shall refer later on. I may, however, notice here that, in February 1879, the Hon'ble Mr. Hope and Mr. J. D. Maclean were appointed Commissioners to report *inter alia* whether it was desirable to revise the tariff valuations yearly, and, if so, how such revision should be made. The Commissioners recommended a yearly revision of the tariff values, and advised that the materials for such revision should be systematically collected throughout the year at the ports of Calcutta, Bombay, Madras, Rangoon, and Kurrachee; and collated in Calcutta, in February of each year, by a Committee of three persons to be appointed by the Government of India, one of them being *ex-officio* the Collector of Customs at Calcutta. The first Committee of revision was accordingly appointed in January last; the Hon'ble Mr. Hope, and, on the nomination of the Bengal Chamber of Commerce, Mr. J. W. O'Keefe, a member of the firm of Messrs. Kettlewell, Bullen, and Company, consented to serve upon it, with Mr. J. D. Maclean, Collector of Customs, Calcutta. The Committee has just completed its revision, which is estimated to produce an increase of £15,000 to the Customs revenue.

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“51. I have now, my Lord, to state to the Council the course which the Government proposes to take in regard to the Bill for amending the License Acts. It will be remembered that, when this measure last came before us, I announced, on behalf of the Government, that it was not proposed to take any further steps in the matter until after the publication of the Financial Statement.

“The changes proposed in the existing law, when the Bill was introduced in November last, would, if they had been adopted, have had no appreciable effect upon the revenues, the amount surrendered by the exemption from taxation of the lower classes of traders being just made good by the extension of taxation to the official and professional classes. The effect of the further modifications subsequently proposed, and of the additional exemptions in favour of the poorer traders, would have been a loss on one hand of £340,000 a year, and a gain, on the other hand, of £240,000, thus leaving us, as the general result, with £100,000 less revenue than we get now. The measure was essentially one which had for its object the equitable re-adjustment of taxation, and it had no financial importance.

“52. Before going further, I wish to ask the Council to recall the circumstances under which fresh taxation was imposed two years ago.

“The object of the new taxes was described in the preamble of the License Act passed by this Council, and nearly the same words were used in the other similar Acts passed for the various provinces of the Empire. It was stated that—

‘in order to provide means for defraying the public expenditure from time to time incurred, and to be incurred, for the relief and prevention of famine in British India, it is necessary to effect a permanent increase of the revenue’

“In making this quotation, I do not attach any exaggerated importance to the declaration that these taxes were intended to give a ‘permanent increase’ to the revenues. It is, of course, competent to the Legislature to alter its policy in regard to this, as to any other matter. The declaration, nevertheless, has



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this value: that it shows the intention of the Legislature, when these measures were enacted two years ago; and since the object for which they were enacted—the protection of the country against famine—is undoubtedly as important now as it was then, and as earnestly desired by the Government, it is reasonable to say that very good cause ought to be shown before we consent to give up taxes avowedly imposed to make a ‘permanent increase’ to the revenues.

“53. I may remind the Council what this increase really was. Taking together the measures adopted in the two years 1877 and 1878, the first new taxation was the Public Works cess, imposed on the land in Bengal: this yielded in 1878-79 £355,590. In 1878 new cesses were also imposed on the land in the North-Western Provinces, Oudh, the Punjab, and the Central Provinces, yielding about £170,000. The total amount of new taxation on the land was therefore about £525,000; the actual receipts during the last two years have, however, not been so large, because it was thought right to postpone for a time the collection of the cess in parts of Northern India which had suffered from drought. Similar taxation was not imposed on the land in Madras and Bombay: the principal reason for this exemption was, that the salt duties had just been increased in those presidencies, and it was held to be inexpedient to impose cesses on the land at a time when the effects of the famine were still being felt, and when the salt duties were being increased. A license tax on traders was first imposed in 1877 in the North-Western Provinces, and in the following year, the present License Acts were applied throughout India. They yielded, at their maximum, about £320,000 net.

“The total amount of what has been called the Famine Insurance taxation was therefore about £1,345,000.

“54. Considering that precisely the same reasons were given by the Government, and accepted by the Legislature, for imposing fresh taxation on the trading and on the agricultural classes, with the object of protecting the country against the financial consequences of famine, and that special stress was laid upon our desire to make the burden fall with approximate equality on each of these classes, it would be difficult, for the present Government at least, to accept any proposition for treating them differently now. In fact, it would be hardly possible to maintain the cesses on the land, if the tax on trades were abolished. It might be more possible to defend the abolition of the cesses on the land and the maintenance of the tax on trades. But it is needless to discuss such questions. Practically, so far as we are now concerned, these taxes on the agricultural and trading classes stand on the same basis.

“I need hardly say, after what has been said on former occasions, that the Government can entertain no idea of giving these taxes up, and of sacrificing a million a year of revenue. Even if these taxes were as bad as some think them, a time like the present, when we have to meet the heavy obligations entailed by a serious war, would not be opportune for abandoning them, still less could such a course be approved by those who believe with me that these taxes are far less objectionable than others that could be named, and that when the time comes for remitting taxes, it is not with these that we ought to begin.

“55. At the same time the Government desires to make all practicable improvements in the assessment and the administration of the License Acts. It was this desire which led the Government to the conclusion, explained by me to the Council, when the Bill for amending those Acts last came forward, that it was desirable to exempt from liability all persons whose annual earnings are less than Rs. 500 a year. As I formerly said, we expect by this change to exempt from taxation about a million and three quarters of the smaller traders and to lose £340,000. The Government still adheres to these conclusions.

“56. Although, when this Bill was last before the Council, I was able to state that there had been great improvement in the financial position of the Government, I did not then venture to anticipate that the improvement would, when we came to make our estimates for next year, be so considerable as it is now shown to be. It has necessarily obliged the Government to reconsider the question of the propriety of extending taxation to the official and professional classes, and thus making good the greater part of the loss incurred by the exemption of the smaller traders from the License Acts.

“Although the main object of the Government in this part of its proposals was a more equitable adjustment of taxation, we felt that it was hardly

prudent to give up £340,000 of income without any compensation, and this was one of the reasons assigned for the proposal to tax the officials and professional men. The Government has now had to consider this question:—admitting—as we must do in the present state of the finances—that we do not absolutely require the £240,000 which the contemplated taxation of these classes would yield, is it now desirable to impose it merely for the purpose of making our system of taxation more theoretically equal, and removing to some extent the reproach, which undoubtedly is true, that certain classes do not at present bear their full share of the public burdens?

“If it had now been possible to attempt the removal of the numerous inequalities and anomalies which are inseparable from any such partial system of taxation as that which now exists, this would have been an object of high importance; but the mere extension of taxation to the official and professional classes would clearly be no complete solution of such a problem, although it might be a step towards it. On the whole, the Government thinks it better, for the present at any rate, not to press this part of its proposals. We have given up £340,000 from our existing taxes, and we do not ask that any fresh taxation shall be imposed. The amendment of the present law is desirable to carry out the exemption of the lower classes of traders, and for the removal of one or two difficulties which I shall explain later on; but with these exceptions no change is proposed in the License Acts now in force.

“57 I do not intend, my Lord, on this occasion to discuss afresh the vexed question of the Famine Insurance Fund or Surplus. There has been much misunderstanding between the Government and some of its critics as to what was said, and as to what, though unsaid, we are presumed to have meant when the taxes to which I have referred were first imposed in 1877 and 1878: for this misunderstanding, so far as it has been due to want of precision in the explanations of our policy, I am prepared to accept my full share of responsibility, but for my part I do not intend to refer to it again. I shall only say further that there has been, in regard to this matter, no change in the financial policy of the Government, nor is any change proposed now. In the following remarks, I shall endeavour to avoid controversy, and to refer only to actions and to facts which, whatever their motives and origin, can hardly be misconstrued.

“58. When the serious character of the financial obligations of the State in times of famine had been recognized, it became the duty of the Government of India to make sure that the public resources were adequate to meet the fresh strain imposed upon them. Upon careful inquiry we came to the conclusion that we must contemplate a liability from famine amounting, in loss of revenue and actual expenditure, to, on an average, £15,000,000 in ten years. It was clear that this liability must be included among our ordinary obligations, and that it would have been a fatal error to go on increasing the public debt to meet charges which must periodically occur. To enable us to discharge the liability thus estimated, we determined to aim constantly at a surplus of £1,500,000, supplemented by a further surplus of £500,000 to provide for extraordinary and abnormal demands other than famine, as, for example, to name the most serious of such demands, for war.

“This standard surplus of £2,000,000 was to be ascertained on a comparison of the revenues with the expenditure, exclusive of:—First, Productive Public Works, which, to whatever extent might be necessary, it was assumed, might be provided for by loan; Secondly, Famine Relief, and loss of revenue due to famine; Thirdly, Protective works, *i. e.*, works not strictly fulfilling the definition of Productive Public Works, but constructed specially for the protection of the country against famine; and Fourthly, Abnormal expenditure, other than for famine, as, for example, on war.

“I do not stay to inquire afresh how far the standard thus adopted was adequate to the object in view, namely, the solvency of the State, although I believe it to have been so; I only recite facts.

“59. In order to secure this standard average surplus of £2,000,000, the Government next resolved that it was necessary to increase the revenues of the country. The occasion for such increase was the recognition of the increased obligations of the State in times of famine, and the measures of taxation adopted were framed in the belief that there were certain classes upon which

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this particular burden ought primarily to fall. As I have already explained, that taxation amounted originally to £1,345,000. It has now been reduced to £1,000,000

"60. Whether the public accounts show surplus, equilibrium or deficit, it is indisputable that these taxes must prevent debt by the exact amount which they yield, and that, when famine occurs, our resources for meeting it will be increased by an amount exactly equal to the amount obtained from these taxes, with compound interest upon them. This part of the subject needs no further remarks.

"I have shown to-day that the precise burden borne by the country during these three years for this purpose has been or is estimated to be—

				£
in 1878-79	...	...	...	1,227,891
in 1879-80	...	...	...	1,184,000
in 1880-81	...	...	...	982,000
				<u>3,393,891</u>

"The actual expenditure on famine relief has been or is estimated to be—

				£
in 1878-79	...	...	...	313,420
in 1879-80	...	...	...	99,000
in 1880-81	...	...	...	5,000
				<u>417,420</u>

"Therefore, the taxation thus levied in these three years has enabled us to defray the expenditure on famine relief, and, moreover, to prevent debt to the amount of £2,976,471, with interest upon this sum. That this result has been achieved is self-evident, and, being independent of the surplus or deficit of the revenue as a whole, requires no further demonstration.

"61. I have perhaps already said enough upon the other part of this subject. The standard which we accepted was £2,000,000 revenue in excess of the expenditure on the ordinary account, excluding the expenditure upon famine, and other abnormal obligations. In my opinion this standard has been, in each of the three years of which I am speaking to-day, greatly surpassed.

"It will doubtless be always right to scrutinise rigidly and jealously the validity of the grounds upon which any part of the public expenditure is excluded from the account upon which the surplus for comparison with our standard surplus of £2,000,000, is ascertained; but I believe that, if the accounts and estimates of the three years before us are subjected to the most severe criticism, it will be found that the actual and estimated surplus of revenue during this period does truly far exceed the £6,000,000, which, according to the standard which we have prescribed for ourselves, should be attained in three years, if the solvency of the State is to be ensured.

"62. I find an apt illustration of our policy in this matter, ready to my hand, which I quote the more willingly because it is, in other respects, of much interest. According to present prospects, in the ten years ending with 1880-81 we shall have spent, all-told, including productive public works, war, and famine, £36,848,000 more than our whole revenue. The items included in this expenditure, which should be excluded before applying our standard are—

				£
Productive Public Works*	...	...	...	35,881,000
War in Afghanistan	...	...	...	9,250,000
Famine	...	...	...	14,607,000
				<u>TOTAL ... 59,738,000</u>

Our revenue will have exceeded the rest of our expenditure by £22,890,000; and, but for loss of revenue from famine, this surplus would have been £25,890,000, or, on an average, £2,589,000 a year.

"Thus, during these ten years, with an average surplus of £2,589,000 to compare with our standard of £2,000,000, we expect to have defrayed the whole

\* Including £11,076,000 spent on what I have called doubtful works

cost of our famines and our wars, from our revenues, excepting only the trifling deficiency of £967,000. Considering the magnitude of our expenditure on famines and war during this period and the immense increase of charge under Loss by Exchange, this retrospect appears to me highly satisfactory.

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"107. I cannot now take up the time of the Council with any elaborate comparison between our present financial position and that of ten or twenty years ago. As, however, there seems to be an impression that there has been a great increase in the public expenditure, I will briefly compare the accounts of our net expenditure in 1868-69 and 1869-70 with the accounts of 1878-79 and the estimates of 1880-81. That this comparison may be effective, I have eliminated the expenditure from Local Funds, recently incorporated with the rest of the public expenditure, and also the expenditure on the war in Afghanistan. In like manner I have removed throughout the credits from the extinct Military Funds. I have then divided the net expenditure thus ascertained into four groups, as follows:—

"*First.*—Land Revenue (except Charges of collection, Surveys and Settlements), Post Office, Administration, Minor Departments, Jails and Penal Settlements, Law and Justice, Police, Marine, Education, Ecclesiastical, Medical, Stationery, Printing, Political, and Miscellaneous.

"*Second.*—Interest, Loss by Exchange, Furlough Allowances, Pensions, and Famine.

"*Third.*—Public Works, Telegraphs, Railways, and Canals.

"*Fourth.*—The Army.

"The whole net expenditure thus classified is as follows:—

	1868-69.	1869-70.	1878-79	1880-81.
	£	£	£	£
Group I.—Effective civil administration ...	10,042,000	10,489,000	10,997,000	11,255,000
Group II.—Non-effective civil expenditure ...	7,054,000	6,548,000	11,182,000	10,536,000
Group III.—Public Works ..	8,195,000	6,235,000	3,454,000	1,883,000
Group IV.—The Army ...	15,137,000	15,251,000	15,441,000	15,330,000
<b>TOTAL ...</b>	<b>40,428,000</b>	<b>38,518,000</b>	<b>41,074,000</b>	<b>39,004,000</b>

"108. *Group I.*—The effective civil charges proper have increased in the twelve years by about one million sterling, of which £587,000, under the Head of Law and Justice, is due to the development of backward provinces, such as Assam, Burma and Oudh, and to improved administration; and £233,000, under Education and Medical Services, is to be attributed to the constant demands for more schools and dispensaries. It does not seem to me that either the fact that the whole active civil administration of this great country costs only net 11½ millions a year, or the increase of its cost in twelve years by one and a quarter million sterling, is indicative of any laxity of financial control or any disregard of the interests of the tax-payers.

"109. *Group II.*—The non-effective civil charges, many of which are not subject to control, show an increase of about 3½ millions, caused mainly by the disturbance of the relative values of gold and silver, but also notably by the growth of the pension list. Notwithstanding the addition of 37½ millions (net) to our debt, the charge for interest shows little or no increase, the rate of interest having been, by successive operations involving labour and forethought, constantly reduced. The average rate of interest upon the whole debt is now 4·40 per cent.

"110. *Group III.*—The growth of the revenue from Railways, Telegraphs and Canals, and the reduction of the expenditure on Public Works Ordinary has produced a diminution of the net expenditure in this group of more than six and a quarter millions a year, which therefore largely exceeds the increase in Group II. During this period we have spent 65½ millions sterling upon Railways, including the Guaranteed Railways, Canals, and Telegraphs. The result shown in the figures here given is remarkable evidence of the manner in which India responds to outlay of this character.

"We have seen that in the coming year the revenue derived from productive public works is likely to exceed the interest on the capital expended in

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their construction, together with the working expenses. I have read criticisms, in which the policy of constructing these works has been condemned on the ground that they had not yielded, and in many cases were not likely to yield, any extra profit after fully paying their expenses. But if the Government has succeeded in making these magnificent works for nothing, that is, without throwing any permanent charge for them on the people of India, surely it may well be contented.

"111. *Group IV.*—Although there was an intermediate reduction of the cost of the Army, the net military expenditure here shown is little larger in the later than it was in the earlier years.

"112. Owing to the rapid improvement in the financial results of our Railways, Canals, and Telegraphs, and to economy in the expenditure on public works ordinary, the whole net expenditure shows no increase, but a positive reduction.

"113. Considering that during this period, the charge for loss by exchange has increased by 3 millions, and that, including the guaranteed railways, we have invested no less than 65½ millions in productive public works, this, My Lord, is a result of which the Government of India need not be ashamed, and which I earnestly commend to the study of those statesmen who, from motives worthy of all respect, but which appear to me to be founded upon a dangerous misapprehension of facts, would withhold from India those material benefits which are to be obtained only by the expenditure of capital upon the development of her vast resources.

"114. It now, My Lord, only remains for me to make the motion standing against my name. If it be adopted by the Council, it will be equivalent to a resolution that the Trades and Professions Bill shall be dropped altogether, and I shall afterwards ask permission to introduce a new Bill for the amendment of the present law. It will be understood, from what I have, said to-day, that it will be a very short and simple measure, and its principal effect will be to relieve the poorer classes of traders from the taxation to which they are now liable."

The Motion was put and agreed to.

No 291 ]

#### LICENSE ACTS AMENDMENT BILL

The Hon'ble SIR J. STRACHEY moved for leave to introduce a Bill to amend the law relating to the licensing of trades and dealings. He said:—

"After the explanations that have been given by me in the Financial Statement to day, I need only occupy the time of the Council for a few minutes in explanation of the small and simple measure which I wish to introduce.

"The reasons for which the amendment of the present law is desirable are these. In the first place, it is thought right to sanction by legislative action the exemptions already proposed, and in some instances already ordered, by the Executive Government, in favour of the poorer classes of tax-payers.

"Secondly, it is desirable that the license taxes should be collected everywhere, as they are already in Bengal, for the official instead of for the calendar year, although the assessments should continue to be made during the cold season, and as soon as possible after the first January. As the Council will remember, the collections which under the present Acts ought, excepting in Bengal, to have been made in the first three months of the calendar year, were suspended by executive order, under the Financial Statement could be brought forward, and if there were now no legislation, we should lose a great part of the tax for the next financial year. The result of the change now proposed will be that the tax for three months will be relinquished. Thus, a certain small amount of temporary relief has been given.

"It is thought desirable to take the opportunity of removing two or three other defects in the existing law.

"Doubts have arisen in some Provinces whether tea-planters and others are legally liable to the license tax when they sell the produce of their own land. They have been exempted from payment by executive orders, but it is thought desirable to make it clear that the law imposes on them no such liability.

"As the law now stands, a person carrying on trade in more than one Province or district may sometimes be called on to pay license-fees in more

than one place. The Bill will invest the Governor-General in Council with power to direct that a person shall be assessed at one place in British India, however numerous may be his places of business.

"I must explain that in Bengal the collections are already made for the financial year, and the second reason that I gave for amending the existing law is therefore not applicable to Bengal. The Bengal Act also provides already for the exemption of tea-planters and others. As there are other matters in which the Bengal Government desires to amend its local Act, it is thought better to make no reference to Bengal in our amending Bill.

The Motion was put and agreed to.

The Hon'ble SIR J. STRACHEY then introduced the Bill.

The Hon'ble SIR J. STRACHEY also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

THE PRESIDENT having declared the Rules suspended.

The Hon'ble SIR J. STRACHEY said :—"The Bill is of so simple a character that it may seem hardly necessary to refer it to a Select Committee, but it is, I think, as well to do so, for its consideration may suggest improvements which have been overlooked. I will only add to what I have said already, that the Bill is really shorter and simpler than it looks. It has been thought desirable so to frame it that the provisions applicable to each Province will fit in to, and form part of, the existing local Acts, for this will be convenient to the local officers, who have to administer the law. The Bill has, therefore, been divided into three parts, applicable to Northern India, Madras and Bombay respectively. The result is that provisions which are virtually the same, appear three times over, and the Bill thus seems longer than it really is. I have already explained why it does not apply to Bengal. I beg now to ask the Council to refer the Bill to the same Committee which, was formerly appointed to consider the defunct Trades and Professions Bill, and to move that the Bill be referred to a Committee consisting of the following Members :—

"The Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Maharájâ Jotindra Mohun Tagore, and the Hon'ble Messrs. Batten, Morgan, Paul and the Mover."

His Excellency THE PRESIDENT said, before he put the motion, it might be as well that he should explain that, if this motion was carried, he proposed to adjourn the Council to that day week, in order that all hon'ble Members, who wished to make any observations on the Financial Statement, might have full time to consider it. With that explanation, he put the question that the Bill be referred to a Select Committee consisting of the Hon'ble Messrs. Stokes, Thompson, Hope and Colvin, the Hon'ble Maharájâ Jotindra Mohun Tagore, and the Hon'ble Messrs. Batten, Morgan and Paul and the Mover,

The Motion was put and agreed to.

No. 292.]

Legislative Council, Tuesday, the 2nd March 1880.

#### LICENSE ACTS AMENDMENT BILL.

The Hon'ble SIR JOHN STRACHEY presented the Report of the Select Committee on the Bill to amend the law relating to the licensing of trades and dealings.

The Hon'ble SIR JOHN STRACHEY also moved that the Report be taken into consideration. He had so fully explained on a former occasion every thing that he had to say on this subject that he thought it unnecessary to take up the time of the Council with any further remarks. The Select Committee had made no alteration in the Bill referred to it, and the Committee had recommended that the Bill be passed.

The Hon'ble MR. PITT-KENNEDY said that he was slightly astonished to find, when he read the Report of the Select Committee on the Bill to amend the law relating to trades and dealings, that they had made no alteration in it, except one trifling verbal amendment in section 13. He was still more astonished when he heard the Financial Minister repeat the same statement. So far as he was acquainted with the proceedings of the Council, no such Bill had ever been referred to the Select Committee. He held in his

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Sir J. Strachey.

Sir J. Strachey

Lord Lytton  
Sir J. Strachey.

Lord Lytton

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Sir J. Strachey

Mr Pitt-  
Kennedy

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hand a Bill which bore the title of a Bill to impose a tax upon trades and professions. That Bill was referred to a Select Committee, and it was referred under circumstances against which he then felt himself bound to protest, and which now formed the subject of the Report which they had laid before them, and he and those who protested thought they were fully justified in the protest which they then made. He did not say that the Select Committee had not power to change the title of the Bill—of course they had; he did not say that they had not power to make any alterations in the provision of that Bill; but the Bill which was laid before them was a Bill which, so far as he could see, was not in any one single passage the identical Bill which was referred to the Committee. The amended Bill which was placed in his hands late last night was a Bill which contained references to a multitude of sections in different Acts of the local legislatures which he had not had an opportunity of referring to, and whether substantially the provisions remained the same as those in the Bill originally drafted.

Lord Lytton.

His Excellency THE PRESIDENT was sorry to interrupt the hon'ble member, but it was his duty to point out that the original Bill—the Bill to which the hon'ble member was referring—had been withdrawn. The Bill now before the Council was the Bill which was referred to the Select Committee, and it was a totally different Bill from the Bill which was originally introduced.

Mr Pitt-  
Kennedy.

The Hon'ble MR. PITT-KENNEDY continued.—With great respect to His Excellency the President, he might, perhaps, be permitted to explain what his position actually was. As he understood, no Bill was withdrawn. The precise objection which was raised by himself and other hon'ble members was that the Bill which had been pending before the Council had not been withdrawn, and a new Bill was not introduced.

Lord Lytton.

His Excellency THE PRESIDENT again explained that, at the close of the Financial Statement made by his hon'ble colleague at the last meeting of the Council, a motion was carried to cancel the reference of the former Bill to a Select Committee, and the Bill, the Committee's report upon which the Council was now considering, was at the same time introduced.

Mr Pitt-  
Kennedy.

The Hon'ble MR. PITT-KENNEDY continued:—He was not aware that the Bill which had been originally referred to the Committee had been withdrawn. He was present certainly when much discussion took place, when the intention was stated of retaining the Bill, originally introduced, with a large number of changes. But a different course was adopted, and under the circumstances certainly all the members had not had an opportunity of consideration and discussion of the Bill in that Council. The reason why it seemed to him important to call attention to that, was that matters of this kind, matters affecting the financial arrangements of the country, did seem to him to deserve more serious consideration and a larger publicity before they were finally adopted; that if the Bill, which was practically to impose for an indefinite period a system of taxation on the country, was to be considered, and the whole arrangements made for its being passed into law, at one sitting of the Council, surely the attendance of members who wished, so far as they could, to put before the Council and the public views which they might entertain, was embarrassed by very considerable difficulty. It was difficult, without some opportunity of previous consideration, to know what the nature of the measure was to be with which one had to deal. In this instance, no further publication was considered necessary. Under the usual practice of obtaining leave at one meeting and introducing it another week, the Council was at liberty—

Lord Lytton.

His Excellency THE PRESIDENT was sorry again to interrupt the hon'ble member. The Bill before the Council was no new measure; it introduced no new taxation; it simply revised a system of taxation which had already been introduced, and had long been existing, chiefly with the object of relieving a very large number of the poorer classes.

Mr Pitt-  
Kennedy

The Hon'ble MR. PITT-KENNEDY continued:—This was a Bill by which it was intended to fix on the country or portions of the country, for an indefinite period, a system of taxation which he submitted was not necessary. He would submit to the Council that it did a little more; it altered the incidence of taxation, and, further, they had in the Bill now before them a series of references to various Acts passed by local legislatures, making alterations and amendments upon them. That seemed to him at least an extremely difficult

question which might afterwards require to be discussed, namely, whether those Legislatures could examine and deal with their own measures after they had been incorporated into an imperial measure. Therefore to pass such an Act as this was a very, very serious thing. If this were a Bill for a limited period, to terminate in its own course in a limited time, one might see some prospect of relief, or perhaps the introduction at a future time of a better method of taxation. But introduced as it was at one meeting, to be passed at the next, it certainly did occur to him that it was a measure which was brought to its consummation much more rapidly than could be desired. However, there were other reasons. The question at present was whether the necessities of the State required additional taxation. When the responsible Finance Minister stated that that was the case, MR. PITT-KENNEDY for one could not attempt to deny it; and therefore it might be an absolute necessity that some such measure, whether one approved of it or not, should pass for the present; but when one had to consider all the circumstances of the case, one could hardly doubt that the necessity had been brought about by the modification of the cotton-duties—a measure, legislative in its effect, adopted by a narrow majority of the Executive without the assent of the Legislative Council. A very considerable portion, at any rate, of the present alleged deficit would not have existed if measures, which some people at least had thought not justified by the language of the Statute, had not been taken in the Executive Council for the remission of taxation. If one could see one's way to the aspirations of the Financial Member being ever fulfilled; if one could see any mode of taxation so little oppressive, so little likely to afford injustice, as the customs-duties; if one's experience of this country did not tell him that all these attempts at direct taxation produced the largest amount of inconvenience to the population with the least possible benefit to the State, one might regret with him the existence of customs-duties. But he feared that such a prospect was a very remote one, and that the political necessities of the State would prevent the abolition of the customs-frontiers which the country possessed. They were told that a great benefit was conferred by remitting taxation when it operated as a protective duty. The protection which might be afforded by small rates of duty hardly seemed to call for such a rigid application of economical law, especially when one remembered that in England one remnant of protection still remained to the great detriment of Indian productions. It might seem a small matter, but he believed almost the only remnant of protection left in England was the differential duty upon foreign-manufactured tobacco. Now MR. PITT-KENNEDY had little doubt that if that duty were removed, the exports of this country in the way of manufactured tobacco would indefinitely increase. Indian tobacco, it seemed, was not so capable of undergoing further processes, by which it could be made capable of being worked up in English manufactories. The consequence was that Indian tobacco was, to a very large extent, excluded from the European market, notwithstanding that the cheapness of labour in the country did admit of Indian manufactured tobacco being exported at a very low rate. That, he believed, was the only instance of a protective duty existing still in England, and which bore more hardly upon Indian production than on that of any other country. He could suggest a mode of taxation which might have some effect, perhaps, on English-manufactured goods, if a tax were imposed upon the China clay and size contained in imported cloths. He doubted whether it would not be found the most complete check to importation which had ever been suggested. Unless its results were that the adulterations would no longer continue, and then it would not be a very lucrative source of revenue.

Those were the observations which he thought himself bound to make upon the Bill. It seemed to him that neither the Council nor the public had had any sufficient opportunity of discussing the Bill, and that at least its duration should be limited, so that the Council and the public should have some future opportunity of dealing with it.

The Hon'ble MR. MORGAN said: "My Lord,—It is a somewhat ungracious task to comment on the results of a financial year which has terminated so favourably as the one just closed, and I trust Your Lordship and the Council will recognise that the remarks I am compelled to make are made in no obstructive or hypercritical spirit, but are the necessary outcome of a very careful consideration of the Statement made last week by the Hon'ble Member in

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charge of the finances, and of the accounts upon which that statement was based

"Perhaps, the most important event, and certainly the most disturbing element, in the finances, which has occurred during the year, has been the Afghan war. As regards the political aspect of the war, I shall follow Sir John Strachey in giving no opinion. My object is merely to consider the subject financially.

"From the figures before the Council, it appears that the amount expended during the year 1879-80 upon the war, directly and indirectly, has amounted to about £4,900,000. The amount which it is estimated will have to be spent, directly and indirectly, during the coming year is about £4,000,000, or a total, including the comparatively small amount expended during the year 1878-79; of close upon ten millions sterling. The whole of this very large amount of abnormal expenditure it is proposed to meet out of current revenue, and it is the wisdom and justice of this procedure that I take the liberty to question.

"It is not very long ago—three years only—when the condition of the finances of the country necessitated the imposition of a certain series of taxes to enable the Government to meet its obligations with respect to famine. At that time the position of the finances was shown by the Hon'ble Member in charge to be such that, in order to establish an equilibrium between revenue and expenditure, and to provide a sum of £1,500,000, which was then considered to be necessary as a provision against extraordinary charges on account of famine, as well as £500,000 for a working surplus, fresh taxation was necessary. Had the position of the finances been such as to yield this surplus of two millions of revenue over ordinary expenditure, no taxation would have been necessary, and the natural deduction from these premises was that, as soon as the financial position of the country should have improved so as to yield the amount needed to provide for famine-relief, which was thenceforward to be considered as a regular charge on the country, to the extent of £1,500,000 per annum, and the working surplus of £500,000, the taxes then imposed would be repealed.

"The principle of the new taxes, very briefly stated, was this—that, whereas the agricultural and trading classes were those not only who suffered most by famine in those districts where famine was rife, but who also were gainers by the misfortunes of their neighbours, when it happened that they themselves were in the midst of plenty, these classes should be called upon to contribute towards the mutual insurance of each other. This principle was very open to question, and it was the subject of considerable criticism; moreover, the incidence of the tax was very unequal, not only as regards the classes to be taxed, but also as regards the individuals in those classes, for, in the Bill, as it first came before the Council, it was not proposed that any individual or firm, however wealthy, should contribute more than Rs. 200 per annum, whilst, upon small incomes, the contribution amounted to a sum not exceeding two per cent. The Mover of the Bill was at some trouble to explain that this was a deliberate intention, not only because small traders contributed next to nothing towards the support of the State, but also because those who contributed proportionately most would be the ones who would derive most benefit from the fund in the shape of pecuniary relief in times of distress. In consequence of hostile criticism on the publication of the Bill, the maximum contribution was increased, but that from the smaller incomes remained untouched.

"It is now proposed in the Bill before the Council to relieve traders whose incomes amount to less than Rs. 500 per annum, and I cannot better illustrate the importance of this measure than by a reference to a speech made by the Hon'ble Mr. Mackenzie in the Bengal Council, in which he stated that the numbers, in Bengal alone, liable to the amended Act, would stand at 66,668 as against 715,887. To relieve so large a number of persons from direct taxation is no doubt very desirable, but it is difficult to understand why traders alone should be selected, and agriculturalists whose income is less than Rs. 500 per annum should still be held liable to contribute. However, I shall not dwell upon this point, but, My Lord, I must say that, to my mind, the proposed change has destroyed whatever symmetry the original measure may have been thought to possess. There is now no mutual insurance, but one class, the agri-

culturalists, and a few of the wealthier people in another class, the traders, are selected, in a purely arbitrary manner, to pay a contribution towards the general needs of the State; to the exclusion of the rest of the community.

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"This can hardly, I think, be considered satisfactory; but I have now to point out that the necessity for these taxes does not really appear to have existed subsequently to 1877-78. From Sir John Strachey's Statement, it appears that, in 1878-79, the amount collected from assessed taxes was £1,227,891, and he proceeds to add—

"The standard at which, for ordinary times, the Government aims, namely, a surplus of £2,000,000, less any expenditure on famine relief and exclusive of extraordinary charges, such as those for great military operations, would have been attained if the accounts had shewn a surplus of only £1,010,199, or £1,034,192 less than the actual surplus."

"It would, therefore, appear that the collections from the famine-taxes, save about £200,000, were not required to make up the surplus of £2,000,000, but constituted a separate and independent surplus over and above that figure.

"The figures of 1879-80 are even more remarkable. In that year, Sir John Strachey says—

"The true surplus of the year for comparison with the standard surplus of £2,000,000, at which we aim, will be about £4,160,000, towards which the famine-taxes have contributed £1,184,000."

"Exclusive of the famine-taxes, there was, therefore, an additional surplus of one million over what Sir John Strachey has called the true surplus.

"From these figures, it is abundantly evident that neither in the year 1878-79, nor in the year 1879-80, were the so-called famine-taxes needed to make up the surplus of £2,000,000, and in point of fact the money collected from these sources would certainly not have been required for the ordinary fiscal operations of the country. It is not, however, my object to do more than point out the actual state of affairs as regards the past, but I find the same thing as regards the future. Sir John Strachey states—

"But for the war expenditure, the true surplus of the year to compare as before with the standard surplus of £2,000,000, would not have been less than four millions."

"He adds—

"The estimated revenue includes £982,000, obtained from taxes imposed in 1877 and 1878, to enable the Government to meet its famine obligations."

"To my mind, the foregoing statement conveys the impression that, but for war expenditure, the Government would have had enough to meet their famine obligations and two millions to spare, or, exclusive of the famine taxation, upwards of a million to spare, and I cannot therefore avoid the conclusion that the maintenance of the assessed taxes is not to meet the charges of famine, but to defray the cost of war. This I must consider altogether erroneous and unjust, for, whatever arguments may be brought forward to prove that the particular classes who are taxed are specially liable to contribute towards expenditure on famines, certainly no reasons can be adduced to prove that they, of all others, derive any special benefit from the war now being carried on upon the frontier.

"Sir John Strachey has in his speech alluded to the question as to whether the cost of the war should fall upon England or India, and upon this point I do not desire to express any opinion, but it is quite clear that if, as Sir John Strachey has urged, India should properly pay the cost, it is rather for prospective than for actual benefits, and consequently the entire burden should not fall upon the existing tax-payers. It appears that, up to the present time, about 5½ millions have actually been paid from funds in the hands of Government, and there would appear to be nothing either convenient, save in the sense of fitting, and certainly nothing cowardly, in spreading the balance of the expenditure over a term of years, especially when it is considered that the war expenditure includes a sum of upwards of 3½ millions for the construction of Railways which, though at present constructed for strategical purposes, will, as Sir John Strachey has pointed out, permanently benefit the country.

"It would doubtless be inconvenient, if not impossible, for the Government to make any alteration in the financial programme for the coming year; but I urged when sitting in Committee upon the Bill now before the Council, that its operation should be limited to one year. My object in proposing this

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amendment was to insure the fullest reconsideration of the entire subject of the assessed taxes as soon as the actual result of the coming year was known. I do not desire now to press the amendment, but I trust the public may receive Your Lordship's assurance that the views I have put forward, which coincide with those already expressed by the Hon'ble Mr Inglis in the Bengal Council, and which I believe to be very generally entertained, will be duly considered by the Government when the finances shall again become the subject of discussion.

"One other point I wish to mention with reference to the Financial Statement. Sir John Strachey stated in his speech that he did not see how the Government were to know there would be a great improvement in the exchange, and it is no doubt a fact that, as long as the present system prevails, it must of necessity remain a matter of the greatest difficulty, if not of impossibility, to make an accurate forecast. But it is a proof of the viciousness of the present system, as regards the maintenance of any accuracy in the Government accounts, that so enormous a variation as one million can take place during a single year. The manner in which this subject should be dealt with, in order to obtain a more secure basis for the preparation of estimates, must of course rest with the Executive, but I trust Your Lordship will not consider that I am out of order in drawing the attention of Government to this subject. I have no hesitation in saying, that I consider the present system entirely faulty, not only because it imports an element of absolute uncertainty into the accounts of Government throughout the year, but because it is also calculated to entail upon the Government the maximum loss of revenue. There is no assimilation in the system now adopted to the natural expansion and contraction of trade which takes place at various periods of the year, so that, on the one hand, the Government is unable to take advantage of high rates when they exist, save to a very limited extent, and when there is little demand it is compelled to force-off bills much in excess of trade requirements, to the manifest detriment of the treasury.

"Since the time when it was determined to adopt the plan now in vogue, great changes have taken place, the most important being the large increase which has occurred in the annual amount of the drawings, and I would urge that, as the figures now involved are so very large, the attention of the Government should at once be turned towards devising a change which would ensure greater stability, and be more suited to the existing state of affairs."

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Jotindra Mohan  
Tagore

The Hon'ble MAHARAJA JOTINDRA MOHAN TAGORE said—"My Lord, the country and the Government are no doubt to be congratulated on the prosperous state of the finances as shown in the Statement submitted to this Council last week. But there are one or two points in it on which I beg to offer a few remarks with your Lordship's permission. In the first place, I would refer to the cost of the Afghan war. I do not mean to discuss the question as to whether India or England ought in equity to bear the whole or any portion of the cost; that, my Lord, is too large a question, and involves principles which I apprehend cannot authoritatively be decided here. What I would submit for consideration is, that since India has been made to bear the cost, whether the whole burden ought to be thrown upon the present generation, especially as the cost of the war includes charges for the construction of frontier-railways. If the war has been undertaken for the protection of India, the future generation is as much interested in its issue as the present; again, railways benefit posterity no less than ourselves, and it is on this principle that State-railways have hitherto been constructed out of loans. The Hon'ble Member in charge of the Finances has dismissed the question by saying 'Posterity will have quite enough to do in bearing its own burden'; on that ground, I submit, no present burden could possibly be thrown upon future generations.

"The next point, my Lord, is this, when the license tax was first introduced, Sir John Strachey, in a speech which he delivered in this Council on the 27th December 1877, said—

"So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appro-

privation of a smaller sum from our revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

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"In fact, it was very generally understood at the time that the policy of the Government was to apply the proceeds of the tax to the construction of works which would give to the country protection from famines. Considering the humane purpose to which the money was intended to be applied, my countrymen did not complain of the tax; since then, however, instructions have come from the Home Government stopping all public works beyond a certain limit, and consequently these works for the prevention of famines could not have been proceeded with. Notwithstanding this, the tax has been collected all the same, and has been otherwise spent; and it is now proposed to continue it to add to the general revenues of the Empire, which, notwithstanding the under-estimates made, seem at present to be in a prosperous condition and do not stand in need of the continuance of the tax. Of this, my Lord, my countrymen do complain, and I think with good reason.

"Then, again, if the license tax is to form a permanent part of the fiscal system of the country, I cannot understand why the burden should not be distributed over all sections of the community, and 'an equitable adjustment of taxation,' as had been originally proposed, should not be carried out. While the trader, earning a little over forty rupees a month, will have to bear his share of the tax, nay, while the poorest cultivator will have to pay his one pie in the rupee in the shape of the Public Works Cess, the professional and salaried classes, earning perhaps hundreds and thousands by the month, are not required to pay anything. This, my Lord, I submit, seems to me to be very anomalous. It has been said that this scheme has been abandoned because no more money is absolutely required; but at least relief could have been given to the other classes to the extent that the taxation of these two classes would have yielded, or perhaps the minimum of the five hundred rupees could have been raised to a higher figure, or, better still, a fair minimum limit for the assessment of the Public Works Cess, which is but a counterpart of the license tax for the agricultural classes, might have been fixed. Such an equitable adjustment of taxation would have thrown the burden upon those who could well bear it, and would have afforded relief to those who most needed it."

The Hon'ble Mr. COLVIN said that he wished to make a few remarks on the objections which had been taken to the measure by his Hon'ble friends who had previously spoken. In the first place, he would notice the criticisms made by his Hon'ble friend Mr. Kennedy. Of these, the first to which he would advert was the allegation that sufficient opportunity had not been afforded, either to the Members of Council or to the public, for discussing the present measure. It seemed to him a sufficient answer to this criticism to say that the Bill now before the Council made no change whatever in the existing law, and, except that the fees on annual incomes below Rs 500 would be remitted, that it left existing taxation exactly as it was. Moreover, the previous measure which had been introduced, and subsequently withdrawn, had, as it happened, given the fullest opportunity for discussion both of the principles and details of the present license tax. Since there had been this opportunity, and since the law which it was proposed to continue had actually been in force for two years, he thought that no criticism could be more beside the mark than to say that there had been no opportunity of discussing the present Bill.

Mr Colvin.

In the next place, it had been said by the Hon'ble Member that the Bill might possibly limit the powers of the Local Governments in a way that this Council never intended. He did not think that this would be the case; but if it were, the remedy would be very simple, namely, to convert the license tax into an imperial measure, instead of leaving it, as now, to be dealt with by local Acts.

Then, again, the Hon'ble Member (Mr. Kennedy) had said that he accepted the necessity which the Hon'ble Member in charge of the Financial Department had asserted to exist for continuing further taxation, but he had gone on to say that this necessity would never have been felt if it had not been

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for the late repeal of the duties on cotton. Now, he would remind the Council that the total amount of money lost by the repeal of this duty in this year was less than  $\frac{1}{2}$  million, and that the amount during next year would not exceed  $\frac{1}{4}$  million. But  $\frac{1}{2}$  million out of the surplus of 2 millions for which additional taxation had been imposed two years ago had been provided for administrative improvements and financial reforms, and the excess of revenue over expenditure on the ordinary account during the approaching year would probably be much over 2 millions. Provision enough, therefore, had been made to meet this charge out of the anticipated income of that year. Even if there had been no such additional charge of  $\frac{1}{4}$  million to be met, it could hardly be said that the state of the finances would have been such as to justify the permanent remission of 1 million sterling of taxation. To repeal the license tax would cost the Treasury not less than this sum, for it must be remembered that, if the license tax were repealed, the famine-cess on the land must also be given up. The two taxes stood or fell together, and could not, with fairness, be treated differently. He would not follow the Hon'ble Member in his further remarks and suggestions for changes in those duties, as these were matters which were not before the Council. Whether such changes might be necessary hereafter, and whether future taxation should then be increased or diminished, were questions which had better be left to the future.

Turning now to the remarks made by his Hon'ble friend to the right (Mr. Morgan), his first charge was that the taxation of the commercial and trading classes was originally not very equitable, and since it was now proposed to limit taxation to incomes exceeding Rs. 500, that not only had the symmetry of the edifice been destroyed, but its foundation, so to speak, had been taken from beneath it. Now, he could not at all understand this argument. He would admit that the commercial and trading classes had been selected as the classes upon whom this taxation should peculiarly fall, not because it had been considered an absolutely just or perfect measure, to lay the whole burden of the tax upon them, but because it had been necessary, either to draw the line more or less arbitrarily somewhere, or else to extend the tax to the whole community and make it an income tax. The latter course had not been thought a proper one to adopt when the new taxes were introduced; and that being so, he thought that the selection of the agricultural and commercial classes, as being the portion of the community to whom it might, with least injustice, be confined, could easily be justified; but he understood the Hon'ble Mr. Morgan rather to impugn the justice of the proportion in which the tax would now be divided between these two classes than the propriety of their selection in the first instance. In reply to that criticism, he would point out that, according to the estimate, the agricultural class would pay £525,000 and the traders £535,000 during next year. He thought that these figures were sufficient to show that the balance did not incline unduly against either class, and that the burden was pretty equally distributed between them. Then as to the argument that the foundation of the tax on the commercial class was destroyed when all incomes below Rs. 500 were exempted, it must be borne in mind that in taxing the commercial classes a certain number of incomes under all circumstances must necessarily be exempted. The tax could not be paid by every trader, however small; it could not be argued that it was necessary to tax paupers in order to relieve paupers; a line must, in practice, be drawn somewhere in order to exclude the poorest traders. Whether that line was rightly drawn above incomes of Rs. 500 was a matter to be determined by expediency, and there might be much difference of opinion about it, but the exemption of a large number of petty incomes was an indispensable accompaniment of a tax of this nature, and did not destroy its foundation. He would not now notice the remarks of his friend about the application of the surplus created by the famine taxes, because he (MR. COLVIN) thought it would be more convenient to deal with them in connection with the arguments which had been adduced on the same subject by the Hon'ble Mahárájá Jotindra Mohan Tagore. He would, therefore, revert to that subject hereafter. Mr. Morgan had gone on to argue that, granting for the sake of argument that it was right that India should pay for the entire cost of the Afghán war, still it was not fair that the existing tax-payers should pay the whole of the cost, but that some portion might, with justice and propriety, be shifted on to the shoulders of posterity.

There must always be room for a good deal of argument about the extent to which war charges should be debited to the people in whose time a war was carried on. He would leave that argument to be more fully dealt with by others, but he must say that he was not one of those who thought that the charges on account of war could fairly be transferred to posterity, unless they were clearly beyond our own means to pay. If, indeed, the question at issue had been that of imposing heavy additional taxation to meet the present war expenditure, a good deal might be said in favour of hesitating and looking further, before we undertook to pay the whole cost of it; but seeing that no additional taxation was proposed, and that our present taxation, whatever objection might be urged against it, could not by any means be called excessive and beyond the power of the country to bear, it did seem to him that we ought to bear our own burdens, and not remit a million sterling of taxation, for our own benefit, in the vague hope that posterity might find it much easier to pay than we do.

He would proceed now to the remarks made by his Hon'ble friend the Hon'ble Mahárájá Jotindro Mohan Tagore. He would not repeat what he had said on the cost of the war, but he would turn to the argument used by the Mahárájá in regard to the application of the proceeds of the famine insurance taxation. He thought a few words of explanation on that subject might be of some use, because there was still a great deal of misapprehension in regard to it. The arrangement made two years ago, when additional taxation for famine purposes had been imposed, was that there should be a permanent surplus of 1½ millions of ordinary income over ordinary expenditure, and that this surplus should meet the charge for famines. It was obvious that in arranging for this surplus, ordinary receipts and expenditure only had been taken into calculation, because no financier could promise that he would have a surplus in every year under all possible circumstances. He could not guarantee a yearly surplus when he had to meet extraordinary and unforeseen heads of expenditure of indefinite amount, unless he had Fortunatus' cap in his possession. All that he could do was to provide a surplus in excess of the ordinary annual charges, and to take care that those ordinary charges did not increase so as to absorb his surplus. Any such increase, made without due cause, would have given very just grounds for saying that the proceeds of this taxation had been misapplied. It was quite clear, however, from the figures which had been laid before the Council that there had been no such increase, and that a permanent addition to the annual ordinary revenue of the country had actually been made to the extent of one and half millions. Now it had been fully explained at the time when this tax had been imposed, that this 1½ millions were to be used in extinguishing or preventing debt. To quote the words of the Hon'ble Member in the Finance Department: "I think, my Lord, I have now made clear how we propose to apply this 1½ millions which we hope to provide as an insurance against famine. We shall apply it virtually to the reduction of debt." It was then explained that this 1½ millions of surplus would enable Government to borrow 1½ millions less in each year hereafter, so that at the end of ten years it might, if necessary, borrow as much as fifteen millions without putting itself in a worse position than it occupied at the commencement of that period. It had been shewn beyond dispute in the financial statement made the other day, that a surplus exceeding six millions will have been applied during the three years under review to the object contemplated. Financially, therefore, the engagements which were made in 1878 had been fulfilled. It had been said, however, by his friend to the right that the money which had been so added to the income of Government should have been applied, as was then promised, to productive public works. He (Mr. COLVIN) would say, before going further, that this did not appear to him to have been an essential part of any obligation which the Government then undertook. So long as it diminished debt, it did all, in a money point of view, that it undertook to do. But it was true that at that time it was fully intended to apply this surplus of 1½ millions to the construction of public works of a productive character, and that this intention had been strongly expressed. As he understood the matter, there were two reasons for so applying it. In the first place, in a year when the ordinary income exceeded the ordinary expenditure, no debt was usually contracted by the Government, except for one purpose, and that purpose was the prosecution of productive public works; secondly, because, by pushing on and completing works of this

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kind, the best possible precautions were taken against the disastrous effects of future famines, and against the recurrence of heavy charges upon this account hereafter. Now we had seen in the financial statement that the debt will have been kept down during 1878-79-80 by a sum fully equal to the proceeds during those three years of the taxation for famine purposes. It could not be maintained, therefore, that those proceeds had been misapplied, even if productive public works had been neglected. There had, however, been no such neglect of them. Something like eight millions, if he remembered right, had been spent upon them during the last two years. In the approaching year, no doubt, this sum would be considerably diminished under orders which the Government of India could only obey, and no more than  $2\frac{1}{2}$  millions would be expended on that account. He did not see even if  $2\frac{1}{2}$  millions only were expended upon productive public works, how it could be said that the famine insurance money had not been properly applied. As long as a sum equal to the proceeds of famine taxation was applied to the reduction or prevention of debt, there was no such misapplication. Now the annual proceeds of those taxes, as everybody knew, were much less than  $2\frac{1}{2}$  millions. They had never exceeded £1,350,000, and were now, in round figures, only about £1,000,000 per annum. Financially, therefore, the enforced reduction of expenditure during next year upon productive public works did not affect the question of famine insurance at all. On other grounds, however, this reduction was very greatly to be deplored. It was impossible to deny that, after what had been said in the budget of 1878, the public had good reason to expect that productive public works should be actively pushed on. Their vigorous prosecution was in itself a most desirable thing, because they afforded the best means of mitigating or averting the disastrous effects of future famines in India. Besides this, there was no mode in which capital could be more profitably invested. It had been shewn in the Financial Statement of last week that over 65 millions had been so expended during the last twelve years to the incalculable benefit of the public, and without costing them a penny of interest. He thought that everybody might well join in the hope that the limit of  $2\frac{1}{2}$  millions during the present year would soon be increased.

In the last place, his Hon'ble friend had remarked on the exemption from taxation of the official and professional classes. He had understood him to say that if taxation was to be equitable, it ought to be extended to these classes also. MR. COLVIN quite agreed with him that if taxation for famine purposes was to be perfectly equitable, it should be extended a good deal further than it went now; but in that case he did not see, as he had already said, how any line was to be drawn which would not be open to criticism, unless it embraced the whole community. That was the only equitable way of extending the tax. No doubt, if more money were needed, the tax might, on grounds of necessity rather than of equity, be made to include some classes who were now exempt. It had, indeed, been proposed a short time back to include the professional classes, but that proposal was avowedly made because more money was believed to be necessary, not because there was any special propriety in taxing the professional classes, who neither received relief in times of famine, nor derived profit under any circumstances from it. He thought it would be difficult to give any equitable reason for taxing professional persons and exempting fund-holders. Nevertheless, if a further contribution to the treasury had been needed, he thought that there were grounds other than those of strict equity on which it would have been justifiable to take that contribution from the official and professional classes. But when there was no need of further taxation, he could not see that there was any greater fairness in extending the incidence of the tax to the professional classes than in leaving it as it was. He believed that the feeling which lay at the bottom of much of the desire to extend this taxation to the official and professional classes had found expression in a memorial which had been circulated that morning to Members of Council. That memorial said—

“ Rightly or wrongly, men are apt to endure, with a comparatively light heart, burdens common to all \* \* \* \* For the general run of tax-paying humanity, the question is no doubt, as has been confessed, one of feeling, and a far from generous feeling. For them misery loses half its sting when it is universal. They are apt to regard it as among the ills that flesh is heir to. A general calamity, like the well known ‘one touch of nature,’ makes the whole world kin.”

He supposed that the writers meant that general suffering from an income tax was better than partial suffering from a license tax, and if they meant that he was not at all inclined to disagree with them; but he did not think the feeling there expressed should be gratified by extending taxation to any one particular class, when no extension of taxation was otherwise called for.

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The Hon'ble Mr. Hope said:—"My Lord, the Hon'ble Sir John Strachey, in his recent Financial Statement, alluded to the scheme for saving a considerable portion of our customs-revenue by substitution of registration-fees for customs-duties. He gave no opinion of his own, or on behalf of the Government, but he said that the scheme deserved to be considered, and he made allusion to myself, as having lately given it my attention. It will probably be expected that in response to this invitation, I should owe to the Council and the public some explanation on the subject.

Mr Hope.

"This explanation I must preface by two very distinct provisos. I have no intention of discussing the propriety of the policy which the present Government has followed regarding the cotton-duties and other items of the Tariff, and I beg that nothing which I may have to say in elucidation of my subject may be taken as even indirectly raising such an issue. Moreover, I do not to-day come forward as the proposer of registration-fees: my position is not that of an advocate, but analogous to that of an enquirer giving an account of his investigations, or a Judge summing up evidence for the consideration of a jury.

"The discussions consequent on the Tariff Act of 1875 naturally led me to look into the whole history and structure of the Indian Tariff, and to consider all possible changes and alternatives. The idea of registration-fees, which is, as the Hon'ble Sir John Strachey has told us, a very old one, then had its share of attention, and I again examined it in 1876, when an opinion that many of the main heads of the Tariff did not yield enough to justify their retention was first emphatically urged on the Government of India. The matter, however, had no present importance until 1878, when the notification of March 18th abolished the duties levied on certain coarse cotton-goods, and under twenty-seven main heads of the Tariff. In this practical declaration that a duty was indefensible if it either was at all protective or did not yield a sum absolutely as well as relatively large, together with the important exposition of customs policy contained in the Financial Statement of that year, was clearly foreshadowed the end of the bulk of the import-duties. At the same time, the financial difficulty of dispensing with such an important item in the Indian revenues was obvious, and I therefore, after my return from England a year ago, obtained Sir John Strachey's permission, with full official aid, for investigating the registration-fee question in a more thorough manner than I had hitherto found practicable. I may here acknowledge the valuable assistance I received from Mr. J. D. Maclean, the Collector of Customs at Calcutta, from Mr. O'Connor, the Assistant Secretary in the Department of Finance and Commerce, and also from the Head Appraiser at the Custom-house, Mr Phipps. A few days ago, too, Mr. J. W. O'Keefe, a member of the Committee of the Bengal Chamber of Commerce, and recently my colleague on the Tariff Valuation Committee, kindly placed at my disposal some very interesting and useful calculations and suggestions, drawn up by himself a couple of years since. But though I have been told that the registration fee idea has been more than once mooted in India, I have been unable to discover on record one single line, official or demi-official, about it, and have therefore had to work it out, *ab initio*, on what I suppose to be its first principles.

"Registration-fees I understand to mean a charge upon *all* articles of import and export (except a few otherwise dealt with on special grounds), imposed primarily with the view of covering the cost of registering and publishing statistics of trade and navigation for the benefit of the commercial public, but enhanced for revenue-purposes slightly beyond the actual cost of such statistics. The excess charge is in reality a customs-duty, laid on quite irrespective of protectiveness or other general considerations, and defended on the ground, first, that it is needed for revenue, and secondly, that it is practically inappreciable by trade.

"I will now relate my working out of the scheme on this basis. To be practically inappreciable by trade, it is evident that the form in which the fee



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is levied must be that which puts trade to the least possible trouble, delay and indirect expense, and that the rate of the fee must be extremely low.

"As to form, existing commercial practice might be largely followed. The denominations under which various descriptions of goods pay freight, dock-dues, quay-fees, landing and other charges are the gradual outcome of long experience, and will be found a valuable, though not infallible, guide. In other words, weight, number, measurement, customary package (*s. e.*, bale, chest, cask, bundle, &c), and the like, will each be found to have its peculiar appropriateness for certain goods, which may be charged accordingly. Again, wherever goods already pay dues to Port Commissioners, the registration-fee might be included in their bill, so that one payment would cover everything, and the merchant would be saved all separate dealing with customs-officers. In many cases the fee might be paid in stamps affixed to a bill, manifest, port-clearance or other document.

"As to rate of fee, it would seem that one per cent. is the very highest which could be imposed consistently with the principle. As to whether one per cent. would be 'practically inappreciable by trade' or not, I have received very conflicting opinions from mercantile men. Some contend that 'one per cent. is one per cent,' and that in these hard times everything tells. Others rejoice that the one per cent. duty on iron, for instance, and many even heavier private trade-charges, have not the slightest effect on the market. I must listen to explain, however, that I do not mean that any goods, excepting possibly some few for which this would be the fairest course, should be charged the fee *ad valorem*, but merely that the fees fixed per ton, package, &c, should not have a higher incidence than this on the value of the goods.

"To draw up schedules of fees suitable in form and amount to the different classes of goods would evidently be a task of some difficulty, to be performed only by a Committee of experts, in which the mercantile community must be largely represented. The fees would have to be convenient round sums, and owing to this, and to fluctuations in value, there might often be an inequality in their incidence on different articles. But such inequality necessarily accompanies Tariff-valuations under the present system; the maximum being one per cent., it could here only extend to some petty decimal, and it would be redressed periodically by revision such as Tariff-valuations now undergo. Whether such a Committee could produce satisfactory schedules or not has been disputed. I am not prepared to affirm that it could. But I have been assured by excellent mercantile authority that the thing is quite feasible, and would incidentally produce much greater equity in Port Commissioners' and similar charges, and I am inclined to think so.

"The next point presenting itself is, what branches or classes of trade should be subjected to the fee? It has been strongly urged on me, by both official and commercial authorities, that the coasting-trade should pay it, but I am totally unable to concur. The coasting-trade could not be made liable without subjecting it to a vast amount of restriction from which it is now free, and reversing the policy of liberating it as much as possible which I followed in the Sea-customs Bill, now Act VIII of 1878. I cannot see why goods moved by sea from one part of British India to another should pay a fee any more than goods so moved by land, and we surely are not going to re-establish transit-duties throughout India. Moreover, goods moved from port to port would pay over and over again. As to other branches, it would be highly objectionable to levy a fee on treasure; and re-exports, which now get the benefit of drawback, should perhaps be exempt. Another exception to the registration-fee system would be the case of articles on which it was necessary, for special reasons, to maintain the existing duties—that is to say, arms, bearing a high duty for political reasons; salt and liquors, on which we levy an excise; opium, nominally, but for the maintenance of our monopoly; and rice. The case of rice is a peculiar one, but I need not discuss it as it has just been fully explained by the Hon'ble Sir John Strachey. In short, the fee-system, if introduced at all, might fairly apply to the whole external import and export-trade excepting the classes I have just mentioned.

"I will now turn to the financial aspect of the measure. From the Trade and Navigation Statements for 1878-79 calculations have been made, distinguishing every sub-head of the Tariff, and applying to the known quantities

and values fees expressed (provisionally) in the denominations used for the statements, and not exceeding one per cent. in incidence. The result thus arrived at cannot be far different from that which fees, according to schedules eventually prepared by a Committee, would yield.

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"The total receipts in 1878-79 from import and export-duties, excluding salt, were £2,273,000. Deducting £200,000 for loss by reduction of cotton-duties in 1879-80 and £56,000 for indigo and lac just made free, we have a customs-revenue of £2,017,000, from which further heavy loss through importations of free cotton-goods is anticipated. Deducting from this, again, the duties to be retained, namely, £5,600 for arms, £361,900 for liquors, and £570,300 for rice, we arrive at a balance of £1,079,000 derived solely from duties which would come under the registration-fee scheme. The fees are calculated to produce on imports £388,000, on exports £420,000, and by saving in customs-establishments about £80,000, total £888,000. This shows a loss of £191,200, compared with the £1,079,000 just mentioned. But this loss would be a final loss, and the fee-revenue would increase in future with the trade of the Empire, whereas, as things now are, the Financial Statement contemplates a loss of £50,000 in 1880-81 from importation of grey duty-free goods alone, and the ultimate disappearance of £615,000 more for cotton-duties, if not the abolition of the whole import-tariff.

"Such are, roughly speaking, the aspects which a registration-fee system, supposing I rightly understand it, would present if applied to British India.

"Those who approve of the system would probably support it by some such considerations as the following. Whatever may happen to customs-duties in general, some customs-establishment must be maintained to levy duty on salt, liquors and the other special items. The quantities, value and other particulars of all the sea-borne trade, whether free or not, must always be collected and tested for statistical returns, such as the Board of Trade compiles and publishes in England, and a charge may fairly be made for this. Port Commissioners, who levy certain fees on all goods, now exists at Calcutta, Bombay and Rangoon, and will probably soon be constituted at Karáchi—four ports which engross between them 88 per cent. of the whole trade of India. It is just as easy for a clerk to levy four annas in one bill as two annas. Why not utilise all this inevitable machinery for a registration-fee system, securing a large sum for revenue-purposes, and at the same time getting rid of a mass of customs-officials and restrictions, with all the friction they involve? Again, this system will practically, as has been said in a Calcutta newspaper, 'lay for ever the phantom of protection.' Theoretically, it of course will not do so, since articles imported which can also be produced in India will be weighted with the fee, but the fee will be so light as to have no practical effect. Mr. Laing in 1861, and many high authorities since, have argued that an import-duty was justifiable on articles similar to any produced at home, if its amount was so moderate that it could not seriously affect trade, and that the establishment of a corresponding excise was not worth while. If this argument was good for anything when used, as it was, in support of a duty of five per cent. and upwards, it is infinitely stronger in support of a fee of only one per cent. At any rate, the system may well be accepted by all parties as an eirenic, removing all grounds of bitterness and ill-will between India and Manchester, and as substituting an unexceptionable source of revenue, 'expansive in proportion to the progress of the Empire,' for a heterogeneous mass of duties open to, and destined to fall before, numerous economical objections.

"On the other hand, the advocates of a total remission of customs-duties may be expected to produce obvious objections. 'One per cent. is one per cent.,' they will say, a burden on trade and a protection of home-industries, just as bad in principle at one per cent. as at five per cent., but not so productive, and reaching numberless articles now absolutely free. Again, the fee can never be absolutely equal and equitable unless charged *ad valorem*, which would be very vexatious. Round sums must be fixed, which will vary in real incidence according to market-prices. Inequality of incidence *ad valorem* is justifiable in wharfage or Port Commissioner's charges, because packages occupy space, or cause labour in hoisting and removal, quite irrespective of their value, but to the case of a fiscal fee this does not apply. Moreover, £200,000 out of the proposed fees on imports will be derived from cotton-goods, so the whole

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remaining import-trade will be taxed for the paltry sum of £188,000 ! No duty, fee, or whatever else you please to call it, is worth the trouble of collecting if less than five per cent. Finally, the export portion of the scheme is especially obnoxious. Export-duties, excepting where there is virtually a monopoly of the foreign market, are equally condemned by economists and politicians. Sir William Muir denounced them emphatically in 1875, with the concurrence of Lord Northbrook, and no one pretending to education or common-sense can say a word in their favour. It is no use in this case to talk of the lightness of the fee. The India export-trade (except in rice) lives 'by the skin of its teeth,' and cannot bear the slightest fiscal impost. Quick and easy communication, with competition have so cut down profits that one per cent. often makes all the difference between gain and loss on a shipment.

"To this attack the rejoinder may be offered that we cannot regulate practical questions by the theories of doctrinaires, and *de minimis non curat lex*: that one per cent. is inappreciable in all trade not of a purely speculative and unsound character; that on exports the fee might be only a half per cent., though this concession is not really necessary: that the 'inequality of incidence' objection to the fee applies equally to tariff-valuations, which are used by all nations as an unobjectionable convenience; and that as we must make some charge for keeping trade-statistics, the opportunity of aiding the revenue by a slight enhancement of it should not be thrown away.

"I must not ignore another class of objectors, who will demur to the entire proposition that the whole cotton-duties, much less the other import-duties, are either 'dead' or dying. They will contend that the recent reduction of cotton-duty has gone entirely into the pockets of Manchester instead of benefiting the Indian consumer, that the cotton-duties remitted should be reimposed, and that even if they should eventually be removed, the other duties should be maintained on revenue-grounds, as they are collected easily and without pressure. They will be for sacrificing nothing except upon compulsion, and for living on in hope of a change of policy. But regarding such objections I can only note their existence, for to do more would be to raise the whole question of policy from which I began by declaring my intention to abstain.

"My Lord, I have now stated to the best of my ability the case for and against the project of registration-fees. It is fortunately not necessary for me to draw any conclusion, and I do not mean to do so, or to point at any. The subject in its principles and details needs general discussion and consideration by the public, and after that a decision could be formed only in full view of the doom of the existing duties and of the alternatives presented. In the abstract, I presume that almost every one would prefer no duties. I myself, when moving the consideration of the Sea-Customs Bill in February 1878, expressed the following opinion:—

"The second step by which custom-house restrictions might be further and very largely relaxed is by alteration of our Customs-tariff. If it were possible, in lieu of the fifty or sixty main heads of the Import-tariff, to have duties on only six or seven important, well-defined and readily distinguishable articles, the relief afforded in the matter of preventive scrutiny, check, stoppage, seizure and the like, and informalities, would be enormous. It is, of course, no part of my duty to indicate or suggest any policy of this sort on general grounds. What I say is said merely in connection with the subject of customs-procedure now before us.

"Whether the alternative to a registration-fee is to be absolute freedom, or the substitution of some other specified form of taxation, is a consideration material to the issue, and until the time has arrived, if it ever does arrive, when the Financial Member and the Executive Government think it necessary to present the question in a complete form, no final opinion can be satisfactorily arrived at."

Sir Ashley Eden.

HIS HONOUR THE LIEUTENANT-GOVERNOR said:—"My Lord, in common with all those who feel an interest in the welfare of this country, I congratulate the Government of India on its financial position as it was described in the statement of my honourable friend Sir J. Strachey, and I must congratulate the Government almost as much on having at length discovered how good its financial position really has been for some time past. I cannot too strongly express the gratification which I feel that the Government of India is now in a position to give unanswerable proof of the absolute groundlessness of the mischievous panic which has of late been started on the subject of the in-

solvency of India. But my congratulations would not, I am sure, be so valuable to my honourable friend if they were unaccompanied by such criticisms on his statement as should indicate the sincerity of the spirit in which I am dealing with the subject, for my honourable friend is well aware that there are certain financial points on which I am not altogether at one with him. Nothing is further from my mind than to make any disagreeable comments on the policy of the Government of India, and indeed it would be very unbecoming that I should do so. What I wish to do is simply to raise a voice of warning against a tendency to lose sight of some of the real causes of that anxiety, under the feeling of intense relief at our release from a position of embarrassment and anxiety.

“What I have to say is to a great extent in the interests of the local Governments, because I think that we have been placed in a position in which we should not have been placed if a little more foresight and confidence in the elasticity of the revenue of this country had been shown. We have been exposed to a process of what is commonly called squeezing, and as a consequence, we have had to suspend all progress in administration and public works for a whole year. If that was all, I should not have so much to say; but what I do complain of is that the same process is apparently to be continued for another year, when nobody can, I should think, hold that anything of the sort is necessary. In May last the Government was led to take a most alarming view of its position—a view which has now been shown not to have been warranted by the facts. So far as we are now told, there was nothing whatever to justify the scare which possessed the Financial Department in May. I am not among those who hold that the scare was not real: I fully believe that my honourable friend was suffering from the apprehensions which were then expressed. But though I am quite prepared to accept to the fullest possible extent Sir J. Strachey's assurance that this want of foresight on the part of the Government led to a searching examination into every branch of the public expenditure, which has been very useful and very satisfactory, I believe that this examination might have been just as well carried out without such violent measures. I greatly regret the entire abandonment of that great scheme for the development of public works and for the material improvement of the country which was put forward by your Excellency only two years ago, and which has been justly described by Sir J. Strachey as one of the noblest programmes ever planned by a Government. I do not care to enter into a discussion as to how far the Government was pledged, or how far it was not actually pledged, to devote the increase of public income which it received during 1878 and 1879 to public works. Whatever its actual pledges may have been, I think nothing can be clearer than that its intention was to invest the money in this way, and that it did lead every one to believe that the money would be so invested. It is quite certain that the public were induced to look upon these schemes for fresh taxation with comparative favour, on the ground that the proceeds would enable the Government to carry out at once, and without that constant change of policy which has hitherto been so mischievous to India, a grand scheme of public works; and therefore when the public see that if it had not been for expenditure on the war, Government might in this one year have had four millions more to spend than it has spent on public works, and that this great increase of revenue, so far from leading to the promised development of public works, has been accompanied by such a contraction of expenditure on railways and irrigation as to make it impossible to look for any progress in the material improvement of the country for years to come, there is naturally a feeling of disappointment. What I complain of is, not any breach of pledges, but the unnecessary abandonment of an admirable policy.

“If we set aside the fact that the Financial Department might have foreseen this increase of revenue, and if we suppose the Government suddenly to have tumbled into this vast surplus, then I should say that my honourable friend is perhaps justified, on suddenly finding himself in possession of a large and unexpected surplus, in devoting that surplus to paying for such extraordinary charges as the Afghan war; but if, on the other hand, other ordinary spending departments were starved in order to procure a surplus which might be devoted to the war, then I cannot admit that my honourable friend

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has been proceeding on a sound principle. He has impressed upon us the soundness of the doctrine that, to the utmost of our ability, we ought to provide for the expenses of every year out of the year's income. But this doctrine requires to be taken with a limitation to the effect that, in order to do this, the whole administrative machinery of the country should not be thrown out of gear, and that the Government should not for such a purpose depart from a policy of developing public works to which it has distinctly pledged itself when endeavouring to convince the people of the necessity for fresh taxation. Saying nothing, however, more about last year, I must say that I cannot approve of the proposal to meet the cost of the war in the coming year from revenue, so long as I find that, in order to do this, the Government of India is again compelled to starve public works, and let another year pass away in inaction. The Committee of the House of Commons, which recommended a reduction in the expenditure on public works, did so under an entire misapprehension as to the real financial condition of India, and clearly recognised that, when the financial position was shown to be better, a larger expenditure should be provided for. I believe it to be true, as my honourable friend has said, that the suspension of public works is a policy which is deplored by the Government of India as much as it is by every one interested in this country. I came out to this country in 1876 with my honourable friend, and I am able to say that the chief idea by which his mind was possessed—always of course excepting the abolition of the cotton-duties—was the carrying out of a great scheme of railways for India; but I cannot agree with him that the failure to carry out the programme of public works in a matter for which the Government are not responsible. If they had seen that the revenue was increasing steadily and enormously as it has done, they would not have taken such a desponding view of their financial position, and their despondency would not have spread to England. I do feel, in the face of these facts, that I am only doing what is right in urging in the strongest possible manner that the money obtained from the local Governments under mistaken impressions should be returned to them, or at all events that the deduction in provincial assignments should not be continued, as my honourable friend proposes it should be, for the coming year. I trust that no time will be lost in setting matters right as regards the capabilities of India, and that even now some portion of the war-charges may be met by a loan in order to provide funds for pushing on public works. I shall then see more hope for the future. I am sure that the Government have only to urge upon the Home Government the importance of carrying out the expectations encouraged when the new taxes were imposed to induce them to reconsider the present limit on public works. I can imagine no policy more shortsighted than that of starving public works; it is to them that we are indebted in a great measure for the steady growth of our revenue, and it is just as bad economy to starve them as it would be for a man to starve the horse by which he earns his living. Railroads have added enormously to the general prosperity of the country, and in addition to the direct revenue they yield, no one really can fail to see how enormous are the indirect benefits which the country is receiving from them.

“When I look at the marvellous growth of our railway-receipts in our small Bengal railways alone, I am surprised that any one should doubt whether railways, if properly conducted and worked, will pay in India. The Gya railway, starved as it is, unballasted and unstocked, carrying passengers in goods-wagons, because it is not allowed money for carriages, is paying a profit of six per cent. in the first six months of working, and the goods carried by the Northern Bengal Railway were as nearly as possible double what they were last year, and yet with all the excellent schemes which have been prepared for a system of cheap lines throughout Bengal, the construction of railways is absolutely suspended.

“My Lord, I will now take up the only other subject on which I have any difference of opinion with my honourable friend: I mean the cotton-duties. Sir J. Strachey has given it as his opinion that the cotton-duties are virtually dead. Here I hope and believe that he is mistaken; but if they are not, it is certainly no fault of his. In spite of every warning that could be given, the Finance Department has so handled these duties, that the revenue lost was much in excess of their professed anticipation, and the confusion which they

have caused has led to what Sir J. Strachey calls an anomalous and objectionable state of things, his only remedy for which is to leave the wounds which he has inflicted on our customs-system to fester and putrify till they become so unbearable that extermination shall be demanded by common consent. This is what he means by saying he believes the duties to be dead. I can only liken my friend to a not very scrupulous physician called in by greedy and unprincipled heirs-expectant to attend a sick relative. In his first visit, he administers the strongest dose of deadly poison which he dare give; at his second visit, he expresses great concern at the mischief caused by the first dose, and gives another of double strength to see if that will remedy matters; at his third visit, he expresses the greatest consternation at the entire break-up of the vital system which his treatment has caused, and, rubbing his hands, turns to his constituents with an unmistakable smile and says—'I think our patient's case is now quite hopeless; my treatment has unfortunately caused such entire derangement of the system that I fear she is virtually dead, and I therefore prefer to leave her to nature.' If in addition to these facts it could be shown that such a physician had in his youth staked his reputation on a theory that a patient suffering under such a disease as that he was asked to treat ought to die, I am quite sure that any Coroner's jury would find him guilty of wilful murder, and my honourable friend need not therefore be surprised if the public find a verdict of this nature against him when charged with the destruction of the cotton-duties. Indeed, I do not believe that he would raise any objection to a conviction under this head. We can all see how the 'convictions of a lifetime' are being realised. This spontaneous destruction of the cotton-duties is, it seems, only a part of another prophetic vision, which is to be realised later on, under which the whole of the customs-duties are to be repealed, and all Europeans living in India, and enjoying the benefits and protection of a civilized Government, are to be absolutely released from the only contribution they now make towards the expenses of Government. This may truly be said to be prophecy made easy. The proper remedy for the confusion and anomalies which have been caused by the measures of the preceding year undoubtedly is that suggested by the Chamber of Commerce of Calcutta, namely, to bring all cotton-goods under a uniform duty, and to make that duty so low that no one can pretend, however brazen they may be, that the duty is protective; and I entirely differ with my honourable friend in thinking that the Government of India is in the slightest degree barred by the resolution of the House of Commons from doing what is right in a matter so seriously affecting the revenues of India, and the interests of the people under his charge.

"I am sorry to see the prophetic eye of my honourable friend turned towards the abolition of the rice-duty. If ever there was a customs-duty which is alike productive and harmless, it is this. I will not go into a detailed statement of my reasons for thinking this, for I had an opportunity of doing so before this Council in 1875, and I had hoped that the matter had then been set at rest for ever. No one asks for the reduction of this duty; no one pretends for a moment it is mischievous; the merchants chiefly interested in the trade have deprecated its abolition, and I cannot conceive what possible grounds there are for meddling with this highly productive duty, unless it is that England hopes to obtain still cheaper the material with which she adulterates and makes heavy her cotton-goods for Eastern consumption. The soft rice is not used for food anywhere in Europe, and it is the soft rice from which the duty is chiefly raised. It is simply used for making starch for cotton-manufactures and spirits for Germany. As to the abolition of the duties on indigo and lac, I do not suppose that anybody will object to it, as my honourable friend has money to give away. The remission will certainly not benefit the trade in these articles of export in any tangible degree. It may, on the other hand, encourage the production of inferior indigo, and thus help the scientific discovery of an efficient substitute for indigo, which is so much feared.

"As regards the salt-revenue, I will only say that I believe that the increased consumption of salt in Bengal is not in any way attributable to the reduction of duty. The price of salt at the great markets in the

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interior has not been affected by the reduction. The money surrendered by Government went into the pockets of the traders. The increased consumption of salt is partly due to returning prosperity after years of scarcity and pinching, and partly to improvements in the means of communication. Salt is carried now with safety in a few hours to markets which before it only reached after a journey of some weeks, accomplished with much risk and wastage. These are among the indirect benefits of our railways which are so constantly ignored. Take the Northern Bengal Railway alone. In 1878 it only carried 2,000 maunds of salt, while in 1879 it carried over a lakh and seventeen thousand maunds. No doubt the differential duty which now exists to the disadvantage of Bengal is mischievous, and the Liverpool salt is being driven out of the Behar markets by Northern India salt, but the remedy for this is, not to sacrifice still more revenue by a heavy reduction in Bengal, but gradually to level the other Provinces upwards, and make them pay what Bengal pays. No impartial man can believe that there is any reason why this should not be done, and why Madras, Bombay and Upper India should not pay what the people of Bengal pay without a murmur, and with a constantly increasing consumption.

"An allusion has been made by my honourable friend to the work of the Army Commission over which I had the honour to preside. I am sorry to find that he has not been able to take credit for any part of the savings proposed by the Commission during the current year; but I am quite aware that the subject is a great one, and that among the Commission's proposals are some on which a very speedy decision is not perhaps to be expected; on the other hand, there are some of the Commission's proposals which might in my opinion be carried out at once with great advantage. I have no hesitation in saying this, because, if there is one merit more than another which I desire to claim for the report of the Commission, it is that it does not contain a single original idea—certainly I cannot pretend that it contains a single original idea—of my own. All we did was to exhume and examine the opinions of able soldiers and statesmen which have from time to time been laid before the Government, to invite the opinions of soldiers of the present day, and to put them in such a shape as we hoped would enable the Government to come to an early decision on reforms regarding which there has been a most remarkable consensus of opinion for years past. I look upon our proposals as of very much less importance from an economical than from an administrative point of view; and when I think that the report contains the views of the most experienced officers of the army on such questions as the formation of reserves, a system of transport, the officering of the army, the re-organization of the Native army, its territorial distribution, and the substitution of strong efficient battalions for the present weak and expensive cadres, I cannot agree with those who say that this is not the time for the consideration of such a subject.

"My Lord, there is no part of my honourable friend's able and exhaustive statement in which I concur more heartily and more completely than that which lays stress on the wisdom of maintaining the financial independence of India. I think with him that the greatest misfortune which could happen to India would be that England should accept financial responsibility for the Indian Empire. Although I know that many of my Native friends think otherwise, I do feel that it would be a change which India would never cease to regret. It might no doubt be easy to make out a case showing that European interests are involved in the Afghan war, but I am quite sure that, if this principle was acted upon, not a year would be allowed to pass in which it was not shown that heavy expenditure in England was connected with Indian interests, and that India should be made to pay. We have had examples of this already, and if the principle of financial reciprocity be once admitted, these charges against India would be the rule and not the exception. If India was bankrupt, I could understand her selling her independence in order to obtain the necessary relief, but when she is flourishing and prosperous in the highest degree, such a wish is to me unintelligible.

"My Lord, I will not take up the time of the Council any further. I do hope that Your Excellency's Government will take immediate measures to

obtain permission to expend more of the steadily increasing revenue of India on the improvement of India. We may hope that this may be done without greatly disturbing the budget-estimates, the last opium sale of this year, which took place yesterday, having given prices which will, if maintained, bring opium up by £1,300,000 over the estimates which were presented to us last week."

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The Hon'ble MR. COLVIN said that, if he was not out of order, as he believed he was not, he wished to say a very few words by way of explanation, and to correct an error into which his honourable friend the Lieutenant-Governor of Bengal had fallen. What MR. COLVIN had said to-day was that, as he understood the arrangement under which the present taxation for famine-purposes had been introduced, it did not commit the Government of India necessarily to its expenditure on productive public works. His Honour had quoted, as if it had been contradictory of this, a passage from a speech uttered by MR. COLVIN three years ago, in which he had said that certain measures of which he was then speaking had been framed "solely with a view to the extension of provincial responsibility for public works." He wished to remind the Council that the speech from which these words had been quoted had no reference whatever to the question of famine-insurance. In 1877, no idea of providing for famine by special taxation had been conceived. The purely local measures to which MR. COLVIN had referred on that occasion were not intended for the prevention of famine, but for the transfer of responsibility on account of public works to the Government of the North-Western Provinces; they had absolutely no relation at all to the question upon which he had just been speaking.

Mr. Colvin.

The Hon'ble MR. RIVERS THOMPSON said:—"I do not think, my Lord, the Government of India can take any exception to the general character of the discussion which has passed this day upon the Financial Statement of the year. Indeed, in the presence of a budget which, above all that has gone before it for the last five or six years, is so unprecedentedly satisfactory (and perhaps its great charm lies in its unexpected refutation of anticipated difficulties), satisfactory not only in established results, but in its promising out-look for the coming year, and especially in this, that it seems to me to controvert the theories of professors as to the bankruptcy of India and as to the inelastic character of its fiscal system—I say in the presence of such facts, while we could scarcely have expected any expression of serious disapprobation or dispraise, we cannot be disappointed that a free discussion has taken place upon points which are considered open to objection. These appear in the speeches of my friend the Hon'ble Member who represents so ably and temperately the commercial interests of Calcutta, and of the Hon'ble Maharaja who is a large landholder and in deservedly high estimation among the Native community of the Lower Provinces; and they both speak to us with an authority which claims, I may say for the Government, our patient attention. I would add, speaking as a Member of that Government, that we welcome in every way the fullest and freest discussion of any topics of interest to India, which the debates in this Council permit, and especially so in the matters of such wide concern and magnitude as those which are raised in the annual Statement of our Hon'ble colleague the Financial Minister. The immediate question before the Council is simply as to the passing of an Act to amend the License Acts of 1878. My Hon'ble and learned friend (Mr. Kennedy), who spoke first in the debate, looking round upon us with great indignation, asked what justification there was for the introduction of heavy taxation upon the people in such a time of financial prosperity, and he seems altogether to have overlooked, till rightly corrected by Your Excellency, that so far from imposing extra taxes, the Bill before us really contemplates the exemption of large numbers from the operation of an Act which has been two years in existence, and that, in fact, we are surrendering between three and four hundred thousand pounds by this measure. Simple and short however as the Bill is, the issues which are raised upon this question are great and diversified, involving matters of policy so vast as that concerning the prosecution of the war in Afghanistan, the liability of England to a share of the expenses, the measures connected with the insurance against famine, the action taken last year in a partial repeal of the cotton-duties, the prosecution of public works of

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a remunerative character, and the general question as to the applicability of direct taxation in a country like India.

"I am not going to inflict upon the Council a review of all these measures. I will ask Your Lordship's permission, however, to say a few words upon the Afghan war, because it seems to me that the position and prospects of our finances depend to a large extent upon that war; and outside the Council, if not to-day within these walls, the policy of the Government has been unjustly censured and misunderstood. The work of a Member of Council is so little before the public, that it gives rise occasionally to impression that the Members of the Government are not united in their action, and that grave dissensions on matters of public concern exist in the Government. I can appeal to your Lordship in the presence of my colleagues in the Government whether, as regards this war in Afghanistan, there has been the slightest difference as to the justice of its policy or as to its general conduct. We have been taunted with the declaration of an unnecessary war, and the prosecution of it in a cruel and costly manner. To all such I would recall the circumstances of the first intimation of the arrival of the Russian Embassy at Cabul in September, 1878. At a time of peace throughout the Empire in India, when the Government were exercised by no greater considerations than those connected with the ordinary civil administration of the country and the prospects of the harvest after a somewhat adverse rainy season, we received the intelligence that a Russian Mission was established in Cabul. No one had dreamt of the possibility of such an event, and the fact that had been accomplished seemed to me always to prove two things very clearly, namely, the utter unreliability of our Native agency at Cabul, and the ease and secrecy with which a Russian advance on Cabul could be effected. This was not done in a manner which would have the character of a complimentary visit on some special occasion, under which the Russian Embassy would simply discharge its duty and retire. It must have been the work of long preparation and of secret understanding, and confidential accord between the two powers, the one wishing to come and the other welcoming an accepted guest. Triumphal arches and special demonstrations received the visitors, and such knowledge as we have of the secret conclaves which ensued and the whole conduct and proceedings of the Russian officers in the capital, prove to us beyond dispute that the object of the mission was one of active hostility to the English power in India. It may be said that everything is fair in love and war, and though we were not at war with Russia, I lay no particular stress upon the fact that she took such a step under the strained relations between England and Russia at the time. It must be remembered, however, that Russia had always declared—declared repeatedly, declared with all solemnity—that Afghanistan was a country beyond the sphere of her operations in Central Asia; and it may be, if the fact was truly known, that the Government of St. Petersburg had no intention of violating that promise. It makes it, however, as far as our position in India is concerned, none the less dangerous that irresponsible agents of Russia can assume to themselves the power of making such a demonstration as that of September, 1878, in Cabul, and when it came upon us with its startling announcement, I venture to say that no man who had the interests of India and England at heart, unless he was blinded by the exigencies of party-requirement or annoyed at the discomfiture of a personal policy of inactivity, would have hesitated for a moment what the action of the Government of the country should have been in such an emergency. I am not going to follow the fortunes of that war. I believe history will record that it has been conducted as humanely as it has been prosecuted with vigour and bravery and tenacity of purpose, and that, with no covetous desire of annexation of territory, our only aim as a Government has been to attain the establishment of a safe frontier under conditions which shall secure the protection and progress of the vast interests which lie behind that frontier. It is to the cost of that war, commenced and carried on in behalf of these interests, that a great deal of hostile criticism has been directed, not in this Council but in many places outside of it, and it is in connection with this as affecting the financial administration of the country, that such a digression as that I have made is pardonable. But this point seems to me to be beyond dispute, that, if we had not interfered for the expulsion of the Russians, a Russian Residency would have been an accomplished, an established and a

permanent fact at Cabul. All past experience of Russian progress among the Central Asian States confirms this opinion. A non-interrupted Residency in that capital would have led eventually to facilities of communication over the Hindu Koosh and beyond the Oxus, and as each year confirmed and consolidated that position, I ask those who condemn our policy either on political, on administrative, or financial grounds, what would have been the cost to the people of India, and what the security of their privileges and possessions under English rule, if we had stayed our hands in the presence of so grave an insult, and been indifferent to our responsibilities ?

“ It is impossible to deny that the conduct of these extensive military operations has largely disturbed our financial arrangements—a disturbance which was greatly aggravated by the loss on exchange ; and in the course of the present discussion, it has been argued by Hon'ble Members that the course which the Government has taken in an admitted difficulty arising from these circumstances, has been an improper course, and unjustifiable. Not only has the Minister been by implication condemned for a want of statesmanlike provision, as if unprovoked wars and an extraordinary fall in the value of silver in relation to gold in the short period of a few months were of daily occurrence ; but a breach of faith has been charged upon the Government for an unjust application of the money raised under the famine-taxes. Now, my Lord, I am aware that it was said in last year's budget-statement that the famine-insurance had ceased to exist. I trust my Hon'ble friend Sir John Strachey will excuse me for saying that I have always thought it an unfortunate expression ; but, however that may be, it was made at a time when, from causes unavoidable or altogether uncontrollable, the financial position was overshadowed with gloom, and when definite forecasts as to the future were absolutely impossible. With the cost of, as I maintain, a just war, thrust upon them, the Government had the option of either opening a loan or extending the taxation of the country to meet the expenses of the war, or the course it adopted, of using the money which the taxation of the previous year gave as a part of the general revenues for the financial safety of the country, and exempting the people from further demands. I was not a Member of the Government when the License Acts were introduced, but if the debates of the time are consulted, it will be seen that, while the Government in view of the increased obligations imposed upon it by the constant occurrence of famines, adopted an increased taxation upon the land and the trading classes for the relief and prevention of famines, it never bound itself by any promise that the moneys so raised should be constituted, a separate and distinct fund which should be exclusively devoted to such an object. In the nature of things it was impossible that such an obligation could be accepted ; and the accounts of the year now put before us have shown how the money not only raised under this taxation has enabled the Government not only to meet famine-expenditure but to prevent debt to the amount of nearly three millions.

“ It has been urged by many, not only in this country but at Home, that in the character of this war which we were waging on our frontier, there was justification for England bearing a large share in the cost of that undertaking, as a war in a great measure in the interests of England, and in consideration of the financial difficulties of this country. I hope, my Lord, the interests of India and England will always be identical and inseparable ; but I see no greater reason in the argument for English help in money for the Afghan war, instigated as it was by Russian design, than a war which, in the defence and maintenance of its rights, India should undertake against any other independent State on its borders, encouraged and supported by any other foreign power. We hear a great deal very often of the alleged subservience of India in the present day to the dictates of English rulers or the interests of particular politics. I can conceive no greater evil to India than her subjection to such a position, and I know no surer method by which that subjection could be brought about than her permanent obligation to and dependence upon the money of English tax-payers. We all remember the well-known saying of Sir C. Metcalfe that, if India is ever lost to England, it would be lost in the House of Commons ; and the right to control and interfere in every detail of administration would be absolutely established were it ever accepted that England had such a claim upon us. We should be in the position of the familiar illustration of the shuttlecock between the battledores of rival compe-

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titors. The game might be interesting enough to spectators, but the process would be one in which we should before long suffer the loss of all our feathers. The character of India as a resource and support to the mother country, and as the brightest jewel in Her Majesty's crown, rests upon her independence. I trust that independence, within legitimate limits, will never be forfeited, and certainly not by any act of our own.

"But perhaps, my Lord, the most important suggestion, as being the most direct in its application to the Bill before us, is that which emanates from my Hon'ble friend Mr. Morgan, that the License Act should be limited in its operation to one year. It was made, as he has stated, in the Select Committee, and was successfully resisted; and though no formal motion has been submitted upon that proposal now, I am not sorry that the Hon'ble member has raised a discussion upon the point. He based his argument upon the general good prospects of the year, which promise again a considerable surplus at the end of it. I hope, as sincerely as my Hon'ble friend, that his anticipations will be fulfilled; but whether there be a deficit, an equilibrium, or a surplus, and whether that surplus be small or large, I object, for more than one season, to the suggestion that this Act should be limited by specified provision to a single year's duration. In the first place, in the presence of a war, in the unsettled condition of Burma, and in the uncertainties of the reason, the Government would be most unwilling to give such a pledge to sacrifice a revenue which amounts to more than a million pounds, for it is indisputable that, as a measure of taxation, the license-tax is but a supplement of the taxes which impose the cesses upon land. If one goes the others must fall with it. The Government has in no way departed from its resolution that a million and half for famine-expenses and half a million for extraordinary demands must, for the solvency of the State, be included in our ordinary obligations; and it seems to me that it would be in the highest degree an act of incaution and presumption, if, with the first touch of returning financial prosperity, we surrendered a principle which is as sound in theory as it is necessary for our financial safety. Again, though I have said that I sympathise in the hope of the Hon'ble Member (Mr. Morgan) that at the close of the next twelve months we shall be able gratefully to look back upon a year of agricultural prosperity and extended trade, and with their blessings shall possess a considerable surplus for future needs, I dissent altogether from the conclusion, which the Hon'ble Member accepts, that it would be the duty of the Government to remit the particular form of taxation which the License Act provides. I do not pretend that it is a perfect measure, or that it does not present many anomalies, inherent in some sense in all systems of direct taxation, appertaining more or less, with all the long experience, to the income tax in our own country; and I trust the coming year will afford us the opportunity of giving consideration to those anomalies and of modifying and rectifying their inconveniences. But this I do maintain that, for a sound fiscal system throughout our Indian Empire (and I would say in the Lower Provinces of Bengal in particular), some measure of direct taxation is absolutely necessary. It is contended that direct taxation is unsuited to India, and especially on the ground that the agency employed in realising such taxes is corrupt and rapacious, and the incalculable advantages of an insensible indirect taxation are advocated with vehemence. I would ask, in the first place, to what cause primarily is the defective agency, on which such stress is laid, traceable? Ever since the days succeeding the mutiny, when the financial position of the country was most disordered, successive efforts have been made by successive Governments to establish a system of direct taxation which shall secure the result that those who are rich and affluent and possessed of goods, deriving large benefits from their trade and commerce in the peace and order of British rule and development of the country's resources, shall bear their legitimate share in the State's burdens. No one would deny that such classes exist—no one will deny that the principle is sound which imposes such a liability upon them. But the unfortunate thing has been that, from the days of Mr. Wilson, license-taxes have succeeded our income-taxes, and certificate-taxes have followed upon license-taxes, in various forms and shapes and standards; and each in turn has been abandoned from an entire absence of settled continuity of administration in our finances. No agency could be perfected

under such constantly recurring changes, and for myself I hope that, if the stamp of permanence can be given now to the principle which I have asserted, every day's experience will tend to lessen, and eventually to extirpate, those abuses, the effects of which have been already largely minimised where careful attention has been given to the working of the Acts, and which will be still further facilitated by the amendment which this Bill proposes of exempting from taxation under it all the poorer class of traders, all those whose annual earnings are estimated at less than Rs. 500; and though I express only an individual opinion here, I should advocate and support with satisfaction that, with a view to the permanency of our efforts in this direction, and a more equitable distribution of such taxation, the official and professional classes should be included in its provisions. It is only so, I believe, that a right financial system can be established throughout this country.

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"I do not stay to dilate upon the rich openings to the wealth of the country and the happiness of the people which a wise system of provincial productive works is extending throughout the length and breadth of the land. I trust and believe that the restrictions which have been placed upon it are but temporary and accidental. We are but in the day of small things in this matter. The time cannot be distant when they will be resumed with increasing energy and effect, with results which, though we cannot calculate them all at present, will secure, we may be certain, the prosperity and contentment and loyalty of the people of this magnificent Empire."

The Hon'ble SIR ALEXANDER ARBUTHNOT said:—"My Lord, I wish that the Standing Orders admitted of Hon'ble Members speaking in a different order from that prescribed. Under the present system of speaking from left to right, the Council has first a continuous wave of criticism, which is followed by a wave of reply, broken to-day by the ripple of comment introduced by my Hon'ble friend the Lieutenant-Governor of Bengal. I propose to offer a few remarks, with reference to some of the points which have been noticed by my Hon'ble colleagues, and it is possible that, in the observations which I shall feel it my duty to make, I also may slightly vary the wave of reply by a ripple of criticism. But before I proceed, I wish to add my congratulations to those which have been addressed by Sir A. Eden to Your Excellency and my colleagues in this Council, and especially to the Hon'ble the Financial Member, for the exceedingly prosperous budget which he has been able to bring forward on this occasion.

Sir A. Arbuthnot.

"During the past year, I may say during the past eighteen months, the Government of India has passed through an anxious time, darkened as it has been by a costly war, and by a condition of our currency which, though it has slightly improved of late, has still constituted an excessive burden on the resources of the State; and had that double calamity been accompanied by deficient harvests and unexpanding or deficient revenues, I need hardly say that the present situation would have been a most serious one. But, by the mercy of Providence, the country has been blessed with an abundant harvest, with a remarkable rise in one important branch of revenue, and general prosperity in the remainder, so that the deficit which this time last year was estimated at one million and a third, has been converted for the current year into a small surplus, notwithstanding the resumption of the war and its heavy direct and indirect expenses; and we have a prospect of a surplus of nearly half a million for the coming year, after taking into account the continued expenditure which still may have to be incurred for the war, and notwithstanding the relief which is to be given by the Bill now before the Council to a number of persons, which has been estimated to be not less than 1½ millions. This is a state of things which it would have been impossible to predict a year ago, and for which we cannot be sufficiently thankful, and notwithstanding what has been said by my Hon'ble friend the Lieutenant-Governor of the want of foresight which has been displayed, it seems to me that it would have been out of the power of the most prophetic vision to assume that the state of things which now exists was at all likely to take place. It was impossible for my Financial colleague to foresee that the gross revenue from opium would, during the year, be increased by 1½ millions; it was, perhaps, more impossible to predict with certainty that the unfortunate and calamitous

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loss by exchange from which the country has so long suffered, would be reduced in comparison with the then anticipations by  $\frac{1}{2}$  million.

“ My Lord, it has been urged by some of my Hon'ble friends at the other end of the table, that the expenses of the war ought to have been met by a loan, and that, if that had been done, the surplus of two millions, which it has been deemed necessary to provide with reference to the normal liabilities of this country to meet the costs of famines, would have been provided, and a good deal more besides. In the course of the remarks I am about to make, I will refer presently to the question of meeting war-expenses by a loan; but before turning to that subject I wish to observe that, in a great deal which has been said by Mr. Morgan and the Hon'ble Maharájá, as to the imperfections and incompleteness and inequality of the system of taxation which the Bill before the Council is intended to continue, I very cordially concur. I am fully sensible of those imperfections; I am alive to the invidious exemptions for which that Bill provided; and I earnestly hope, though I shall not be here to see it, that before another year is over, the consideration which Your Lordship and my colleagues will be able to give to this important question, will, if it shall then be deemed requisite to continue a system of direct taxation, enable you to place it on a basis which is more fair, more equitable, and which can be continued on a more permanent footing. And it appears to me that the remedy is not far to seek; that, in order to do what is necessary, we have only to revert to the system of direct taxation which was abolished in 1873; in other words, to revert to a light income tax with a high minimum of income liable to the tax. The more consideration I have given to the subject, the more I have read about it, the more discussion I have heard, the more convinced I am that, if there must be direct taxation, and income tax with a minimum so high as not to fall on the comparatively poor—a tax which shall compel the wealthy and the comparatively wealthy to bear their fair share of the burdens of the community—is the only right and equitable system of direct taxation, and the only one which can be permanently maintained; and when I speak of permanency, I wish to say that, in what has fallen from the Hon'ble Mr. Thompson, as to the evils and mischief of the constant shifting of this system of direct taxation, I most cordially concur. My hope is that, in the consideration which I trust will now be given to this question, a plan may be devised which can be adhered to without change, and without any material deviation. I am aware that by many persons such a step will be deemed to be retrograde. It will be said that the reasons which led the Government of Your Excellency's predecessor to dispense with an income tax as a part of the financial system of India, are not less cogent now than they were seven years ago. And while I think that, if the Government must have a system of direct taxation, an income tax is the right and proper tax, I feel bound to say that I concur for the most part in the views which have been held, and which are still held, by many, of the evils of such a system in its application to this country. In my opinion the course taken by the Government of Lord Northbrook was, in the circumstances of the time, a wise course, although it was opposed by three very eminent members of the Government, including the then Financial Member of the Council. It was opposed by Sir R. Temple, by Lord Napier of Magdala, and by Sir Barrow Ellis; but notwithstanding the opposition of those eminent men, I believe that, politically, the abolition of the income tax in 1873 was a wise measure. It was certainly a very popular measure, and it will be long before the grateful recollections by which it is connected with Lord Northbrook's Government of India are blotted out of the minds or the hearts of the people of this country. We must remember that the world is not governed by logic, and the sentiment, in deference to which it was deemed at the time to which I allude inexpedient to continue the income tax, was a sentiment which it might well be argued that it would have been unwise to ignore.

“ But, my Lord, the financial position and the circumstances of the country are, in more respects than one, very different in 1880 from what they were in 1873. In the financial year 1872-73 our customs duties yielded a revenue of considerably over 2½ millions, or nearly  $\frac{1}{2}$  million more than that particular source of taxation is estimated to yield during the ensuing year, the difference being very little below the amount of the income tax which was levied in the finan-

cial year 1872-73, and which, at that time at the reduced rate of 1 per cent., amounted only to £575,000. At that time the agitation—and this is an important fact to which I would invite the special attention of the Council—the agitation which has since arisen against the continuance of the cotton duties, had not commenced. The cotton duties in 1873 yielded a revenue of, I believe, £845,700. Our hon'ble colleague, the Financial Member, has told us very plainly what the results of that agitation have been; he has told us that, in his opinion, the days of the cotton duties are doomed; and he has also told the Council—though whether his prediction on that matter will be fully verified still remains to be seen, but to my apprehension the prediction is a very grave one—that the extinction of the greater part of the customs duties, of duties which in 1873 yielded an income little short of 2½ millions, is merely a question of time.

“ My Lord, there is another important difference between the financial situation in 1873 and the financial situation in 1880. At the earlier period the financial responsibility which the Government has since accepted in connection with famines, had not been fully recognised. The famine which shortly afterwards ensued in the western districts of the Provinces under the Government of the Lieutenant-Governor had not commenced; the calamitous famine which a few years later desolated the Southern and Western Presidencies of India was still hidden in the dim recesses of the future. It was merely suggested as an object which ought to be aimed at, but with regard to the accomplishment of which there was no certainty that, if possible, the Government should provide a surplus to meet charges of that kind and other unforeseen expenditure of a million a year.

“ Moreover, in 1873 India was at peace; and although at the time to which I allude an event had happened which might have warned the Government of what afterwards took place; although we might all have known, after the occupation of Khiva, that the breaking out of troubles, and possibly of war, on the North-Western Frontier was merely a question of time, the contingency was not seriously kept in view either by the Government of India or by any party in the State. As a matter of fact, the last thing that anybody thought of was that in less than six years the Government of India would be engaged in a costly war.

“ In 1873 again the great calamity—for I can characterise it by no less serious a term—of the depreciation of the currency, which had put the whole of the finances out of gear, although it had commenced, had not attained anything like the dimensions it has since assumed. In 1873 the loss by exchange was a little more than half a million. For the ensuing year, my financial colleague has been obliged to estimate for a loss by exchange of £3,174,000; and if we are to judge of the uncertainty of the question by the fall which has occurred even during the past week, the Government cannot be at all certain that the estimate will prove to be sufficient.

“ I think my Hon'ble colleagues will see, in the circumstances to which I have drawn attention, that very important changes have occurred, which make the situation and prospect in 1880 very different from the situation and prospect in 1873; and that a tax, which it was wise to dispense with in 1873, may prove to be a measure of absolute necessity in 1881. Therefore, my Lord, while speaking as an individual member of this Council, I deeply regret the policy which has deprived the Government already of a portion of their indirect revenues, and which threatens to exterminate an important branch of those revenues altogether; while I view that policy with the gravest apprehension, I cannot but recognise the fact that, as a result of that policy, a permanent system of direct taxation may prove to be inevitable. And if it shall so prove, if events shall so turn out that the Government of this country shall deem it necessary to retain such a system as a permanent part of their fiscal system, I feel bound to say that, in my opinion, it will be incumbent upon the Government of India to place that taxation on such a basis that it will touch not only the trading community, but all the comparatively wealthy, and especially all possessors of realised property, and to discard the present license tax, which, notwithstanding the remedy afforded by the Bill before the Council, still falls unduly on the comparatively poor, and too exclusively on one class of the community.

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"My Lord, it has been said during the debate to-day, and it has been often said outside this Council, that the Government of India are dealing unfairly and unjustly and unwisely in not imposing a tax, which was at one time contemplated, on the official and professional classes. I cannot help remarking, when I allude to this topic, that the proposal, when it was made three months ago, did not receive the welcome which might have been anticipated; and I may remind Hon'ble Members how it was then pointed out, as to that proposal, that it was only a partial mode of restoring the balance of taxation, that it still left the system of direct taxation imperfect and incomplete, and that it still left room for unfair and invidious exemptions. I trust that, in the further consideration that may be given to the subject, any such partial measure as that will not be thought of. I hope that the official and professional classes, as well as the trading classes, and all classes of the community who possess realized property, will be called upon to bear a fair share of the burdens of the State.

"I may be asked why, holding these views, I am prepared to vote for a continuance of the license tax, the amendment of which is now before the Council. In the first place, no motion has been made against the Bill which provides for that amendment; but I feel bound to say that if the Council had been divided, I should have felt it my duty to support the motion of my financial colleague. The Council must remember that such a thing as the resumption of an income tax, after all that has been said and done on that subject, after all the denunciations of it which have taken place, is not a thing which can be hastily resolved upon. It is not a measure which the Government could resolve upon without the sanction of the Secretary of State, and I think that notwithstanding the unexpectedly prosperous figures which characterize the budget now before us, it will be apparent to those who examine the figures in connection with the facts to which I have alluded, that if the Government were now to dispense with the whole of the direct taxation which has been enforced during the last two years, and if we omitted to provide a substitute for it, we should land ourselves in a deficit. It may seem to those who entertain more sanguine expectations than I venture to entertain in regard to the condition and prospects of the revenues, that for such a deficit the Government of India might well be prepared, that the risk would be so light that it would do no harm to run it. But it appears to me that, at the juncture in which we are now placed, the Government would require a great deal of justification, and would find it very difficult to justify their incurring the risk of a deficit amounting to not less than a million a year, for if the license tax were to be dispensed with, in common fairness Government would be compelled to remit that portion of the additional direct taxation which is borne by the land; and as such a time as this he would be a bold man, after all that has happened during the past few years, who would venture to predict what is likely to happen in the future or even a few months hence. We all hope, and no one more earnestly than I do, that the war in which we are at present engaged, will speedily be brought to a close; but the burden which that war, or perhaps I should say the events which brought about that war, will impose upon the Government of India, is not a burden from which we shall be entirely relieved. We may hope that a considerable portion of the war expenditure now being incurred will be got rid of; but we cannot expect that we shall be able to maintain what is called our rectified frontier, without a considerable and permanent increase to our military charges; and when I say this, I do not forget the recommendations which have been made in the able report presented by the Commission, of which Sir A. Eden was the president. Those recommendations will, I have no doubt, enable the Government to effect some economies; but I very much fear that these economies, right as some of them may be, and innocuous as some of them may prove, will be more than counterbalanced by the additional burdens that will be imposed upon us by the great change which has taken place in our military situation.

"And, my Lord, when I turn to the receipt side of the budget, I must venture to say, notwithstanding all that has been affirmed to the contrary, that it is possible to take—and that if we are guided exclusively by the figures of the present budget, we shall be pretty certain to take—an unduly sanguine view of our future prospects. We must remember that one of the principal causes of the very favourable aspect of the finances at the present moment, is the

great increase which has taken place in the opium-revenue. According to the budget-estimates, the nett opium-receipts are estimated at not less than 7½ millions. That is an estimate exceeding by more than one million the actual nett average receipts from opium for the last ten years. Now, it may be said that there is no reason why the present increasing and expanding revenue from opium should not be maintained, and still further expanded. But I think we should recollect that the very nature of this opium-revenue—the very nature of the sources from which this revenue is derived—renders it a very precarious item in the revenues of India. It is an item of revenues which is liable to incidents over which the Government of India can exercise no possible control. It may be that for a series of years, the opium-revenue will continue to be maintained at its present high standard; it is possible that it may continue to expand; but, on the other hand, it is equally possible that a serious diminution may take place.

“My Lord, I have referred to the anticipated decrease in the customs duties. Of that loss of revenue only a very small portion has been provided for in the present budget; but if the anticipations of my Hon’ble colleague Sir John Strachey shall in any degree be realised, a great part of the surplus which, if there were no war to deal with, would be yielded by the revenues of the present year, will then completely disappear. In these circumstances, I cannot but think that the Government of India will exercise a wise discretion, if we hesitate, without the most careful consideration, to part with any existing source of revenue without supplying its place by an equivalent.

“My Lord, it has been argued, I believe, by my friend Mr. Morgan and the Maharájá, and something to the same effect has been said by the Lieutenant-Governor, that either the whole or a portion of the existing war-expenses ought to have been met by a loan. It has also been said, in other quarters, that the cost of the war ought to have been shared by England. I have just expressed my dissent from the policy which has been adopted by Your Lordship and my financial colleague with regard to one branch of the finances, and on certain other financial matters, not in this Council, but in the consultations of the Government of India, I have at different times felt it my duty to dissent from Your Lordship’s policy. But, as regards this matter of a loan for defraying the expenses of the war, in what has been said by my financial colleague and by my hon’ble friend opposite, as to the inexpediency of throwing any part of the charges of this war on the Government of England, it is impossible for any Member of this Council to concur more heartily than I do. When I remember how enormously during the past twenty-three years, during the period which has elapsed since the mutiny, the debt of India has been increased; when I consider the heavy burden of interest which now weighs upon the country; when I regard the present political situation; when I consider the possibilities of the political future; and when I bear in mind the demands for improvement in every branch of the administration, demands involving additional expenditure, however great may be the economy with which the administration is conducted, my feeling is, that to add to our debt in a time of unusual financial prosperity, even to meet the cost of a war, would be to take a course which not only it would be impossible to justify but which it would be difficult, in my opinion, too emphatically to condemn.”

His Excellency THE COMMANDER-IN-CHIEF said that he had not intended to offer any remarks on this occasion, but those of the Lieutenant-Governor regarding the immediate measure of relief which might be expected from the recommendation of the Army Commission, he thought, demanded some little comment. Every one knew with what delight a father looked upon his infant; but when the young gentleman was presented to the world, he was not always received with a uniform need of admiration; therefore, His Excellency must observe, that the Commission over which Sir Ashley Eden presided had produced a very symmetrical work at all events, and so far he deserved immense credit for it, whatever might be said regarding the details when discussed. But as regards the immediate financial relief, he thought His Honor would admit, and he considered it right that the Hon’ble Members should know, that from the statements made by the Commission itself, the recommendations made by it could not possibly have an immediate result. The position in which the Army now stood was not that contemplated by the Commission, when the re-

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ductions involved in their recommendations were brought forward. Who could say that the Army would ever again occupy the position it held in September last? He did not think such an idea could, even for one moment, be entertained, and therefore, he said, that neither Sir Ashley Eden, nor the members forming his Commission, could possibly forecast the future, or say that the Army would ever revert to the position in which it was when they felt themselves justified in bringing forward the measures they had. Sir Alexander Arbuthnot had touched upon this point, and also referred to the advance upon Khiva. His EXCELLENCY was always one of those who looked upon Khiva as a mere prologue to Merv, and consequently to Herat, and that he believed was now working itself out. Who could say what military complications might be brought about, and he hoped, consequently, that Government would not anticipate any immediate relief from the army reduction.

Lord Lytton.

His Excellency THE PRESIDENT said :—“ The Financial Statement, which gave rise to the Motion now before the Council, was so full and clear that I should be reluctant, at this late hour, to delay the vote by any lengthened remarks, were it not that this is my only opportunity of personally noticing various criticisms on the financial administration of the Government I have the honor to represent. Those we have heard in the course of to-day's discussion I will endeavour to answer with all possible brevity. Others which have emanated from leading English statesmen, I feel bound to notice at greater length.

“ In the course of his interesting speech, my hon'ble colleague, Sir Alexander Arbuthnot, explained his personal views on the general subject of direct taxation, with special reference to the reasons which would, in his opinion, not only justify, but necessitate, recourse to an income tax, if a larger revenue from that source were actually required by the Government of India. As this is not at present the case, I will not pause to discuss the recommendations of my hon'ble colleague; but I freely admit that the present very limited direct tax upon trades and callings is not strictly scientific, or completely logical. I believe that no form of direct taxation short of an income tax could be made wholly free from these objections. It is, indeed, this consideration which has influenced my concurrence in the decision not to supplement the license tax by taxation based on any different principle, and not to seek, from the extension of that tax to the salaried and professional classes, the recovery of the revenue sacrificed by exemption from it of all incomes under Rs. 500 derived from trade. In the present favourable condition of our finances, I do not think we could justify to ourselves any measure which would have the effect of increasing taxation merely for the sake of scientific re-adjustment. It will be time enough to discuss the principles which should regulate such re-adjustment whenever the occasion for making it arises. It would not, in my opinion, be expedient, and for myself and the members of this Government it is, in any case, impossible to set forth now what the Government may, or will, do whenever it is called upon to deal either with a large deficit, or a large surplus. In the former eventuality, the considerations set before us by my hon'ble colleague, Sir Alexander Arbuthnot, would certainly demand, and doubtless receive, most careful examination. But I think it right to say, at once, that if, in the latter eventuality, we were enabled to contemplate a large remission of taxation, it seems to me very doubtful whether it would be by the remission of the license tax that we should commence the enjoyment of our good fortune. Not to mention other taxes to which objection might reasonably be made, we should, for instance, have to consider the still existing taxes upon salt. Our policy of equalising the salt duties throughout India has been carried out, thus far, with great financial success; and it has largely increased the consumption of salt. But this policy may still require, for its completion, some temporary sacrifice of revenue.

“ The success of our efforts to effect the early removal of the great salt-cordon is largely owing to the friendly and enlightened spirit in which our representations have been received by the Native States concerned, and also to the intelligence and loyal exertions of our own political and fiscal officers. Of the former, my acknowledgments are due to Mr. Alfred Lyall, a gentleman of rare intellectual gifts and attainments, to whose efficient assistance in the administration of our Foreign Department I am greatly indebted; and also to General Sir H. E. Daly and Colonel Bradford for their cordial co-operation

with Mr. Hume, the value of whose labours in this matter have been repeatedly acknowledged. Of the latter, I must mention with special gratitude our late colleague in this Council, Mr. George Batten, who was one of the earliest and most enlightened apostles of the policy it has been my privilege to promote; and also Mr. Halsey, who has energetically assisted the prosecution of it. The Council will, perhaps, allow me to mention here that, on my way from Simla to Calcutta, I recently took occasion to visit the most important of the salt States of Rájputána and Central India, with the object of ascertaining, from personal observation and enquiry, the practical effect of our late measures in the States thus visited. So far as regards the rulers of those States, I ascertained that they are perfectly satisfied with the arrangements we have made with them. These arrangements, indeed, have everywhere largely benefited their revenues. As regards the populations of the States concerned, so far as I can judge from the assurance I received from their Native representatives, and from the statements of our own local officers, the necessarily increased price of the salt consumed by them has nowhere given rise to discontent, or caused any serious discomfort. In some parts of the country, where the Bunjara traffic had been temporarily disorganised, salt, I found, was dearer than it should be. But the formation of depôts for the sale of it at a distance from the places of production, and the extension of railways still in progress, will, I feel assured, rapidly remove this only drawback to the advantages of a reform which, in its essential consequences, has proved eminently beneficial to all concerned. I may add that the practical working of the new system has been wonderfully free from friction. I was not without anxiety, lest, in practise, it should have encountered difficulties not adequately provided for by our agreements. But so far as I could ascertain, no such difficulties have occurred, and certainly the practical success, thus far, of our recent arrangements with the salt-producing States, has surpassed my most sanguine expectations.

"I must now ask leave to notice briefly the chief objections I have heard since last Tuesday, and more especially in the course of to-day's discussion, to the financial policy of the Government, as explained by my hon'ble colleague in his statement of last week. The first of these objections is that the inutility and impropriety of our reductions in public works establishments, and other useful branches of administrative expenditure, is now clearly demonstrated by the satisfactory result to which, I must take leave to say, those timely reductions have not slightly contributed.

"It is certain, however, that, but for the reductions complained of, the present year would have ended in a deficit amounting to the by no means contemptible sum of at least three quarters of a million. And next year also we should have had to estimate for a deficit, a smaller one no doubt, but still a deficit, in lieu of a surplus of £417,000. I shall presently have occasion to point out that the contraction of our expenditure on *productive* public works, which occasioned a great portion of these reductions, was a measure not under the control of the Government of India, and about which we had no option. The grant on account of *ordinary* public works is not less for next year than the amount actually spent on those works in any previous year, although the official machinery for the prosecution of them has been considerably cheapened. These so-called ordinary works are of great utility, and many of them are of a reproductive character. In other branches of the administration there has been no sacrifice, and in some there has been a decided increase, of efficiency. The reductions and economies, for which we are responsible, have undoubtedly been facilitated by the recognised uncertainty of our financial prospects, which justified caution and stimulated economy. But they were, in my opinion, requisite and salutary, without any reference whatever to the present or future condition of our finances. I hope we shall steadily continue the good work thus commenced, for I consider that we shall be grossly neglecting our duty to the State if, even when we have converted our small surplus into a large one, we were, on that account, to relax our efforts to reduce all expenditure not clearly needed for the efficient service of the State, or to improve the economic administration of all expenditure which is necessary for that purpose.

"My Hon'ble friend the Lieutenant-Governor, who has criticised our budget in a candid and practical spirit which I gratefully appreciate, told us that, experience having shown how unnecessary it was for us to call on the

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Local Governments for special contributions from their balances to the imperial treasury, we ought now to refund to them the sum needlessly taken from them; thus furnishing them with the means to carry out useful works which, in their present impoverished condition, they are unable to undertake. Now, I fully share the views expressed by my Hon'ble friend as to the great importance and value of useful public works; and I shall regret no less than His Honour any unnecessary or unduly prolonged stoppage of them. But from a financial point of view, I think the Local Governments cannot fairly complain of their treatment or present condition. The fact is that, after making these special contributions to the imperial treasury, amounting altogether, in the last few years, to £670,000, the provincial balances of the Local Governments will actually be larger by nearly half a million than the sum at which they were estimated at the commencement of the year. In Bengal more especially, the budget estimate of the Local Government for 1879-80 showed, as the closing provincial balance of the year, the sum of £337,000; the amount which the Local Government will actually have in its possession, after making a special contribution to the imperial treasury of £200,000, will be no less than £524,000, and its closing balance for next year is estimated at £562,000. Thus the Bengal Government is very much better off now than it was before its special contribution was made. Of course, no doubt, the reason why money is there, is that it has not been spent: but I am not now discussing the expediency of public works expenditure, whether provincial or imperial. I merely wish to point out that these contributions have not impoverished the local treasuries. As regards the imperial treasury, however, I must remind hon'ble members that, but for these special contributions, we should show, for the present year, instead of a small surplus, a deficit of nearly a quarter of a million sterling; and that, for next year, our estimated surplus would very nearly disappear altogether.

“ And this consideration leads me to follow the example of His Excellency the Commander-in-Chief, by making a few remarks on the Military Commission whose valuable labours were so admirably conducted, and have now been so effectually concluded, by its distinguished President, my Hon'ble friend the Lieutenant-Governor of Bengal. The Report of that Commission is still under the consideration of Government; and until it has been laid before the public, it would not be proper for me either to refer in detail to its recommendations, or to express, from this chair, any opinion upon them. But there is one result of that Commission which I am free to mention, and which I desire to point out. My Hon'ble friend the Lieutenant-Governor and his fellow Commissioners have succeeded in collecting from all parts of India an immense body, not only of information, but also of opinion, representing the official experience and personal views of all the most competent practical authorities, both civil and military, on every question submitted to that Commission for examination and advice. These materials are invaluable. So far as I am aware, no such copious and detailed information, no such collection of authoritative opinion, on the organisation and administration of the army has, at any previous time, been in the possession of the Government; nor do I think it will, at any future time, be in the power of the Government to augment the mass of materials thus collected. These materials, which are very voluminous, the Commission has annexed to its Report, which bears conspicuous evidence of the conscientious care and labour devoted by it to the examination of them. It is now, therefore, possible for the Government, and, ere long, I trust it will also be possible for the public, to compare the recommendations of the Commission with the evidence on which they are based. All who read the report can thus judge for themselves how far its conclusions are sound, or its recommendations wise; and to what extent they are in accordance with verified fact or practical experience. That being the case, I must certainly say that both the Government of India and the Government of Her Majesty would gravely neglect their duty, and incur a most serious burden of responsibility on behalf of the increasingly important public interests, financial, military and administrative, which are involved in the result, if they failed, or delayed, to give to this report the most impartial and practical consideration. I cannot too highly express my lasting sense of our great obligation to my Hon'ble friend Sir Ashley Eden for the astonishing industry with which he has devoted his great intellectual powers to the accomplishment of one of the most arduous, and one of the most important, tasks ever undertaken by an Indian

statesman. I wish also to express my appreciation of the work done by the able and distinguished officers who assisted Sir Ashley Eden in the labours of the Commission. There is one of those officers whose services in connection with that Commission were the latest but not the least of the many he has rendered to the Government of India. I refer to Sir Peter Lumsden; and I cannot refrain from making special mention of his services on that occasion, because they were given without stint, at a time, during the greater part of which he was simultaneously discharging the honourable and onerous duties of Chief of the Staff, a post of great importance during the progress of military operations, to which I had much satisfaction in appointing him in compliance with the strong recommendation of His Excellency the Commander-in-Chief.

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"The second objection I have heard made to our financial policy, of which the results were shown by Sir John Strachey in his statement of last Tuesday, is curiously derived from the unexpectedly re-assuring character of that Statement. It has been said that, if our financial prospects are so bright to-day, they could not have been, three months ago, so gloomy as we supposed or represented them to be. In short, that we ought to have foreseen from an earlier date the financial results which were announced last Tuesday; and that, if we did not foresee them, we have been singularly deficient in foresight. I am unable to perceive how we could have foreseen the sudden and unprecedented expansion of our opium-revenue, for which we had estimated at a higher figure than it was ever estimated for before; or the partial recovery of our exchanges, upon which no cautious financier could have ventured to base any important calculation, or the other causes which have led to so remarkable an improvement in our financial position. But 'How does it happen,' we are asked, 'that only two months ago the Government was doubtful whether it could afford to remit taxation to the amount of £340,000 upon the poorer classes of traders and artisans without recouping itself by the extension of taxation to other classes?' Well, in reply to this inquiry—and I do not say that it is by any means an unnatural inquiry—I wish to make one observation. The Government was certainly, and I venture to think rightly, anxious not to close the present or the coming year with a deficit, if it could legitimately avoid doing so. A deficit, whether small or great, brings with it a certain amount of dissatisfaction to the community and discredit to the Government, even when it is susceptible of explanation upon grounds that will satisfy all reasonable persons. There is much practical wisdom in a well-known remark by Mr. Micawber, whether that remark be addressed to individuals or nations. Mr. Micawber, as Hon'ble Members are aware, was a gentleman who had large experience about deficits. And on the subject of them he laid down the following golden precept. I will repeat it in his own words, which cannot be improved—'Annual income, twenty pounds: annual expenditure, nineteen, nineteen, six. Result, happiness. Annual income, twenty pounds: annual expenditure, twenty, nought, six. Result, misery. The blossom is blighted; the leaf is withered; the God of Day goes down upon the dreary scene, and, and, in short, you are for ever flooded.'

"Now, let me apply this maxim to our own position. With a revenue of 67 millions, it is obviously impossible, even in the last three months of the year, to foresee, with any certainty, whether or not a sum of less than a quarter of a million will be required to avoid deficit. As a matter of fact, this sum of £340,000 would have turned the scale between deficit and surplus; in other words, the part played by the license tax in our calculation was that of Mr. Micawber's sixpence. Relatively indeed to the vast amounts of revenue and expenditure with which we are dealing, it would be more difficult for us, even when approaching the close of the year, to be certain whether we require £340,000 to balance our account, than for Mr. Micawber to calculate his account of £20 to a sixpence. And we had not only to provide for this year, but also for the next. As soon, however, as we were fairly assured of a surplus, we decided, for the reasons already explained by Sir John Strachey, not only to persevere in our resolution to reduce the license tax by exempting from its operation all trade-incomes under Rs. 500, but also not to seek the recovery of the income thus abandoned, by the contemplated taxation of the professional and salaried classes; although, in our opinion, such taxation would have been perfectly justifiable, when, last November, we were seeking

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to protect the State from loss on the remission of the tax upon the poorer traders, by shifting the burden of it to stronger shoulders. Nor, indeed, am I prepared to maintain that, from any other point of view than that which I have endeavoured to explain, the exemption from taxation of any class which does not at present pay its fair contribution to the necessities of the State, is free from the animadversions we have heard to-day. By some, however, who do not dispute the point on which Sir John Strachey laid stress last Tuesday,—namely, that the license tax and the land cesses are so closely associated in principle and object that they must stand or fall together; and that, if the Government cannot afford to give up the one it must not give up the other,—it has been urged that we have weakened this obvious reason for maintaining the license tax, by our very endeavours to free the tax from its most objectionable feature; that, in short, the exemption we have made on behalf of the poorer class of traders demand similar exemptions on behalf of the corresponding class of agriculturists; and therefore that, unless the whole of our famine taxation can be thus re-adjusted, it ought to be entirely abandoned. I am unable to follow that argument. The reasons which led the Government to exempt the poorer class of traders are clearly inapplicable to the corresponding agricultural classes. Of these latter it has never been alleged that they were made the victims of mal-administration and oppression in the assessment and collection of a tax which, if not improperly levied and collected, is neither unjust nor injurious to either of the two classes concerned.

“I must now say a few words about the cotton duties. They shall, however, be as few as possible. My Hon'ble friend the Lieutenant-Governor of Bengal has, with much pathos, reproached us for our barbarous maltreatment of those suffering and now perishing duties. Well, I must admit that our pathology has not been conducive to the longevity of the patient. But our position in this matter has not been that of physicians who have bungled young Hopeful, or perhaps I should say old Hopeless, to death. It has been rather that of engineers laying siege to a hostile stronghold, with the avowed object of breaching its fortifications, when the prosecution of that object is restrained and retarded, partly by lack of powder, and partly by consideration for the terrified women and children who have taken shelter within the walls of the fort. In such circumstances, the engineers concerned would carry out with caution the orders of attack. They would extend their parallels slowly; and, trusting to time, patience, and their knowledge that the enemy's position could not permanently hold out, they would regard the spontaneous capitulation of the garrison as a result preferable, even if less rapid, than any which might have been obtained from the premature delivery of a general assault. That, at least, is the light in which I have always regarded my own position, and, apparently, we may now expect, ere long, the spontaneous capitulation of the fortress. I have purposely laid stress on the fact that this has been from the first not only our deliberate, but also our unconcealed, object; for, however highly I might approve the object itself, I trust I should be the last member of this Government to approve, or justify the insidious or deceitful attainment of it. I must, however, remind the Council that in every one of our Financial Statements for the last three years, the complete abolition of the cotton-duties has been openly avowed as the ultimate aim of the policy we have been pursuing, in accordance with repeated resolutions of the House of Commons, and repeated instructions from the Secretary of State. Every step taken by myself towards the attainment of this object has been restrained only by considerations of time, opportunity and expediency; never by disapproval of the goal to which, at every stage, those steps were tending, and to which, from the outset, they were addressed. On the question of the cotton-duties, I have always, when speaking in this Council, or on behalf of the Government of India, been careful to avoid controversial discussions to which I was not directly challenged. But I have never disguised my opinion about these duties. Speaking on the subject of them, and speaking from this chair, in 1877, I said—‘I have the misfortune to differ on this subject from many able and honourable gentlemen. Some of them have wide experience on fiscal and commercial questions, and not a few of them are my esteemed personal friends.’ I explain why, partly for this reason, I refrained then, as I refrain now, from all unnecessary discussion of the points on which we differed. ‘But’ I added—

'There is one view of the question to which I must demur. It is that which assumes, on the one hand, that those who advocate the maintenance of these duties, do so regardless of their obligations as English statesmen to English interests; or, on the other hand, that those who, like myself, desire their removal, are recklessly indifferent to the duty which, as Indian legislators, they owe to Indian interests. I do not accuse our opponents of disregarding the interests of England; but I am not prepared to concede to them a monopoly of disinterested devotion to the welfare of India.' Well, I do not now wish to defend the views then expressed, in any controversial or aggressive spirit. I will not stop to discuss whether the consumers of the goods we have already cheapened are Englishmen or Indians. But what is the present practical effect, upon Indian interests, of the continued duty upon English cottons? Why, they are tempting, or driving, the English manufacturer in one direction, and the Indian manufacturer in another direction, to the manufacture of cloths which neither of them would wish to make, were it not that the one desires to escape the duty, whilst the other desires to produce goods protected by it. From those who still suppose that the pressure of a five per cent. duty upon cotton-imports is too light to have any appreciable effect, let me solicit consideration of the serious extent to which the whole character of the trade has already been actually changed by it.

"But on the other points of more immediate moment our financial policy has been recently criticised by eminent and influential gentlemen whose statements call for serious notice. Mr. Forster, a distinguished Member of Her Majesty's late Government, is reported to have stated at Leeds that 'the expenditure of the Indian Government in 1840 was £22,000,000 sterling; and in 1878, £62,000,000 sterling.' Furthermore, that 'the taxation of India per head is now more than double what it was in 1840.' Now, I am quite satisfied that, in making this extraordinary statement, Mr. Forster had no desire to misrepresent fact, or mislead opinion. But his statement is a startling illustration of the scant study given to the facts of Indian administration and history even by Cabinet Ministers when in office, and of the disturbing and obscuring influences under which those facts are studied by them when out of office. Since the year 1840 the following five great Provinces have been added to British India: - Sindh, the Panjáb, Oudh, and the greater part of British Burma, and the Central Provinces. This additional territory represents an area of about 350,000 square miles, and comprises a population of 42,000,000. The number of the population is nearly equal to, and the extent of the area is nearly double, that of the whole German Empire. It seems inconceivable that any man, especially an ex-Cabinet Minister, who has participated in the joint responsibility of Her Majesty's Government for the administration of Her Majesty's Indian possessions, should attempt to compare the expenditure of this Empire before and after such vast extensions of its territory and population, without any reference to their acquisition, or the least allowance for their financial consequences. That Mr. Forster should have done so, and done so in good faith, as I sincerely believe, is an illustration of the danger of forgetting Indian history in the hurried study of Indian finance, under the heavy pressure of party claims on the leisure or the labour of English politicians. Mr. Forster, however, did not stop here. He went on to say that the debt of India in 1840 was less than £30,000,000, and that now it is close upon £140,000,000. I am not personally concerned to defend the administration of India during the past forty years; but as every honest administration has a great public interest in preventing the propagation of error, I must ask the Council to allow me to make a few observations upon this increase of our debt. The burden practically thrown upon any country by its debt must be measured by the annual charge for interest upon that debt. By no other means can the actual weight of it be correctly ascertained. Now, in the year 1840, the amount of the annual interest paid by India on her public debt was one and a half million sterling. The estimates presented last week to this Council show that in 1880-81 our liabilities for interest on debt will amount to 5½ millions. The analysis of this estimate, however, yields very remarkable, and I venture to think very satisfactory, results. Of the 5½ millions at which we estimate the present amount of interest payable on our public debt, 1½ millions is on account of productive public works; and this sum will be completely covered by the revenue derived

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from the works on account of which that portion of our debt has been incurred. The actual amount of our liabilities for the repayment of debt is thus reduced to four millions sterling; that is to say, since the year 1840 the necessary annual provision for interest upon debt has been increased to the extent of two and a half millions. Now, I must ask the Council to remember that, during the last forty years, the Government of India has had to meet the cost of the Afghan wars carried on under the administrations of Lord Auckland and Lord Ellenborough, the cost of the Sindh war, the cost of the two Sikh wars, the cost of the second Burmesé war, the cost of the suppression of the mutiny in 1857, the cost, thus far, of renewed hostilities in Afghánistan, the cost of several severe famines, and, lastly, the heavy losses incurred by the fall in our exchanges during recent years. Furthermore, that the Government of India during this period has been compelled, in the highest interests of the country, to construct numerous and costly public works which are not of a productive character, such, for instance, as barracks, forts, jails, military roads, civil buildings, and the like. Now, in explanation of the causes of this expenditure, and as an illustration of its results, I shall ask the Council to allow me to read a few passages from a memorandum communicated a few years ago to a Committee of the House of Commons by my Hon'ble friend and colleague Sir John Strachey. Speaking of the condition of India between thirty and forty years ago, he then wrote:—

“ It is not too much to say that there was then, comparatively speaking, little in India of what we now think the first necessities of a civilized administration. When I went from Calcutta to my first station in the North-Western Provinces, I was carried about a thousand miles in a box on men's shoulders; there were no other means of travelling through the richest and most advanced and most important parts of India. Speaking broadly, roads and bridges had but begun to appear; there were no canals to save the people from destruction by famine, or those that existed were on a very small scale; there were few barracks in which English soldiers could live with tolerable health and comfort; there were few jails in which a sentence of imprisonment did not carry with it a serious probability that it would prove a sentence of death. The country at that time was entering on a phase of rapid change. The firm establishment of order was followed by improvements in all directions.

“ Ten thousand things were demanded which India had not got, but which it was felt must be provided. The country must be covered with railways and telegraphs, and roads and bridges. Canals must be made to preserve the people from starvation. Barracks must be built and every sort of sanitary arrangement be carried out.

“ This was not only true in regard to matters of imperial concern. Demands for improvement, similar to those which fell upon the Central Government, cropped up in every city and in every district of the country.

“ Twelve or fifteen years ago, in Calcutta, there was no drainage. The filth of the city rotted away in the midst of the population in horrible pestilential ditches, or was thrown into the river, there to float backwards and forwards with every change of tide. To nine-tenths of the inhabitants clean water was unknown. They drank either the filthy water of the river, polluted with every conceivable abomination, or the still filthier contents of the shallow tanks. The river, which was the main source of supply to thousand of people, was not only the receptacle for ordinary filth,—it was the great graveyard of the city. I forget how many thousand corpses were thrown into it every year. I forget how many hundred corpses were thrown into it from the Government hospitals and jails alone, for these practices were by no means confined to the poor and ignorant, they were followed or allowed, as a matter of course, by the officers of the Government and of the municipality. I wish the Committee could have seen the sights which were to be seen in Calcutta in those days in the hospitals, and jails, and markets, and slaughter-houses, and public streets. The place was declared by myself in official reports which I sent to the Government, when Sanitary Commissioner in the year 1864, of which the language, although strong, was not, and could not be, stronger than the truth required, to be hardly fit for civilized men to live in.

“ Only about a year ago, in the great city of Rangoon, containing more than 100,000 people, with half a million tons of shipping, there was not a single public lamp, no supply of wholesome water, not a single drain except the surface-drains at the sides of the streets, and no proper means of removing the night-soil and filth out of the town.

“ When I say that, to a great extent, the requirements of civilized life and of modern administration have had to be provided for India, for the first time, within the space of a few years, I do not speak only of material objects, of roads and railways, and canals, and barracks, and city improvements, and so forth. The demand for improved administration has been so strong that it is not too much to say that the whole of the public services have been re-organised.

“ Well, I venture to think that if all these facts are fairly and impartially taken into account, the surprisingly small addition of two and a half millions to our annual liabilities, on account of debt, since the year 1840, cannot be reasonably regarded as matter for severe reproach to the Government of India. Re-

proach! Why, good heavens! the debt of England was increased to the extent of no less than 121½ millions sterling by the American war of the last century; and to the extent of 601½ millions by the war with France during those twenty-four years of unavoidable military expenditure which were closed by the peace of 1816; involving extra annual burdens on the country for the interest payable on its debt, amounting, in the first case, to five, and in the second case to 22½ millions sterling. The present annual charge on account of India's public debt, exclusive of that portion of it which is covered by our Public Works revenue, represents only one-sixteenth or seventeenth of our annual income whilst the corresponding charge for which England is taxed, on account of *her* public debt, amounts to no less than one-third of her annual income.

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"Mr. Forster, however, is not the only one of Her Majesty's late advisers who has recently turned his attention to the finances of India for the purpose of enlightening the constituencies of England, and with very remarkable results. In the month of November last, Mr. Gladstone addressed a large public meeting at Edinburgh, and on that occasion he is reported to have made the following statements:—'The expenditure of India,' he said, 'during our time (that is to say, during the time of the late Liberal Ministry) was £50,400,000 on the average; it was £49,200,000 for our last year in office, and I know it has now risen to £58,970,000 or very nearly £60,000,000.' Now, I do not know whence Mr. Gladstone obtained the figures. At any rate, they are not those recorded in our accounts. The last year of the Liberal Ministry was the year 1873-74. The total recorded ordinary expenditure of that year was £51,406,921. The last year of which the accounts had been closed at the time when Mr. Gladstone spoke was 1877-78. The expenditure in that year was £62,512,388. Thus, although Mr. Gladstone's figures do not agree with those recorded in the accounts of the Government of India, still no doubt the fact remains that an increase of eleven millions is shewn in the accounts of our expenditure. My Hon'ble colleague Sir John Strachey has already explained that of these eleven millions no less a sum than eight and a half millions is due to entries on both sides of the account under the heads of Railways, Provincial and Local Expenditure; and that, consequently, to that large extent the increase is purely nominal. There remains, then, an actual increase of two and a half millions; and this remaining increase is due to two causes, for which, I must be allowed to say, neither the Government of India, nor any English Ministry, can fairly be held responsible. These causes are famine, and the depreciation of silver in relation to gold. Famine-expenditure and loss by exchange amounted, in 1873-74, to £4,851,203. In 1877-78, they amounted to £6,999,152, constituting an increase of more than two millions sterling. I am, therefore, unable to find in the ascertained facts and verified figures of the two periods any foundation for the inference drawn by Mr. Gladstone from his comparison between them, namely, that the expenditure for which the present Ministry is responsible exceeds by ten millions sterling the amount of the expenditure incurred in India under the late Liberal Government. I have not, however, allowed myself to be hastily satisfied with this conclusion. Mr. Gladstone, speaking on questions of finance, whether India or English, speaks with the undoubted weight, and I must be allowed to add with the serious responsibility, of an unrivalled authority on such questions. Not only my respect for the eminent position and splendid talents of that Right Hon'ble gentleman, whose high reputation must be precious even to his political opponents, but also, I will frankly add, my reliance on the fairness and generosity of his character, have induced me to examine with great care the facts and figures in dispute between us. And as these do not concern my personal reputation only, but also the interests of India and the character of her Government, I shall not be deterred from recording the result of that examination by the unavoidable invidiousness of presenting comparisons between the Government of India under my own administration, and under that of my distinguished predecessor, the Earl of Northbrook. I feel assured that the noble Earl will acquit me of any intention to disparage his great services and high character; and, indeed, I expect his sympathy in the distasteful task imposed upon me by his illustrious political leader. Lord Northbrook assumed charge of the Government of India on the 3rd of May, 1872; and he relinquished it on the 12th of April, 1876. Her Majesty's present Ministry came into office on the



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22nd February, 1874. I have therefore taken, for the purpose of comparison, the actual expenditure of this country for each year from 1872-73 to 1878-79, and the estimates for the years 1879-80 and 1880-81; and I find that, excluding expenditure incurred on account of famine-relief and loss by exchange, two items obviously not under the control of any Indian administration, the total net expenditure of the Government of India during the four years of Lord Northbrook's administration, that is to say, from 1872-73 to 1875-76, amounted to the sum of £146,940,546, and the total net expenditure of the Government of India during the four years of my own administration, that is to say, from 1876-77 to 1879-80, has amounted to the sum of £147,469,508. It will thus be seen that the total net expenditure during the last four years exceeds the total net expenditure of the four preceding years by only £528,962, that is to say, little more on the average than £130,000 a year. And this excess is much more than accounted for by the growth of our military expenditure, to which I shall presently advert. For the estimates of the year 1880-81, I take no credit. My noble friend the Earl of Northbrook will, I feel sure, be just as little surprised as I am myself at the proof furnished by the figures I have mentioned, that the accession of a new Viceroy cannot practically impart any immediate impulse to the ponderous wheels of the administration of this great Empire, even should that impulse assume the acceptable and unwonted form of an excess of extravagance. Speaking for myself, I will only say that, though duly conscious of this obvious fact, I was not prepared to find, from any comparison of the last eight years, so satisfactory an illustration of the steadiness of our financial administration as a whole. It gratifies me, and I trust it will equally gratify the Right Hon'ble gentleman who has afforded me the opportunity of recording these facts, to find in them proof so conclusive, and so reassuring, that the good administration of the finances of India is not dependent on the political opinions of Her Majesty's Government for the time being. Doubtless the Right Hon'ble gentleman was misled by that change in the form of our accounts which Sir John Strachey has already explained. The only other point to which I need further refer in connection with the Right Hon'ble gentleman's remarks at Edinburgh is the increase in our military expenditure. That increase is unquestionable, and by no one is it more regretted than by me. It began under Lord Northbrook's administration. The estimates for 1876-77, prepared by that noble Earl before his departure from India, provided for a net expenditure, upon the army of £15,101,000. The actual net expenditure, however, turned out to be only £14,866,639, which was, nevertheless, an increase of £603,791 over that of the previous year. This increased expenditure has since then been somewhat further, though not largely, augmented by the high prices due to famine. In the present year the charge for it is £15,487,000, and for the coming year it is estimated at £15,330,000, thus barely exceeding the actual net charge in 1869-70. No one knows better or appreciates more highly than I do the constant personal attention devoted by the Earl of Northbrook to the reduction of military expenditure: and, without now troubling the Council with any detailed explanation of its increase in the estimates framed by the Government of the noble Earl, I can confidently assert that those causes were beyond the control of the Government of India.

"Mr. Gladstone, however, in a recent pamphlet has recapitulated and specified his accusations against our financial administration. I quote them in his own words—'I have alleged,' he says, 'as follows:—

"1. That if for a few years more—say through a new Parliament, for which the Ministry are inviting a renewal of their power—the finance of India is to be handled as it is now handled, the people of this country will probably have to undertake themselves the charges of Indian Government, and the 134 millions of the Indian debt.

"2. That to match the deficit of six millions for this country, the Ministry already show another deficit of (about) six millions for India.

"3. That at a time when, owing to whatever cause, there had been a vast increase in the expenditure of India, and its finance was most critical, the Ministry chose that time for a policy both of dishonour and of wanton and destructive war in Afghanistan.

"4. That having created by severe taxation a fund of famine-insurance (one million and a half), with the most definite and solemn pledges to the people of India as to the exclusive application of it to the relief of famine, they have diverted the great bulk of it to the prose-

cution of this destructive war, and have applied £200,000 or more to the remission of duties upon imports.

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“6. That there is now a widespread belief that the real cost of the Afghan war has not been made known to the country, among other things, that stores and *materiel* have been largely consumed and not replaced; and that I mentioned the allegation in order that it might be contradicted from authority.”

“Well, the Right Hon’ble gentleman’s first sinister prediction has been, I trust, sufficiently refuted by the statement to which we listened last Tuesday, and I cordially re-echo Sir John Strachey’s repudiation of any desire on the part of this Government to throw the burdens of India, or of India’s administration, on the people of England. The question whether India or England should pay the expenses of the present Afghan war must be considered in connection with the far wider question whether the British rule is or not beneficial to India. If England is ruling India for the advantage of British interests only, and without any reference to India’s own welfare, then unquestionably England alone should pay for the protection of her Indian possessions. But, if the British rule is maintained with due regard to the interests of India, and if that rule is presumably more advantageous to India than any other rule which could be substituted for it, then India, if she has the means, should assuredly bear all the charges which are requisite for her maintenance and preservation as a great State, including the cost of wars for the security of her frontiers. To distinguish between paying for the maintenance of an army and paying for the employment of that army in the performance of the duties for which it is maintained, is not only unreasonable but impossible. It is the frontiers of India, not the shores of England, that have been threatened by the advance of Russia and the hostility or treachery of the two last Amirs of Cabul. It is for the safety of India’s provinces, not for the defence of the British Isles, that war is being waged. My Hon’ble colleague has pointed out that circumstances might conceivably occur, in which India would, perhaps, be required to take up arms for a cause in which she had no special interest of her own; and that in such cases England would be rightly liable for the cost of India’s armed co-operation. But in a war undertaken solely for the security of India’s own frontier, no one can justly affirm that the interests involved are exclusively English, or that they are not directly and materially Indian. This, at least, can only be affirmed with any show of reason on the assumption that the downfall of the British power in India would be either beneficial or immaterial to India. All argument as to the justice or expediency of the war, and all remarks about the people of India having had no voice in it, are absolutely and obviously beside this question. The acts of a Government are the acts of the State, whether the administration of that State be republican, monarchical, absolute, national, or alien. Those who affirm that India should not pay the expenses of the Afghan war, because that war was the unjustifiable act of a wicked Government, or because her people have had no voice in the matter, might as reasonably urge that the people of France should not pay the cost of the Franco-German war, because the Government of France unjustifiably attacked Germany; or that the people of Russia should not pay the expenses of the war lately waged by their Government against the Sultan of Turkey, because Russia is ruled by an absolute sovereign, and her tax-payers have no voice in the conduct of his policy. It is, I trust, scarcely necessary to point out that, if England profits by her association with India, India also profits by it, at the very least, to an equal extent. That association gives both England and India a nobler place among the nations of the world than either of them could separately hold; but so far as regards the purely domestic and material advantages of their union, it is assuredly India that is the greater gainer by it. Her peace at home and security abroad are guaranteed by it. And what constitutes this guarantee? It is not the comparatively small garrison of British and Native troops maintained in India—a force which, in proportion to the population, is less than the force maintained for similar purposes by any known State,—it is the vast reserve of military power and appliances of all sorts, war-materiel, arms of precision, &c., which India owes to her connection with England. And if we regard from a purely monetary point of view the benefits which this connection confers upon India, be it remembered that India is at this

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moment reaping in peace and security (for the development of her steadily expanding resources and the satisfaction of her growing commercial requirements) all the advantages derived from many thousand miles of railway, which, under any Asiatic Government—such for instance, as that of Persia or China, or the old Mogul Power—she would have either gone without altogether, or obtained only by paying for them the ruinous rates of interest at which alone Asiatic Governments can raise money. The only ground, therefore, on which India could ask England to pay the expenses of the Afghan war would, I repeat it, be the ground of charity. Her position would be that of a poor country appealing to a wealthy one for eleemosynary aid in dire distress. I can imagine nothing more unjustly humiliating to India; nothing more degrading to the dignity of her Princes, more corrupting to the character of her people, more destructive as my hon'ble colleague rightly pointed out, to all ideas of self-reliance or self-respect. Nor can I imagine anything more certain, in the end, to subject India to incessant English interference of the most vexatious and mischievous character. She would soon become a *corpus vile* for the ruthless experiments of administrative quacks, or an arena for the reckless antagonisms of political parties. No, the suggestion to transfer to the English tax-payer the burden of this Indian war, however admirable may have been the motives in which it originated, has, I am convinced, been used insidiously by many whose real object is, not to relieve Her Majesty's Indian subjects, but to embarrass Her Majesty's English Government.

“The deficit of six millions assigned to us by Mr. Gladstone is a purely imaginary deficit. It is, I am aware, maintained by some persons that our expenditure on productive works should be charged against revenue, and that if it were so charged our finances would be in a constant condition of deficit. I regard this proposition as unreasonable, and I think that the calculations on which preceding Governments (including that of Mr. Gladstone himself) founded their decision that the Government of India could safely and advantageously borrow a certain sum annually for the construction of *bond fide* productive works were thoroughly sound calculations. I am not, indeed, prepared to deny that the exclusion of expenditure on productive works from ordinary charges was, at first, extended to some works which ought not to have been constructed out of borrowed funds. But I can truly say that the present Government of India, and the present Government of Her Majesty, have strenuously endeavoured to maintain the principle we approve, by including in our charges against revenue every public work which cannot, with confidence, be expected to pay both its working expenses and the interest on the capital invested in its construction. Reference to the Abstract No. 11 attached to my Hon'ble colleague's Financial Statement will show that, whilst the interest and working expenses on productive public works amount in the regular estimates for 1879-80 to the sum of £8,676,000, the revenue derived from those works is £8,090,000, whilst for next year we estimate that revenue at an amount which will exceed the expenditure on these works by £313,000. Thus, no permanent burden is thrown upon the tax-payers of India on account of public works constructed for the development of her resources; and the exclusion of the capital-expenditure on their construction from charges against revenue has been, I think, fully justified. My own confident expectation is that, not only will these works involve no permanent burden on the Indian tax-payer, but that they will also yield, ere long, a surplus-revenue, which may facilitate the further reduction of taxation. Fairly excluding, therefore, this expenditure from charges against revenue the result is—that after meeting all extraordinary charges for war, inclusive of frontier-railways, to the amount of £9,250,000, extraordinary charges for famine amounting to £14,607,000, and loss of revenue from famine amounting to £3,000,000, that is to say, after meeting extraordinary claims upon it to the total amount of £26,857,000, our revenue for the ten years ending 1880-81 will have been only £967,000 less than our expenditure, as shewn in Sir John Strachey's Financial Statement. But, if we exclude from the account this extraordinary expenditure on account of war and famine, including loss of revenue from famine, it will be seen that we should have had a surplus-revenue of £25,890,000, while, again, if we exclude loss by exchange, that surplus would have been swollen to no less a sum than £43,165,200, that is to say, more than £4,000,000 a year.

"Now, I am not here concerned with the wisdom or the wickedness of the steps taken by this Government, in consequence of the hostile alliance formed by the Court of Cabul with the Russian Power. Nor will I discuss the question whether it was practically in our power to choose our own time and opportunity for hostilities forced upon us by the Amír's rejection, first, of our Mission, and then, of our ultimatum; but I think I have shown that, in any case, the war in Afghánistan was not deliberately undertaken at a time when our expenditure had largely increased, or when our finances were in a most critical condition.

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"Mr. Gladstone's allegation that the additional revenue created by severe taxation has been diverted from the purpose to which we had solemnly pledged ourselves to apply it in all circumstances exclusively, is founded on a misconception which has, I grieve to say, been so general that, much as I may regret, I cannot certainly resent, the ready credence given to this charge by that Right Hon'ble gentleman. The copious explanations contained in the Financial Statement made to this Council last Tuesday were not before Mr. Gladstone when he re-echoed this indictment against us. I can only now repeat that, even previous to the reductions which have been made in it, the taxation referred to by Mr. Gladstone was not, in my opinion, severe. But that it is now severe, it seems to me impossible for any one to assert with seriousness. Those who object to all direct taxation may reasonably object to these taxes on that ground, and others may object to them on the ground that they are unscientific or illogical; but I am unable to perceive how any man can fairly object to them on the ground that they are severe. As regards the alleged diversion of our famine-surplus from the purpose for which it was raised, I think that my financial colleague has sufficiently shown that there has been no such diversion of it. The Government of India, when defining that purpose, distinctly repudiated any intention of regarding, or treating, the proceeds of famine-taxation as a separate fund, or a branch of the revenue in any wise differing, as regards the financial conditions of it, from the funds required for the administration of justice, the maintenance of military establishments, the provision of public education, or any other recognized permanent claims upon the revenues of the State. It is true, indeed, that the construction of certain kinds of preventive works indicated by me in the speech referred to last Tuesday by my Hon'ble colleague Sir John Strachey has been checked—I trust not permanently checked—by orders from the Secretary of State to which I will hereafter more fully refer. But I maintain that there has been no breach of faith in our employment of the revenue raised either from the land-cesses or from the license tax; no diversion of this revenue to any purpose other than that to which the Government was pledged to apply it; and no failure, financially speaking, in the complete accomplishment of the object for which these taxes were imposed.

"And now I come to Mr. Gladstone's last allegation. It is that we have deliberately falsified our military accounts, in order to conceal the real cost of the Afghán war. Now, I need not remind this Council that the Government of India is not a party Government. I hope it will never become a party Government, and in the interests of this country I cannot too strongly deprecate attempts to treat Indian questions as party-questions. But, even with every allowance for the invariable, and doubtless unavoidable, exaggeration of party-oratory addressed to large popular audiences, I must really express my astonishment that a Statesman whom we all know to be himself incapable of deliberately sanctioning or abetting financial dishonesty, should have stooped to pick up, and fling, such a charge against the Government of India. Had that Right Hon'ble gentleman been the object, instead of the exponent, of it, I should not, for my own part, have hesitated to denounce it as an incredible calumny. When Mr. Gladstone endorsed this allegation, he must have been aware that it was not then in the power of the Government of India to show on its accounts the actual and yet unascertained cost of its military operations. Our estimates, so far as it has hitherto been possible to verify them, have proved to be remarkably accurate; and for this we are greatly indebted to our able Accountant General in the Military Department,—Major Newmarch. One fact, however, these estimates already place beyond question. So far from seeking to conceal the real cost of the Afghán war, we have not only included

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in our military accounts all stores, and *matériel*, the amount and value of which it has been possible to ascertain, but we have also, under orders from the Secretary of State, actually charged as war-expenditure the cost of frontier railroads, lines of telegraph, postal communications, and other similar items of expenditure, much of which we had contemplated in times of peace and should probably have been in any case obliged to incur at no distant date,—expenditure which will, I trust, be of permanent benefit to the country.

“So much for these accusations. The facts and figures which illustrate the comparative financial position of India at different periods are open to any one who will take the trouble to examine them. My Hon’ble colleague was fully justified in the observation he made last Tuesday, that few countries now publish such full and accurate accounts as India. Not only do our abstract-statements of account contain an unusual amount of financial information, but they are also accompanied by elaborate and detailed explanations of the more important variations in every item of revenue or expenditure, together with a mass of other statistical information bearing on the finances of the country. In point of fact, what is, I believe, most commonly complained of in our financial accounts, is that they contain more information than the public cares to receive. I am far from saying, however, that a perfectly correct comparison of our financial position, during different periods, and under different administrations, is an easy task. On the contrary, I believe, that in such comparisons absolute accuracy and completeness are rendered almost impossible by the nature of the case. A mercantile company or firm, for instance, or any owners of property involving the annual receipt and disbursement of money, when desirous of comparing their present with their previous position at any particular period, would take account, not only of their incomings and outgoings, but also of the amount and quality of their stocks, in other words, the present value of their property at such particular periods; and thus they would include in the comparison. Now, a great Empire cannot take stock like a private firm; yet, without such a comparative valuation of the national stock at different periods, it is impossible to form any correct idea of the comparative wealth of this Empire during those periods. To estimate correctly our present financial position as compared with that of ten, twenty or forty years ago, it would be necessary to ascertain the comparative value now, and then, of that splendid property which we call the Indian Empire. Every railway, every canal, every road, every telegraph, every military work for the protection, and every civil building for the better administration, of the country is an asset of this great national property. Were it possible to make the comparison thus completely and correctly, the Government of India would assuredly have no reason to shrink from it. The increase during the last thirty years, in the value of India as a State property, is incalculably great; and it could not have been effected without the investment of public money either derived from the revenues of the State or borrowed or guaranteed by Government for the purpose. In this respect, India differs essentially from every other country possessing a civilized Government, and it is this feature peculiar to her administration which is so frequently ignored by the superficial critics of Indian finance; yet, without the most careful recognition of it, Indian finance is unintelligible. Where will you find any parallel to the case of a Government which, in the shape of a rent-charge, rather than a tax, receives more than twenty millions as its share in the produce of the land; nine millions of revenue from public works constructed at its own cost, and ten millions from the monopoly of one of the great staples of the country; a Government which is therefore called on to expend annually vast sums of money on the direct improvement of the land and its resources, and to undertake, as public services, expenses usually provided in all other civilized countries out of private funds.

“Now, in the course of these remarks, I have said more than once that, before concluding them, I should take occasion to refer to that programme for the rapid and uninterrupted prosecution of works specially designed for the mitigation or prevention of famine, which I explained to this Council in connection with the Financial Statement of 1876-77, and to which reference was made last Tuesday by my Hon’ble colleague Sir John Strachey. It was certainly my hope that, by this time, I should have been enabled to announce considerable progress made in the prosecution of that programme, with the assistance of the Provin-

cial Governments on whose intelligent co-operation its successful completion must always be dependent. It is with great and deep regret that I acknowledge the disappointment of that hope, but its disappointment is not due to any change in the public works policy of the Government of India, or to any want of sympathetic co-operation from the Provincial Governments in what I still regard as an undertaking of the highest and most pressing importance. It has been caused by orders from the Secretary of State, which, in any case, it would have been our duty to obey, but which, in the present case, have been rendered doubly binding on our obedience by the fact that they are in accordance with the conclusions arrived at by the Committee of the House of Commons lately appointed to enquire into the subject of Indian Public Works. The Secretary of State has largely reduced our authorized expenditure on productive works, coupling that decision with very stringent conditions as to the character of the works which this Government is allowed to construct by means of borrowed capital,—conditions which exclude from that category a great number of the preventive works I conceive to be most requisite as insurances against famine. I do not think the Government of India can fairly complain of these restrictions on its public works expenditure, *provided* they are temporary *only*, and conditional on annual revisions of the financial resources, as compared with the agricultural requirements, of the country. I trust that they will not be permanent, for I regard public works, if well selected and constructed in accordance with sound financial conditions, as the greatest national benefit which British rule can bestow upon India. But for the present, at any rate, these temporary restrictions have at least facilitated the improved organization of our public works expenditure, and the reduction, not a day too soon, of our overgrown public works establishments. Nor, in spite of these restrictions, has the preparation of our programme of preventive works been abandoned. Projects for the construction of light cheap railroads have been, and are being, prepared. Some of these railroads are already commenced. Others have been surveyed and estimated; and we shall continue our preparations for an extended scheme of cheap railway-communication, so that it may be ready for execution whenever we are in a position to undertake it with the sanction of the Secretary of State.

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“ I think that the Government of India may still record with satisfaction the results which, in these circumstances, it has already achieved. The country at present possesses 8,724 miles of railway, which by the end of next year will, we anticipate, be increased to 9,712 miles. It has been furnished with 17,971 miles of completed telegraphic communication, which will, next year, be increased to 19,108 miles; while the area directly served by artificial irrigation will then be not much less than ten millions of acres. For future years, we have under preparation a programme suited to our restricted expenditure, but capable of immediate expansion whenever the limit is enlarged. Up to the end of the year 1880-81, the capital expenditure on railways, telegraphs and canals will have been as follows:—

“ On railways, under the Government guarantee of a minimum rate of interest, £66,516,000 will have been spent. From what is called productive public works grants, we shall have spent £64,800,000; and this sum includes the purchase-money of the East Indian Railway. A sum of £4,651,000 will have been spent on railways from the ordinary annual revenues; and as regards telegraphs, we shall have spent upon these £4,792,000, also from ordinary revenues. Upon canals, £12,680,000 will have been spent from the productive works grant, £7,619,000 from ordinary revenues, and £1,000,000 of guaranteed capital, besides £600,000 lent to the Madras Irrigation and Canal Company. Thus the total expenditure on these classes of productive works has been close upon £163,000,000 sterling. The burden on the tax-payers caused by this enormous expenditure is, as I have already shown, rapidly disappearing.

“ The saving we expect to make by recent reductions in Public Works establishments, together with travelling allowances and other contingent charges, will amount to nearly half a million sterling per annum. I may here mention that the Central establishments of the Imperial Government have not been exempted from these reductions. The reduction effected in the Public Works Secretariat of the Government of India, and in the office of railway-administration, is not far short of £7,500 in the pay of officers alone, whilst

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another £8,000 will be saved by not filling up the vacancy caused by the retirement of the Public Works Member of Council. To these amounts must be added the saving in contingencies which necessarily accompanies reduction of establishments. As a complement to the statistics of our nett expenditure presented to this Council by Sir John Strachey, I have requested Mr. Chapman to lay upon the table a statement of our nett revenue during the years 1868-69 to 1880-81. I will not now trouble the Council with all the details of that statement; but I may say that it shows in every branch of our revenue an elasticity not commonly attributed to the financial resources of this country. The only items in which there is any noticeable decrease are the assessed taxes, the inland sugar-duties, which we have abolished, and the customs-import-duties. The revenue from land has increased by one million; that from opium by about a million and three-quarters; the excise on wines and spirits by nearly three quarters of a million; salt by nearly a million and a half; stamps by three quarters of a million. Altogether, the average nett revenue of the two years 1878-79 and 1879-80 exceeds by more than six and a half millions the average nett revenue of 1868-69 and 1869-70; and the average nett estimated revenue of the three years 1878-81 exceeds by more than five and three quarter millions the average nett revenue of the three years 1868-71. Nor does a detailed examination of this statement suggest any misgiving that this great improvement in our revenue is the result of oppressive taxation or a scourging fiscal system. Although there has been, since the year 1869-70, a great increase in the public revenues, it is undoubtedly due to a steady growth of national prosperity, largely resulting from improved administration, and healthfully exhibiting itself in the even expansion of all the great sources of income. It has not been caused by the imposition of new taxation. The salt tax, no doubt, has been increased to some of our population, but it has been simultaneously reduced to an immeasurably greater number of that population; if provincial rates have been imposed, customs-duties have, on the other hand, been taken off, which yielded a larger revenue; and, in lieu of an income tax, which in 1869-70 produced a million, and in the following year nearly two millions, sterling, we have now a license tax, expected to produce next year only half a million.

"Now, when this Government is charged with having, in wanton and criminal disregard of the great interests committed to its care, insidiously sought occasion for that war which we first undertook, God knows, in reluctant recognition of its unavoidable necessity, and solely for the preservation of the splendid national heritage I have now endeavoured to describe,—a war of which the renewal has been forced upon us by the flagrant violation of most solemn treaty-obligations, and the cruel massacre of our whole Mission at Cabul,—when, I say, this odious charge is made against our character as Englishmen, and our conduct as Indian administrators,—I am content to ask all those whose common sense is still unbiassed, to consider, first, the startling magnitude of the war-power and material which Sher Ali, as the world now knows, had long been accumulating and organizing on our immediate border, at a time when we commanded not a single one of its mountain-passes; and then, to reflect on the ruinous condition of chronic panic and unrest, the intolerably increased burden of permanent military expenditure, which we should have bequeathed to India, if, when fully warned of her danger, we had left this great and growing war-machine planted on the very threshold of her Empire, not only at the uncontrolled command of a Prince avowedly hostile to her, but also under the established influence, and undisputed direction, of that despotic and aggressive military Power which has for years been steadily advancing to her gates.

"In the presence of His Excellency the Commander-in-Chief, whose personal organization, and constant supervision, of all its operations have so greatly contributed to the successful results, thus far, of a war which will soon, I trust, be satisfactorily finished, it would be presumptuous in me to make any comment on the military conduct of it. But I esteem it nothing less than an imperative, though it is also a congenial, duty, to take this, the earliest opportunity in my power, of vindicating, from the cruel aspersions lately cast on it, the high character of that fine soldier, and true gentleman, Sir Frederick Roberts. To all who have the privilege of being intimately acquainted with General Roberts, the marked humanity of his character is well known. The armed mission on which that officer went to Cabul was primarily, and essentially, one of stern retribution. He has been accused of indiscriminate severity

in the discharge of the painful task imposed on him. The number of those who instigated the massacre of Sir Louis Cavagnari and his companions we shall probably never know. The number of those who participated in that crime we cannot accurately estimate, but it may certainly be reckoned by hundreds. The total number of persons tried at Cabul, under the authority of General Roberts, for that crime, and on other charges, was 163. The total number of persons executed under his authority was 87. But it has been alleged that some of the persons thus executed were *bond fide* combatants, punished by General Roberts under a cruel and fictitious charge of rebellion, for no worse deed than the defence of their country. It is with great satisfaction that, on behalf of General Roberts and this Government, to which he has rendered a strict account of his proceedings, I deny the truth of that allegation. The fact is, that no combatant, or non-combatant, has been put to death by General Roberts on any mere charge of rebellion, or for openly bearing arms against us; no man has suffered death under any charge not punishable with death by the ordinary practice of civilized warfare, or without the fullest trial compatible with the inevitable conditions of martial law in a barbarous country under hostile occupation. General Roberts has explained that his reason for offering rewards for the apprehension of the men who fought against him at Charasiab, and who were declared by the Amir to be traitors to himself, was the knowledge that the assailants and murderers of the Embassy were to be found in their ranks. But not one of those men has been executed unless, and until, the Court which tried him was satisfied by the evidence before it that he had either participated in the attack on the Residency or committed some other crime to which the recognized usages of war apply the penalty of death. To rummage amongst the refuse of hearsay for every crooked pin, dropped there by the recklessness of rumour or the rancour of personal spite, and then to employ these ignoble little weapons in scarifying the character of men who are labouring to serve their country in conspicuous positions of constant anxiety and tremendous responsibility,—this, I must be allowed to say, is not merely cruel, it is essentially cowardly. Neither a swaggering patronage of the public conscience, nor ostentatious professions of a superior personal morality, never tested by the dread conditions of responsible public action, can mitigate or conceal—in my opinion they seriously aggravate,—all that is either frivolous or despicable in such conduct.

“I have but one word more to say about the Afghán war. It is with astonishment that I read, four days ago, the assertion reported to have been made in Parliament by a noble Duke, that the Government of India, or some of its members, had communicated to the Press confidential orders received on the subject of this war from the Secretary of State with the ‘object of raising excitement in India,’ and ‘exciting the Indian services against the decision of Her Majesty’s Government;’ and that I myself, with a similar object, had circulated in England ‘an elaborate document recommending measures much more severe and violent than those approved of’ by the Queen’s responsible advisers; furthermore, that an article lately written by Sir Henry Rawlinson on the subject of the Afghán war was written in communication with the Viceroy, as a manifesto on my behalf against Her Majesty’s Ministers, whose policy it is my clear duty, as it is certainly my earnest desire, to carry out in this matter. Had I been guilty of any such conduct, I should, indeed, have been unworthy of the high office which I hope to transmit uninjured and unsullied to my successor. But, whilst giving to these incomprehensible assertions the most unqualified contradiction on behalf of my colleagues and myself, I now declare that neither between the members of the Government of India, nor between this Government and Her Majesty’s Ministers at home, is there any conflict of opinion or purpose respecting our relations with Afghánistan, or the prosecution and objects of the war imposed on us by the condition in which we found them. It has been, it is, and it will, I feel sure, continue to be, our unanimous desire and unceasing effort in loyal co-operation with each other, and complete concurrence with the Government of Her Majesty to bring this unsought war to the earliest conclusion compatible with the honourable and secure attainment of the purely defensive objects for which it is being waged.”

The Motion was put and agreed to.

The Hon’ble SIR JOHN STRACHEY then moved that the Bill as amended be passed.

The Motion was put and agreed to:

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## LICENSE TAX, 1880-81.

No. 293.] *Note upon the possibility of further taxation in India, by the HON'BLE B. W. COLVIN, dated 17th September 1880.*

The revenues of India, notwithstanding much that has been said and written to the contrary, are far from being unsatisfactory at present, or discouraging for the future. The growth of the public income, with very little aid from new taxation, has been constant and even rapid. In saying this, I refer to the net increase in the receipts, and not to the gross revenue, the figures of which are deceptive, and have misled more than one critic. The gross revenue has indeed increased, during the last 20 or 25 years, from about 34 to upwards of 64 millions sterling. But much of this increase is apparent only, and represents no real addition to the resources of the country; the total having been otherwise augmented. A considerable part of this augmentation is due to a change in the manner of rendering the accounts. Under certain heads, these used formerly to show only the net receipts after deduction of the charges belonging to them, such as those for interest, collection, refunds, allowances, and the like. Now, the gross receipts are shown under all heads; the charges being debited on the other side. Since 1858, also, an alteration has been made in the exchange value, for purposes of account, of the Rupee. This is now taken at 2s., instead of 1s. 10½d., which was the previous rate, and the equivalent of Indian money in pounds sterling has consequently been raised by one-fifteenth. Another large portion of the increase has been caused by territorial acquisitions, which bring with them their corresponding charges, and those charges must be subtracted in estimating the actual gain to the treasury. Besides this, both the income and expenditure of later years are swelled by the addition of a sum of about 8 millions sterling under the head of Productive Public Works, that is to say, canals and railways, on which very little capital had been expended 20 years ago. Since 1878-79, again, some 2 or 3 millions sterling have been added to the total receipts by the incorporation in the general account of the Local Funds, the transactions in which had, till then, been recorded separately. All these changes in the accounts have added little less than £25,000,000 to the receipts. It is evident, therefore, that any comparison of the gross income of present and former times will be altogether delusive. In order to ascertain the real growth of the revenue, we must look at the net figures only. These, as recently published, show that the actual growth of the public revenue in India, during the period of rather more than 20 years, which has elapsed since the mutiny, has been about 15 millions sterling—a rate of progress which may fairly challenge comparison with that of most civilised countries.

On the other hand, it is shown that the expenditure has kept pace with the revenue, having increased, like it, by some 15 millions.

The greater part of this increase in the expenditure is caused by new charges which have either been inevitable, or are the result of a natural expansion which could not be checked, without incurring worse evils than the cost of providing for it. The interest on the debt of the country has risen by about £2,700,000, of which probably not less than £2,000,000 are a charge bequeathed by the Mutiny of 1857. The large sums now spent on the relief of Famine, and the considerable increase under the different heads, which may be grouped together as pertaining to the Civil Administration, must be set down to the rapidly extending requirements of a rule which is yearly becoming more civilised and humane, and to the great and steady rise in prices. The addition to the cost of the Army can hardly be called unavoidable, but the Government of India has hitherto failed in its endeavours to diminish it. The loss of 2 or 3 millions by exchange is also a charge for the reduction of which we may hope, but to which we must apparently resign ourselves, whilst it lasts, as inevitable.

Neither under these, nor under any other of the heads on the debit side of the account, can any great economy be expected. Strenuous efforts have

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been made of late years, and with considerable success, to reduce expenditure. It is possible that something more may still be accomplished in this direction; but, except in the item of Military charges, no savings that can be hoped for are likely to make any material improvement in the finances of the country. The present charges on account of the Army can, no doubt, and ought to be reduced; but it is impossible to reckon confidently upon such a reduction being soon effected.

Some of the existing sources of revenue may, doubtless, hereafter prove so much more productive as to make considerable alteration in the balance between income and expenditure. I do not by any means take a gloomy view of the resources of India. On the contrary, I believe that they are ample for the ordinary needs of the country, and that India is not less able than other countries to defray her extraordinary expenses. But without looking into the more distant future, the gradual and normal increase in the revenue, which now takes place at the rate of about one-third of a million per annum, is hardly more than enough to meet the present growth in the requirements of the State. If these requirements should be largely added to, or if a new and important charge should have to be provided for, it may be found that the income derived from existing sources cannot be much improved except by imposing new, or extending old, taxes. The land revenue, to begin with the principal item, can only be altered when the terms of existing settlements come to an end, and cannot be raised at pleasure. A large addition has lately been made to the local cesses, and, though they still form a valuable reserve for the future, no further revenue can be looked for from them for some time to come. The customs revenue, it need hardly be said, must decline, now that its tap-root has been cut. It would not be possible, I believe, even if it should be thought advisable, to restore the import duty upon cotton. Supposing this were possible, little would be gained beyond the amount reimposed on that one article, because the yearly development under this head has always been slow, and because the tariff rates cannot be raised without lowering the revenue. Again, it is out of the question, for some time to come, to raise the duty generally upon salt. The measures taken for equalising this all over India are too recent. Hereafter, no doubt, it will be found that a most important service has been rendered to Indian financiers by the far-seeing and comprehensive reform in the administration of this Department, for which the country is mainly indebted to the present Finance Minister. As communications extend, and the cost of transport further diminishes, the salt revenue will doubtless increase rapidly. But the time for again raising the rate has not yet come. Nor do the excise and stamp duties seem capable of anything beyond the normal increase, considerable as that is, for which credit has already been taken. The former is already levied at as high a rate as is believed to be possible without offering too great a temptation to smuggling; and the general Stamp duties have, within the last two years, been revised and assessed on a scale that will hardly admit of increase. It is true that a similar revision of the Court Fees, which are levied by means of stamps on judicial proceedings, has still to be undertaken; but any change made in them ought to be in the way of reduction, not of enhancement. Nothing, therefore, can be expected from either of these branches of the revenue. Under the head of "Assessed Taxes" an income tax might, no doubt, be substituted for, or added to, the present license tax. Hereafter, I will consider the possibility of making a change of this nature. At present, I am only examining the possibility of augmenting the receipts from actual sources of revenue; and though a considerable addition might be made to the proceeds of the present license tax by merely raising its rate, yet this branch of the revenue cannot be made fully productive unless it is replaced or supplemented by an income tax.

If, then, it should be found hereafter that the balance sheet of India cannot be materially improved, either by reduction of expenditure or by improvement of existing sources of income, how is any sudden and extraordinary necessity to be met? It is obvious that such a necessity may arise at any time. The Government, however reluctant, may be driven to borrow largely. No one can say with confidence that the rate of exchange has yet reached its lowest point. The Opium revenue, steady and assuring as its progress has been,

may fail us: it depends upon causes beyond our control, and there is no certainty that some day it may not cause a worse deficit than silver. From many unforeseen causes, as well as from these, which can be imagined, the revenues of India may fail to balance its expenditure. I will not anticipate a great disaster, such, for instance, as the total collapse of the Opium revenue, which would compel the Government to remodel the whole of its financial system. But I will take the case of a smaller need, like that for which it had to provide a few years ago, when it first recognised the duty of making an annual provision on account of its expenditure on famines. In case of such need, what must be done? Supposing one or two millions sterling of additional revenue are required to place the finances of India on a stable and secure footing, how can they best be provided? If fresh taxation should be necessary, what shape should be given to it? The object of the present note is to examine this question, and to enquire how, in such a case, the resources of the country can, with least injury, be laid under contribution.

The modes of taxation open to us are, unfortunately, not many. Indeed the difficulty of devising new taxes suitable to India is universally recognised. Direct taxes are very unequal in their incidence, owing to the difficulties attending their assessment; and, unless carefully regulated, there is risk of their becoming politically dangerous. Taxes upon consumption, again, are equally unproductive, unless they are levied upon some article of general use. But there is hardly any article that is universally consumed in a poor country like India which is not a necessary of life; and taxation is arrested in this direction by the general poverty of its people. Besides these difficulties, which impede all schemes of Indian taxation, there is another, which is recognised as having hitherto greatly fettered them—I mean the necessity which the centralisation of the finances in the hands of the Supreme Government has, until lately, laid upon those who controlled them, of imposing only such taxes as were applicable throughout the whole country. The obstacles which such a necessity opposes to taxation are self-evident. Owing to the great differences of race, custom, climate, and civilisation in different parts of the Empire, there can be very few modes of taxation which are suitable to the whole of it. Changes, however, have of late years been made in our system of administration, of which advantage may profitably be taken, in order to escape this difficulty, to vary in some degree the means by which the revenue is raised, and to obtain the assistance of local knowledge and resource in finding them. Within the last 10 years, the powers of Local Governments in spending money have been greatly enlarged, and some sources of income have also been placed under their control. The time seems to have come now, when a further step should be taken, and a part of the responsibility for devising, as well as collecting taxes, should be transferred to them.

The advantages of making such a change need hardly be dwelt upon. The absence of any local responsibility for providing ways and means is one of the causes to which the present dearth of financial expedients may be ascribed. So long as Local Governments receive their supplies without trouble, in the shape of an annual allotment, they can have no inducement to seek out and develop local sources of revenue. It is only natural, on the contrary, that they should see also the objections to every project for taxation, and should feel little or nothing of the necessity which may exist for it. If their interest were enlisted in the cause of raising money, they would be more anxious to discover the means of procuring it, and if the money so raised, or a part of it, could be applied to local purposes, their interest would be enlisted in the best manner possible. Again, if more attention were given to local circumstances, the sources of a taxation might be varied, as well as multiplied. A tax that would cause disaffection in one part of the country could often be levied without opposition elsewhere; and an article of consumption, little known or not used in one province, might yield a large revenue in another. A further advantage, and no inconsiderable one, is that experiments in taxation could be safely made on a small scale, which it would be very imprudent or impossible to attempt over the whole country.

I do not seek to undervalue the risks which may attend the delegation of any part of the power of taxation. But I believe that those risks are not so great that they need deter the Government of India from delegating it within

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the very narrow limits by which it must be bounded. Those limits are clearly marked by the nature of the aid that is sought. In the first place the sums required must be small. The funds which Local Governments would be called upon to raise are not those large sums which are required for the great and permanent charges of the country. They are only a margin (so to speak), and a small supplement to them, and their amount should be restricted to what is necessary for that purpose. In the next place the range of such local taxation must be limited by the customary fiscal rules which prohibit Local Governments from interfering with imperial taxation, and with objects of general policy. These rules would also ensure a careful scrutiny of every project of the kind; before it received the sanction of the Government of India. It is probable that schemes for local taxation, originating with Local Governments, and subjected to such examination, would undergo a better and closer scrutiny than the projects which are now initiated by the Government of India, and entrusted to Local Governments for execution only. Within the limits prescribed, there seems no reason whatever to apprehend that Local Governments would be inclined to make an excessive use of the power of taxation, even if the means of controlling any such excess were not ample. They are not more wanting than other Governments in the instinct of self-preservation, and, as a matter of fact, they have never shown any great eagerness to avail themselves of such opportunities of extending local taxation as have been offered to them.

If this proposal to leave Local Governments at liberty to raise their own local funds, or a portion of them, should not find acceptance, it is at least possible that the practice might be extended of allowing them a share in the proceeds of general taxes, such as has recently been given to them in the Stamp and Excise revenues. The principle has been admitted, and further effect might be given to it with benefit to the revenue. Advantage might also be taken of their superior local knowledge, to vary the mode of collecting the same tax in different parts of the country.

Having said this much by way of preface, I will now proceed to examine the suggestions which have been made for new taxes, and, in doing so, will consider their fitness, both as schemes of general application, and as local taxes for provincial or municipal purposes.

I cannot pretend to make a complete catalogue of all the different means of raising revenue which have been suggested for India; but the following list omits, I believe, none of those which have hitherto been thought worthy of serious attention:—

*Direct Taxes.*

- I.—A Succession Duty.
- II.—Fees for Licenses to carry Arms.
- III.—A Tax on Conveyances, Beasts of burden, &c.
- IV.—A Tax on Retainers and Servants.
- V.—A House-tax.
- VI.—A Tax on Marriages.

*Indirect Taxes.*

- VII.—A Tax on Sugar.
- VIII.—A Tax on Tobacco.
- IX.—A Tax on Betel-leaf.
- X.—A Tax on Ghee.
- XI.—Imposts on Chaudhris, or Headmen of trades and crafts.
- XII.—A Duty on Weighments of grain.

*Certain other Taxes.*

- XIII.—The development of Registration into a source of Revenue.
- XIV.—Tolls.
- XV.—A Tax on Auctions.
- XVI.—A Tax on Advertisements.
- XVII.—A Tax on the Sale of cattle and horses.

*I.—A Succession Duty.*

A succession duty, at first sight, has much to recommend it. The amount to be paid on account of such a tax is definite and certain. Its incidence, provided that it can be properly assessed, is equal. It is commonly believed to be levied at a time when its payment is not felt as a hardship. Its collection is not generally expensive. And it is urged that it would not be unpopular in India,

where the people have long been familiar with taxation of a similar kind, under the name of *nuzzurána* or fines on succession.

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A closer examination, however, shows that considerable abatements must be made from these apparent advantages.

In the first place, it is doubtful whether such an impost would be much less disliked than any other mode of direct taxation. It was customary, no doubt, with Native rulers to levy *nuzzurána* on appointment to office, or on succession to revenue-free grants, and occasionally, in emergencies, on succession to assessed estates, when they were held under grants by the sovereign. But it is very questionable whether the succession to ancestral property was ever looked upon as a legitimate occasion for taxation, even in the case of land, and still less so in the case of personal property.

Again, the difficulties in the way of an equitable assessment of personalty in India are extreme. The reasons of this have been clearly shown by more than one authority,—by Sir J. P. Grant, Sir J. Strachey, and Sir H. S. Maine. The last of these (whose paper\* is the latest and fullest on the subject) points out that there is no machinery for collecting the duty in this country. In England a legacy and probate duty is levied without difficulty, because all property must pass, at its owner's death, into the hands of executors and administrators, who have no interest in defrauding the State, and can be used as quasi-public functionaries for the collection of the tax.

Besides this, almost all personal property in England takes the form of investments. These constitute a debt, payable to the deceased person's estate. The law therefore has only to declare, as it does, that no debt due to an estate can be discharged, except by payment to the deceased's personal representative, and the debtor's private interest is at once enlisted on behalf of the public revenue. He will not expose himself to loss, by paying his debt into the hands of any one but an executor or administrator.

In India, these conditions are almost reversed. Personal property, except among the trading classes, seldom takes the form of investments. Capital is laid out, not in scrip, stock, insurances, &c., but in cash, bullion, and precious stones; nor is there any possession of these by temporary representatives, through whom a duty can be collected. They pass, on their owner's death into the hands of his heirs in domestic secrecy, and are not even seen by anybody but the persons interested.

Sir H. Maine's conclusion was, that no approach to fairness could be made in the assessment of such a tax, unless the procedure were made "to the last degree inquisitorial."

A suggestion was made in 1867 by Mr. J. H. Morris, with a view to surmounting this difficulty in the assessment of personalty. He proposed that the succession duty should be reckoned upon the data furnished by the income tax, and a differential rate levied, increasing according to the distance in kinship between the deceased person and his successor. But, even if an income tax were still in operation, the mode of assessment proposed could hardly be satisfactory. Our knowledge of incomes is too imperfect. This might be improved, no doubt, if an income tax were hereafter made a permanent part of our financial system. But, even in that case, an assessment of the tax based upon income would be liable to great errors, as a person's annual receipts can never be more than a very imperfect index to the amount of his accumulated property.

The impossibility of any approach to fairness in assessing personalty seems alone to be an insuperable obstacle to the imposition of a succession duty. Unless personal property can be reached, such a tax would be paid almost exclusively by landed proprietors, and it would not be just to lay the greater part of this burden on them.

It is possible that the changes in the law of probate and administration that are now under consideration may supply better data than now exist for the assessment of personalty; if much use should be made in the future of the optional power which it is proposed to confer under those changes. But the exercise of those powers, if it takes place at all, will be a matter of gradual

\* Minute by the Hon'ble H. S. Maine, dated 12th August 1867.

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and slow extension, and there is no hope of its affording assistance to taxation within any time which can now be taken into consideration.

Another important argument against a succession tax has also been forcibly stated by Sir H. Maine. It has been said that a tax on inheritances is levied at a time when its payment is little felt. But is this true of India? Joint-ownership by families, clans; and communities still prevails largely in this country. When a member of such a community dies, his co-proprietors gain, so far as his requirements for personal expenditure go, but lose by the produce of his labour. In a poor community his earnings usually exceed his expenses, and thus a man's heirs in this country are commonly made poorer, instead of richer, by his death. It follows that the argument that a succession duty is a well-timed tax, which is often untrue in England, is almost always so in India.

Lastly, the authority of the late Mr. Wilson may be quoted to show that the returns from such a duty would probably be very disappointing. In his speech of 1860 on the Income-tax Bill, he said that a succession duty had recently been tried in England, and that the experiment had been an acknowledged failure; its produce not having been more than one-fourth of that which the revenue authorities had anticipated. If this has been the experience of financiers in England, what hope is there of any adequate returns from a succession tax in India?

Mr. Wilson used another argument against the tax which I am now considering. He said that it would fall almost exclusively upon the people of this country, as Europeans hold little land in India, and their money is mostly invested at home. The argument is worth noting, though it is not, perhaps, entitled to much weight. The facts have altered to some extent since that time; and in any case the objection is not very important. Europeans already pay their fair share of taxation; and even if this were not so, an equivalent contribution could be levied from them in some other shape.

Although the arguments against a general succession duty seem to be conclusive, some limited or modified form of such a duty might possibly be found useful for provincial purposes.

Sir H. Maine, in the Minute from which I have already quoted so largely, suggested that a succession tax might be practicable in Lower Bengal. He said that a great variety of interests in the land had grown up in that province, the devolution and transfer of which might justly, and without much difficulty, be made a source of revenue. In Lower Bengal, also, there is a nearer approach than in other parts of India to the English law of probate and administration, together with a greater tendency to substitute the individual for the family as the unit of ownership. The conditions therefore in that province are far more favourable to an experiment of this nature than they are elsewhere. But this suggestion of Sir H. Maine's has lost a good deal of its importance, since the land in Bengal has been declared liable to taxation for local purposes. It now contributes more to the treasury in local cesses than could be obtained from it by a succession duty, and in a manner which I have little doubt is more convenient. Hereafter, though, if it should be wished to raise a further contribution from the moneyed classes only in Bengal, the possibility of taxing personal property in this manner may deserve further consideration by the Provincial Government.

There is one kind of property also which by general consent might be taxed in this form in all parts of the country where it has not already been so assessed—I mean revenue-free and quit-rent estates. Very small properties of this nature, and those that are held on a service tenure, deserve exemption. But a succession duty might fairly be levied on all others. It has been pointed out that a fee so levied, if it helped to secure and maintain the grantee's title, would probably be paid without demur. The yield of such a duty would no doubt be insignificant in itself, but as one of many small additions to the revenue it would not be without its value.

## II.—Fees for Licenses to carry Arms.

The next measure for consideration is a tax upon arms.

The existing law upon the subject (Act XI of 1878) empowers the Government to levy fees upon licenses for carrying arms and, under the power so con-

ferred, uniform fees are now charged annually throughout British India. The present rate is 8 annas for every weapon that is carried in those districts which have been disarmed, and 4 annas for every weapon carried in other parts of the country. These fees are a tax levied upon a desire which is, in most cases, for a luxury. There are, no doubt, a few parts of India, where British subjects are exposed to incursions from turbulent and lawless neighbours, and others, where wild beasts are still so abundant that the inhabitants need arms to protect themselves and their crops from depredation. But the law provides for the exemption from the operation of the Act of these tracts, in which arms are necessary for self-defence. Over the greater portion of India arms are much less wanted for protection than for display. There could hardly be a more legitimate subject for taxation than a feeling like this, and the only objection to the fees which are now levied, is that they are not so high as they ought to be in most parts of the country. Fees uniform for all India, such as are now levied, must be low, in order to bring them within the means of the poorest classes who are intended to enjoy the privilege which they confer. But there is no necessity for maintaining an uniform scale of fees. There are great differences in the wealth of the inhabitants of different provinces, and it is only reasonable that the people of richer provinces should pay fees more in proportion to their means. It would be an advantage also, if the fee varied to some extent with the kind of weapon which the applicant wished to carry. Fire-arms are the most useful weapons for purposes of protection; but applications for permission to carry swords are very common. The applicant in such cases is generally thinking less of his protection than of his importance, and might fairly be called upon to pay a higher fee than the man who requires arms for self-defence. Again, it has been suggested that the rate of fees might justly be raised in proportion to the number of weapons for which a license was taken out by a single person.

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The best way of adjusting the payment to the means of the tax-payer would be to leave the scale of fees for each province to be fixed, within given limits, by its own Government. Such an arrangement would probably double, or more than double, the present returns from license-fees. This increase, although it might not amount to much, would be an useful addition to Provincial revenues, if the proceeds of the tax were relinquished, as they properly might be, to Local Governments.

The objection that Provincial Governments might be tempted to be too lavish and indiscriminate in granting the permission to carry arms, if the proceeds were made over to them, seems hardly to deserve notice. Why should subordinate Governments be less keenly alive than a central Government to the danger of putting arms indiscriminately into the hands of the people? And supposing they were, has not the Government of India ample means of controlling their proceedings, if the licenses for arms remain, as they now are, subject to periodical renewal, and if annual returns of their issue are submitted to the Supreme Government?

### III.—*A Tax on Conveyances, Beasts of burden, &c.*

The two next proposals for taxation, *viz.*, a duty on conveyances, and on beasts of draught or burden, and a tax on servants and retainers, are very similar in character. General taxes of this description were advocated by many persons, to provide for the deficit caused by the Mutiny of 1857; and the proposals are still occasionally spoken of, as if they were suitable for more than merely municipal purposes; though, except from that point of view, they are hardly worth examination. Both imposts are, in their nature, sumptuary, and are indeed little more than varying forms of one and the same tax. I will deal with the proposal to tax conveyances and animals in the first place. In doing so, I must explain that I am only speaking of animals and vehicles which are kept for the owner's own convenience, or for purposes of hire. The project for a general wheel tax, which would extend to all agricultural carts, is altogether a different matter, and will be noticed hereafter.

\* A tax upon conveyances and animals of the kind described would fall upon a luxury; but, as a tax of general application, this is, perhaps, all that can be said in its favour. The arguments against it are, that it would require

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much vexatious inquisition, if any attempt at a fair assessment of it be made; that, even with such inquisition, its incidence would never be other than unequal and uncertain; and that the sums yielded by it, except in towns, would be wholly incommensurate with the difficulties of its assessment.

The nature of these difficulties is readily intelligible. It would be no easy matter, even by a searching and harassing enquiry, to discover all the persons scattered over the country, who kept conveyances and animals for riding or driving purposes, and, when they were found, it would frequently be a nice question to determine whether the animals were kept solely for convenience, or as part of their owner's agricultural stock. The search and inquiry, however made, would offer facilities for constant fraud and evasion of the tax upon the part of the payers, and for corruption and oppression on the part of the inferior officers concerned in collecting the tax, which could not be checked.

As to the yield of such a tax, although no precise estimate of it can be made, quite sufficient data exist to show that it would be insignificant. To give some idea of it, I have obtained the following figures from the Municipal Reports of 1876-77.

In Bengal, during that year, 22 municipalities, with a total population of 661,361 souls, levied, by taxes on vehicles and animals (exclusive of tolls), the sum of Rs. 50,479. This gives an average rate of 12 annas per head of population.

In Madras, 46 towns, with a collective population of 1,95,500 souls obtained from the same source Rs. 96,239 in the year; which gives an average rate of 13 annas per head.

In Bombay, 9 towns, with 319,500 inhabitants, collected Rs. 18,551; or .93 of an anna per head.

I have excluded the Presidency towns and their suburbs from these calculations as their circumstances are exceptional, and would be misleading in endeavouring to frame an average for Indian towns generally. Disregarding these, the average rate in large towns appears to be a fraction over one anna per head of population. In small towns, however, the average would be considerably, and in villages and country-places greatly, below this. It is impossible to say how much less the rate would be; but it would not be difficult, I think, to show that it could never approach to one-fourth of the rate in large towns, and that an average incidence of 3 pies per head would be an excessive estimate. Supposing it to be as much as 3 pies per head, the annual produce of the tax under consideration from all India, with its 190 millions of inhabitants, would not be much more than a quarter of a million sterling.

It seems unnecessary to add anything to these figures in order to show that such an impost, as a general measure, is out of the question for India, and that it must be left, as it now is, for municipal purposes, to towns, in which alone it can be properly assessed.

#### IV.—A Tax on Retainers and Servants.

The proposal to tax domestic servants is open to the same objections as a tax on conveyances, and hardly in a less degree.

The difficulty of assessing such a tax rightly would be just as great. Domestic servants in this country wear no distinguishing dress: they do not habitually reside in their master's house; and they frequently combine service with other employments. It would be no easy matter, therefore, for assessors, even if they were honest and intelligent, to distinguish the persons who were chargeable. But such a tax, if generally imposed, must of necessity be assessed through the agency of every subordinate official; and intelligence and honesty cannot, in that case, be counted on.

Moreover, the proceeds of such a tax, as of one on conveyances, would be too insignificant to justify any financier in disregarding its evils, even if they were less than they are. The people are too poor to keep many private servants, and the number of them, on account of whom a duty could be charged, would be small. The greater part of the menial work in India is performed by servants who attend upon communities, and not upon individuals. The water-carriers, barbers, sweepers, and washermen of India occupy rather the position of tradesmen, who supply the wants of a regular body of



customers, than that of persons in domestic employ. It would be impossible to levy any tax from the employers in respect of such services; and to tax the servants would be to impose a license tax which, if limited to such classes, it would be impossible to justify.

There are no means of making anything like an accurate estimate of the proceeds of a general tax upon servants; but a calculation may be attempted.

The last Census shows rather more than 4 millions of adult males as being engaged in domestic occupations. But this heading of "Domestic Occupations" embraces many classes, besides that of personal servants. It includes, no doubt, the persons that have been described above, as serving a number of employers. Again, persons engaged in every kind of private service were entered under this head, and the word "service," especially in this country, is used of many employments which are not menial, and would not be taxable. It seems pretty clear also that, in the North-Western Provinces, almost all officials in the employ of the Government, probably 100,000 persons, have been erroneously classed under this head. It is impossible to correct these errors with any attempt at arithmetical precision. But, judging from the Census figures, perhaps one-third may be deducted from the total, on account of the classes who perform domestic service, but are not in private employ. If it be assumed that the errors arising from other causes may be disregarded, on the ground that the mistakes of omission are not likely to be greater than those of excessive entry, there will be left about 2,700,000 adult males engaged in domestic occupations.

The Census returns of females classed according to occupation are admitted to be extremely imperfect; but the number of women so employed is believed to be less than that of the men. An addition of 50 per cent. to the number of adult males given above would perhaps be sufficient; but let it be doubled, in order to avoid all risk of an under-estimate. This will give a grand total of about 5,400,000 persons.

An average rate of Re. 1 per annum for each servant could hardly be exceeded in India, where Rs. 2 and Rs. 3 per mensem are common rates of wages.

Assuming, then, that the tax could be levied in respect of every one of the persons included in the estimated total, the entire proceeds of it, at Re. 1 per head, would not, at the highest calculation, much exceed £500,000. But no one who has any knowledge of the country will require evidence to convince him that this is much too large an assumption, and that the actual number of persons in respect of whom such a duty could be levied would never approach 5 millions.

I do not suppose that, for £300,000, £400,000, or even double that sum, any financier would be willing to attempt the imposition of such a very unpopular and inquisitorial tax. The people who employ private servants are the wealthier portion of the community, and if a contribution is required from them, a larger one can be obtained more easily in other ways.

#### V.—A House tax.

I come now to a house tax.

In theory, few taxes should be better suited to India than this; if properly assessed, it would be certain in amount, and would not furnish much opportunity for abuses, whilst its operation ought to be that of a well-adjusted income tax.

Judging from experience, however, there can hardly be a worse or more unpopular form of taxation for this country. A house tax has been tried and still exists in all the Presidencies in the form of a Municipal tax; but even in this, which is its best form, there is abundant evidence to show that the dislike to it is great and universal. As a general tax for local purposes, it has been tried and abandoned in the Lower Provinces of Bengal; and in Madras it has been hardly, if at all, more successful.

There appear to be two main reasons for the common and deep-rooted hostility which is entertained towards it. In the first place, it is a direct tax; and in the second its incidence is unequal, and frequently oppressive.

The dislike to direct taxation, which is perhaps even stronger in India than in most countries, can never be overlooked by those who have to deal with taxation as a practical art, and not as a mere scientific speculation. This must be the case, even when the dislike is a mere prejudice; but, in the case of a house tax, the dislike is greatly aggravated by the real injustice of the impost.

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A house tax in India is peculiarly open to the great objection which lies against direct taxation in all countries, *viz.*, that it cannot be fairly assessed. As the tax is at present levied, it is assessed in one of two ways: either by a rate upon the assumed rental or value of the house, or by one calculated upon the supposed means of the house-owner. Now in India there is no certain rental on which to base a calculation. A house is built for occupation by its owner and his descendants; hardly ever, for the purpose of being let. Renting, except in large towns is unknown, and there is no recognised letting value of buildings in other places. In the absence of any actual rents the assessors are driven to conjecture them. It is not to be expected that assessors, being at liberty to guess, should always care to guess fairly; and much injustice is done, no doubt, wilfully. Even when they endeavour to be fair, the tax is not made palatable, because its assessment may be equitable. A native of this country can never recognise any justice in an assessment so calculated. He can understand, though he does not like, a tax that is calculated on income, or one that is calculated upon actual expenditure; but a tax reckoned upon his imaginary rental seems to him to be neither one nor the other, but simply an exaction.

Again, in the absence of rents, the value of houses is hardly a more definite thing than their rental. Families live for generations in the same house, with no recollection of what it may have cost, and often neither they nor their neighbours can correctly appraise the money-value of the buildings which they occupy.

When a house is assessed according to the supposed means of its owner, the result is no better. The great objection to an income tax in India has always been the difficulty, even with the best supervision, of assessing it fairly upon any great number of the people. But the assessment of a general house tax, according to supposed incomes, would be attended by precisely similar, and even greater, difficulties; because its assessments would be too numerous and minute to be closely controlled by superior officials.

It might be supposed that the house itself would furnish no bad indication of its owner's means. But in India, where men do not at once change their houses with their fortunes, this is not the case. It is notorious, on the contrary, that such a test would be very delusive. A prosperous trader in this country will often be content to occupy a mere cluster of sheds; whilst an honourable, but ruined, family will continue to live in a substantial house, built by wealthier ancestors, long after it has become much too large for their diminished means. This is one of the objections most commonly taken in practice to the tax which I am considering.

It is true that something might be done towards remedying the existing inequality of the house tax by improvements in our system of assessment. But these improvements could hardly be made except in towns, where population is concentrated, and where a superior official is commonly to be found on the spot. If the tax were made one of general application, I know of no plan by which its assessment over rural districts could be satisfactorily carried out, except at an inordinate expense. To maintain a fair and equitable assessment over such a vast surface, and amidst the countless fluctuations in the circumstances and property of such a great multitude of tax-payers, would be beyond the power of any administrative agency which could be found.

Another important objection to a house tax is that, with all its unpopularity, it would not produce much. In making an approximate estimate of the yield of such a tax, if levied throughout the country, the first point to be ascertained is whether such a tax should extend to the whole community, or be confined to the non-agricultural classes. It would, I have no doubt, be found that the agriculturists must be exempted from it. They already contribute their fair share to the public revenue; and though it might not be unjust, perhaps, to impose a house tax on them, this tax could not, I am persuaded, be levied from them without danger. Supposing for the present, however, that it were possible to tax them, a rough calculation of the probable receipts from the whole population of India can be made from the returns of municipal taxation in different provinces, which furnish figures that give very useful information in respect of the town population.

In Bengal, a house tax is the mainstay of municipal taxation, furnishing more than four-fifths of the total receipts. Excluding Calcutta, Howrah, and the Suburban municipality, for the same reason which led me to exclude them from the estimate of the wheel tax, I find that there were 191 towns in Bengal where a house tax was in force during the year 1876-77. In the larger towns the tax is levied by a rate not exceeding  $7\frac{1}{2}$  per cent. on rental. In the smaller towns it is assessed according to the circumstances and property of the house-owner, with a limit of Rs. 2-4 per acre as the average for each holding, and a maximum of Rs. 7 per mensem on any one holding. Under these conditions the yield of the tax from these 191 towns in 1876-77 was £93,060. As the aggregate population of the towns amounts to 2,528,262 souls, this gives a rate per head of 5 annas  $10\frac{1}{2}$  pies. Calculating 5 inhabitants to each house, which is approximately the number that the Census gives, such a rate is equivalent to one of Rs. 1-13-4 $\frac{1}{2}$  on each house.

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In Madras, the house tax, though a less important branch of municipal taxation, still yields two-fifths of the municipal revenue. It is levied at a rate not exceeding  $7\frac{1}{2}$  per cent. on the estimated rental, or, alternatively, as a fixed ground-rent of not more than Rs. 4 for every 80 square yards. Houses of which the rent is estimated at less than Rs. 6 per acre are exempted. This rate in 46 municipalities, with a total population of 1,191,291 persons, yielded £30,222 in 1876-77. Reckoning again 5 persons to the house, this gives an average of Re. 1-4-3 $\frac{1}{2}$  for each house.

In Bombay, there were 193 municipalities two years ago, and the average incidence of the house tax in them is given, at page 169 of the Administration Report for 1877-78, as 1 anna 2 pies per head, which is not equal to more than 5 annas 10 pies for every house.

In the North-Western Provinces, a house tax was levied during 1876-77 in 309 towns, which are returned as containing 339,639 houses, and 1,456,011 inhabitants. The rate is limited to 5 per cent. on the annual value of the holdings. The gross yield of the tax in these towns, during the year, was £31,908. The average rate for each house therefore was 15 annas.

These figures show that, in the larger towns, it would not be safe to reckon upon an average income of more than Re. 1-2 per annum for every house. If the tax were extended from towns to the country, this average would be greatly decreased. Some data for estimating the amount of this decrease might have been supplied by the house tax under the Road Cess Act in Bengal, and a similar tax for educational purposes, which was levied under the Local Cess Act in Madras, if they had succeeded. But both of these measures were too limited in their operation, and too soon abandoned as failures, to furnish any satisfactory materials. I believe, however, that 4 annas for each house was expected in Madras, and it seems probable that this would not be too low to take as an average rate. That rate would be much lowered by the very large number of the rural population whom it would be necessary to exempt on the ground of poverty. Good houses, again, are far more common in towns than in the country; indeed, it may almost be said that, except in the towns, there are no good houses in many parts of India. The estimated value, too, of the materials and of the land on which the houses stand is necessarily lower in the country. Nor could so high a rate as  $7\frac{1}{2}$ , or even 5, per cent. on rental be expected there. I must admit that I cannot attempt to base the reduction which must be made on any arithmetical calculation; but if I accept the Madras estimate, and anticipate an average rate of 4 annas per house, I do not think that I am likely to be charged with under-reckoning it by any one who knows India, and the small value of the dwellings in which its people commonly live.

If it were possible to obtain an average rate of 4 annas from every house in India, the receipts from a house tax imposed on the whole country would be about £900,000; as there are, roughly speaking, 36 millions of inhabited houses in India. From this sum, however, a deduction would be necessary on account of the municipal taxation, which is already levied, to the amount of between £200,000 and £300,000.

If the tax did not extend to the agricultural community, three-fifths of the whole number of tax-payers would be exempted. The proceeds of the tax would not be diminished in quite the same proportion, as the rate of incidence

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would be less in the country than in the towns; but as much as one-third or one-half of the income would probably be lost.

Under any circumstances it is certain that such a tax could never bring in as much as an income tax, that it would be quite as much disliked, and that the danger of any discontent caused by it would be infinitely greater, because it would be felt by the entire people, instead of by a mere fraction of them.

#### VI.—*A Tax on Marriages.*

The proposal to tax marriages has often been made; but has never (as far as I know) been carried into effect in any part of India, though a Bill for the purpose of taxing them was actually drafted in 1870 for Sir E. Temple, and still exists.\*

The arguments by which this proposal is recommended are, that such a tax would operate as a very light income tax, reaching all classes, but paid by a small part only of the community in each year; that it could be more equally assessed, and more easily collected, than an ordinary income tax; and that being levied on rare occasions only, and at times when the people of this country are accustomed and willing to incur lavish expenditure, its payment would be little felt. In support of this assertion it is urged, with truth, that a tax of this sort is actually levied on every marriage in many parts of India, as a seigniorial due, payable to the zemindar or other local magnate. An incidental advantage claimed for it is that, if the assessment were graduated in direct proportion to the sums spent on weddings, it might have the effect of checking the excessive expenditure which is incurred on marriage ceremonies in this country. Another point urged in its favour is, that if we combine with it a system of registration and marriage certificates, and so maintain an accurate record of marriages, we should effect an useful administrative reform, and render a service to the community which might justify the tax in their eyes.

It is argued against the proposal, on the other hand, that such a tax would yield little, and yet molest every body. It is not admitted, either, that its incidence would be just and equal; for there are no means, even by a vexatious inquisition, of ascertaining the sums actually expended upon weddings. People would have no scruple in understating their expenditure, in order to evade the tax; and would not have the inducement to overstate it, which some of the advocates of the tax have supposed; because they could not deceive their neighbours in such a matter. Nor is it probable that such an impost would have any effect as a sumptuary law. The imposition of a tax on the expenditure incurred in marriages can do nothing towards diminishing their cost, unless it induces the people to reduce their expenditure by more than the amount of the tax. But there can be no reason to expect this. The Treasury, therefore, would benefit by the share which it claimed; but marriages would cost just as much as they do now. It is almost certain, indeed, that they would cost more; for marriage expenditure in India is regulated by fixed usages and customs; and unless these were altered, which is most unlikely, the fee paid to the State would end by becoming a purely additional charge on marriages. Again, it does not follow, because the agricultural classes commonly pay fees of this kind to their superiors without complaint, that they will cheerfully accept the burthen of further payments on the same account, or that the non-agricultural community will be reconciled by their example to the payment of a direct tax, which, to them at least, would be new. Lastly, marriage here is not, as with Western nations, a matter of option, but a social and (for the greater part of the population) a religious obligation, from which no one can withdraw himself. In taxing and laying restrictions upon an institution, so closely connected with the domestic habits and religious belief of the people, we are treading on very dangerous ground and incurring risks, the nature and magnitude of which we cannot foresee.

These are the principal arguments that appear to deserve consideration on either side. But as the importance of the conclusion debated between them depends greatly upon the amount which may be expected from such a tax, I have been at some pains to make an estimate of this, though I can only offer the results as a very rough guess.

\* Collection of Papers relating to Provincial and Local Finance, page 230.

I find that there are about 96½ millions of males in British India, excluding Burma. Of these, about 85 millions are boys under 12 years of age. As it is safe to say, broadly speaking, that every boy in India is married by the age of 12, we may calculate that one-twelfth of this number, or nearly 3 millions, are married in every year. Some addition must be made to these figures for polygamous and other re-marrriages. The number of these is probably less than is commonly supposed; but I will add another million on account of them, though a million is probably too much, in order to run no risk of under-estimating the produce of the supposed tax. This calculation gives an annual total of 4 millions of marriages in the entire population.

Next, as to the rate of the fees to be charged. These might either be regulated according to the supposed income of the parent, or by the expenditure incurred on the marriage. In practice, the latter would, no doubt, be the more convenient course, and the shape taken by the fees would probably be that of a scale, graduated according to the estimated or declared expenditure on the marriage. But, since this expenditure is, determined by the means of the person incurring it, the fees, by whichever mode assessed, would bear a rough proportion to income; and for the purpose of making an estimate, it will cause no error, and it will be convenient to suppose that the tax is assessed directly upon income.

Let us assume, at starting, that it is calculated to fall at an uniform rate of Re. 1 per cent. upon the yearly income of the parent who bears the cost of a marriage, and that a parent will ordinarily spend 6 months' income, or half his annual earnings, on such an occasion; which is not, I think, an underestimate of the average expenditure actually incurred. On this assumption a rate of 1 per cent. upon annual income would be equivalent to a rate of 2 per cent. on marriage expenditure.

It remains to be seen how much such a rate would produce, if levied upon the 4 millions of marriages which have been estimated to take place annually.

Now, under the Income Tax Act of 1861-62, which affected more people than any other, about 1,000,000 persons were assessed.

The Census Returns show about 36 millions of households in all India, excluding Burmah and Mysore. Of these 36 millions one million of households are represented by the million of persons assessed to income tax, as that tax was only paid by heads of houses. The remaining 35 millions are heads of families, whose income in 1861-62 was believed to be less than the minimum taxed, *vis.*, Rs. 200 per annum. A large proportion of these 35 millions' must be extremely poor—too poor to be taxed at all on their marriages. Allowing for these, and remembering that, at a rate of 1 per cent., Rs. 2 would be the highest fee that could be demanded from any of these persons whose incomes do not exceed Rs. 200 per annum, I think we shall not be placing the average fee on marriages too low if we fix it at 12 annas in this, which is by far the most numerous class of the population.

As I am computing that there will be 4 million marriages in every year among the whole population with its 36 millions of households, the proportion of annual marriages to every million of the latter will be 111,111. There will, therefore, be  $35 \times 111,111 = 3,868,885$  marriages in each year among these 35 millions of families, which, at the average rate that has been assumed of 12 annas for each marriage, would yield  $\frac{3}{4}$  of Rs. 38,88,885 = Rs. 29,16,667 in one year.

The other one million of householders who were assessed to income tax in 1861-62 may be distributed into classes with incomes as follow:—

Persons.	With an annual income between		Average, say
	Rs.	Rs.	
626,000	200	and 500	350
280,000	500	" 1,000	750
57,000	1,000	" 2,000	1,500
33,000	2,000	" 10,000	6,000
3,500	10,000	" 1,00,000	55,000
500	...Exceeding	1,00,000	1,50,000
<b>Total ...</b>	<b>1,000,000</b>		

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The number of persons shown as belonging to each class in this table is only approximate. Exact figures are not procurable; but those which I give are sufficiently accurate to exclude the possibility of serious error. I should note, however, that the average income of each class would not really correspond with the mean between the maximum and minimum incomes comprised in it. The true average would be considerably below the mean figure, because the majority of incomes assessed to each class do not greatly exceed its minimum limit. I have only adopted the mean figure, because there are no means of ascertaining the average more exactly.

Let us number the 35 millions of persons with incomes not exceeding Rs. 200 per annum as class I, and place the others in order as classes II, III, &c. Then, reckoning that each class will have its normal proportions of marriages, and that an average fee of 12 annas is levied for every marriage in class I, and a fee of Re. 1 per cent on incomes in the other classes, we shall have the following results:—

	Persons.	Average income.	Fee.	No. of marriages.	Produce of tax.
		Rs.	Rs.		Rs.
Class I	35,000,000	100	0.12	3,838,895	29,18,675
" II	626,000	850	9-8	69,554	2,43,439
" III	250,000	750	7-8	31,110	2,33,325
" IV	57,000	1,500	15-0	6,332	94,980
" V	33,000	6,000	60-0	3,666	2,19,960
" VI	3,500	55,000	550-0	388	2,13,400
" VII	500	1,50,000	1,500-0	55	82,500
Total ...	36,000,000			4,000,600	40,04,279

These figures show that a marriage tax, the incidence of which on incomes is 1 per cent., and on marriage expenditure about 2 per cent., would not bring in more than £400,000 per annum; without any abatement for the average income of the last six classes having been over-estimated, as I have explained, and on the assumption, which is an improbable one, that there would be no evasion of the tax. If the rate were raised to 5 per cent. on income, which is equivalent, on the supposition made, to 10 per cent. upon marriage expenses, it would not, even on paper, bring in more than £2,000,000.

I do not wish to attach more value to these figures than they deserve, or to put them forward as anything but a very rough approximation to the truth. Incomes must have altered, and probably have increased, in the last 20 years. We know also that the assessment of them at that time was far from perfect. There are other causes of error which appear on the face of the calculation which has been made. Still I believe that this estimate, imperfect as it may be, does not understate the case, and that it will justify the broad conclusion that a very high marriage tax would not yield more than £2,000,000, and would probably yield a good deal less; in other words, that it would be less productive than the 4 per cent. income tax which was imposed 20 years ago. If this conclusion is accepted, I think that the idea of a tax on marriages as a general impost must be abandoned. It would certainly not be more popular than the income tax of 1860-61. It would tax four million families instead of a single million in any one year; and it would affect the entire population of the country, with its 36 millions of families, in the course of every nine years. Add to this that its incidence would be far less just, because three-fourths of it would be paid by the poorest classes in the country.

\* \* \* \* \*

#### Conclusions.

I have now examined all the suggestions for taxation which were enumerated at pages 4 & 5. It will be seen that the conclusion to which I am finally led is that none of them, except the proposed change in the registration law, can be used for the purpose of making any important addition to the Imperial revenues. There is always a strong presumption against the expediency of imposing any new tax in a country which, like India, is eminently conservative and a slave to custom. Where there is also reason to believe that the proposed taxes would be so objectionable, or unproductive, or both, as those which have

been considered, then the case against them seems unanswerable. But if no money is to be obtained from any of these sources, where is to be looked for? It must be remembered that the case which we are supposing is that of some necessity, which cannot be escaped, of adding one or two millions sterling to the revenue. How is such a necessity to be met, if no new tax can be found? It seems to me that this question raises a further one, which must be first answered, *v. e.*, whether it would not be better to raise more money, in the event of its being required, by reverting to an Income Tax in some shape.

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I have said nothing about an Income Tax hitherto, because, unlike the other taxes which have been considered, it is not an untried resource, and a doubtful experiment. In one shape or another, it has been imposed, at intervals, during the last 20 years, and the arguments for and against it are familiar to most people in this country. At present the judgment which has been pronounced upon it is, upon the whole, unfavourable; but sooner or later, it seems certain that the grounds upon which this tax has been condemned will be re-examined, and the re-examination must, I think, lead to a reversal of the former judgment.

I am aware how much there is to be urged against an Income Tax, and know its defects not from hearsay but from experience, having been personally engaged, as a district officer, in assessing and collecting every direct tax upon incomes, except one, which was imposed between 1860 and 1872. I do not deny that there are serious defects in it; but it does not follow that those defects are beyond remedy; or, even if they were, that an Income Tax would be worse than any of the other forms of taxation which we have been examining. Our choice in the case supposed would lie among evils, and, this being so, the real question is, whether an Income Tax is not the least that we can choose.

The chief argument that is used against an Income Tax by its opponents is its unpopularity. It is, no doubt, greatly disliked both by Europeans and Natives. The European aversion from it is due, in some measure no doubt, to its incidence as a direct tax upon themselves; but the official dislike to it should (I think) be chiefly ascribed to the defects of its assessment, and to an Englishman's reluctance to be concerned in anything like arbitrary taxation. Natives object to it, less, perhaps, because its assessment is faulty, than because it is a direct tax, and because they hate all taxation of which they are conscious. Whatever the motives may be, I am not prepared to dispute the fact of its unpopularity. But I believe that much more importance has been conceded to this unpopularity than it deserves. The classes who cherish hostility to an Income Tax are, of course, the classes who feel it; in other words, the European community, and the educated and well-to-do portion, which is a very small portion, of the Native population. These classes have every opportunity of making their dissatisfaction heard, and are, indeed, the only classes whose voice is audible. But they are, of all people, the least likely to carry their dissatisfaction to the point of disaffection towards the Government, and of any active desire to disturb order. The political importance, therefore, of the hostility displayed to the tax is really much less than it seems. The great mass of the people do not pay it, and are utterly indifferent about it. A tax on tobacco, or one on houses, or marriages, would stir the people with a far greater force, and to a much lower depth.

Putting aside the unpopularity of an Income Tax with the few whom it affects, there seem to be no other objections to it which are entitled to much weight. The inquisitorial mode, in which it was at first assessed, was abandoned after a short trial, and was no longer a characteristic of the tax when it ceased to exist. It is hardly disputed now that there was exaggeration in the charge made against it, that it afforded facilities for great corruption and oppression on the part of the subordinate officials. Moreover, if an Income Tax became a permanent part of our financial system, there is no reason to suppose that these defects in its working, so far as they actually exist, could not be remedied as well in this as in other branches of the administration.

On the other hand, whatever may be said against an Income Tax, this at least, in its favour, is true, that it would be no doubtful experiment, but a measure of which the result is known, and the success certain. Again, it

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is no less true that an Income Tax is a just form of taxation, and that it is the only way in which the mercantile wealth of the country can be made to contribute to the cost of the Government. It is notorious that this wealth, which is considerable and daily increasing, pays very little, in proportion to its means, for the protection and the great advantages which it enjoys under British rule. It is no small recommendation of a tax that it should redress the great injustice which this immunity of so many rich men causes to all other tax-payers. Admitting also that its assessment has been hitherto defective, this evil might certainly be remedied, if the number of persons liable to it were largely reduced, which, as I hope to show, is possible, and if the tax were made permanent. Nor must we forget that, however great the alleged evils of an Income Tax may be, they have not prevented a great many of the most distinguished names in modern Indian administration from expressing their approval of it. Omitting minor authorities, Sir George Campbell, Sir R. Temple, Sir J. Strachey, Sir H. Davies, Sir W. Muir, Sir Bartle Frere, and Lord Lawrence have all recorded opinions, more or less strongly, in its favour, whenever further taxation may be inevitable. And this, it must be remembered, is the supposition with which we are now dealing. We are not enquiring whether further taxation is necessary, but, assuming it to be so, whether there is any new form of taxation which would be better than an Income Tax. Before an Income Tax can be finally condemned, it is for its opponents to show how as large a sum can be better raised by other means.

I will now sketch briefly the principal changes which might be made with advantage, as I think, if an Income Tax were again imposed. The first object should be to reduce the number of persons whose incomes would be liable to scrutiny. If the minimum of taxable income were fixed as high as Rs. 2,000 per annum, the total number of persons affected by an Income Tax, according to the latest returns available, *viz.*, those for the year 1871-72, would not exceed 64,000 in all India. Of these, about 17,000 are officials from whom no political danger can be apprehended. If we disregard these, the number of persons taxed, whose hostility might affect the political expediency of the tax, would be reduced to 47,000. From these, again, a further abatement would probably be necessary, as I will explain hereafter.

Upon persons with incomes exceeding the limit above specified, an Income Tax at 2 per cent. should be assessed as a permanent impost, with a declaration that it might be raised temporarily, in case of necessity, to 3 or 4 per cent. In order to avoid giving an unfair immunity from taxation to the middle classes, a License Tax should also be permanently levied on all persons exercising professions and trades, whose incomes were not less than Rs. 500, and not more than Rs. 2,000 per annum. These should be divided into three classes, with incomes up to Rs. 1,000, Rs. 1,500, and Rs. 2,000 per annum, respectively; the license fee should be levied in the form of a stamp, and the assessment should be made, as now, at a rate not exceeding 2 per cent. on the profits of any one tax-payer. The two taxes could be levied by the same machinery, and under the same law; the only difference between them being that in the Income Tax endeavours would be made to assess the duty rateably upon income, whilst for the purposes of the License Tax nothing but the present rough classification of the persons liable to it should be attempted. The rate of the License Tax should be declared liable to enhancement, like that of the Income Tax, in case of need.

An alternative plan for taxing the minor traders is that of an Office or Shop Tax, which is, of course, only another form of License Tax. A good suggestion for the mode of imposing such a tax is one for which I am indebted to Mr. G. E. Ward, the Collector of Jounpur. According to that scheme, a "Shop" would be defined, so as to include every place kept open by the owner or occupier for business, in which money changes hands, and the duty would be levied according to the frontage occupied by the place of business—15 or 20 feet being taken as the maximum, and the fee raised in proportion to any frontage occupied in excess of this. There would be no distinction of classes or grades, and the fee might be collected, in this case also, by a license on stamped paper. The assessment and collection of such a tax would be very easy and little open to abuse; and if a Shop Tax should be preferred to a License Tax, this plan has much to recommend it.



I have mentioned that a further deduction would probably be necessary from the 47,000 non-official persons liable to Income Tax. This deduction is on account of the landed proprietors, tenants and cultivators in Bengal and Northern India, who were taxed in 1878, when the existing License Taxes were introduced. This portion of the community could not with justice be subjected to further taxation, as long as the rate of taxation upon the mercantile classes was not raised above 2 per cent. Their exemption, according to the figures for 1871-72, would further diminish by 11,000 the number assessable to Income Tax, and would leave only 36,000 non-official persons to be affected by it.

If we add the persons liable to the License Tax, who would be about 200,000, to those chargeable with Income Tax, the total number of persons affected by direct taxation would not exceed 250,000, or amount together to much more than one in a thousand of the whole population.

It is quite true that this small number of persons would include a great many of the richest and some of the most influential people in the country. It does not seem credible, though, that a tax, which is not unjust in principle, nor excessive in amount, and which has actually been paid in previous years by a much larger fraction of the people, should cause serious discontent among the few whom it is now proposed to tax; or, if it did, that their feelings would be shared by the millions who were not taxed.

The restriction of the operation of the Income Tax to incomes exceeding Rs. 2,000 per annum ought to lead to much improvement in the methods of its assessment. The numbers to be dealt with would be manageable. The whole of the work therefore might be undertaken by officers of a superior class; whilst such enquiry as was necessary would be made easier, and extortion and oppression more difficult.

The financial results of these proposals can be estimated with tolerable accuracy.

The Income Tax of 1871-72, which was assessed at a rate of 2 pies in the rupee, or at very nearly one per cent., shows the following receipts from incomes of not less than Rs. 2,000 per annum, excluding those derived from the ownership or cultivation of the soil in Bengal and Northern India:—

			Rs.
From about 36,000 non-official persons	...	...	24,00,000
From about 17,000 officials	...	...	4,50,000
Total 53,000 persons, who paid	...	...	<u>28,50,000*</u>

According to these figures, an Income Tax imposed within the limits described above at 2 per cent., ought to bring in about doublet the above total, say, Rs. 57,00,000 or £570,000.

To this sum, the proceeds of the proposed License Tax must be added. No estimate of this can be formed from the returns of the Income Tax of 1871-72, as incomes of less than Rs. 750 per annum did not come within its operation. I have not been able, either, to obtain complete returns of the assessments under the existing License Tax Acts. I find, however, that in 1870-71, when the minimum of income assessable was Rs. 500 per annum, about 200,000 persons were taxed upon incomes which were reckoned to range between Rs. 500 and Rs. 2,000 yearly, and were derived from sources which would bring them within the scope of the proposed License Tax. Assuming that these are divided into three classes, as has been suggested, assessable at Rs. 10, Rs. 20, and Rs. 30 each, and that the average incidence per head is not more than Rs. 12-8 per head, the receipts from the License Tax would be  $200,000 \times 12\frac{1}{2} = \text{Rs. } 25,00,000$  or £250,000. If official incomes within the limits of Rs. 500 and Rs. 2,000 were taxed at the same time, as would be equitable, the total receipts would be a good deal more than this; but I will not include official salaries in my present calculation.

The united proceeds of the proposed Income and License Taxes may, therefore, be set down at £800,000.

\* I have excluded the receipts in Burma from these figures, because an Income Tax is said, apparently with much truth, to be unsuited to it, and to be little more in that province than a tax on the official classes. Whatever may be considered a tax\* contribution from Burma had better be raised in some other manner. I have taken no credit for any such contribution in the calculations which follow.

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The estimated receipts of the existing License Taxes in India are £515,000 for the year 1880-81.

Deducting this sum from the £800,000 above mentioned, the net result of the proposed taxation would be to add, perhaps, £300,000, and at the lowest computation a quarter of a million to the annual revenues, supposing the rate of direct taxation not to exceed 2 per cent.

If this rate were raised to 4 per cent., the receipts from the Income Tax would be more than doubled, because there would be no reason for exempting landed property in Bengal and Northern India from this further taxation. That property might either be assessed by doubling the local rates imposed in 1878, or by the ordinary process of an Income Tax. The former plan would yield the larger returns, and is a preferable mode of taxing incomes derived from land. I will assume, however, for the purposes of the present calculation that the less productive mode of assessment is adopted, and that the returns will not exceed those derived from the Income Tax of 1871-72, which was so assessed. In that year the sums contributed to the Income Tax by landed proprietors and cultivators in the Bengal Presidency, at the rate of one per cent. upon income, was about £130,000. Therefore, if an additional 2 per cent. were imposed upon them, they would contribute £260,000.

The additional 2 per cent. levied from the non-agricultural portion of the community would amount, as we have seen, to £570,000. This, added to the £266,000 just mentioned, gives a total addition of £830,000 to the Income Tax.

If the rate of the License Tax were similarly doubled, its yield would be proportionately increased by another £250,000.

Altogether a further sum of £1,000,000 sterling might safely be anticipated from doubling the rate of both taxes.

This extraordinary increase of one million, together with the permanent increase of at least a quarter of a million which has already been noticed, would improve the annual revenue by 1½ millions.

In addition to this, another £500,000 might be obtained by the changes in the registration law which have been considered at pp. 25—26.

A further £250,000 might, I think, be obtained, without difficulty, by making a rateable deduction of that amount from the allotments granted to the different Local Governments, and by empowering them, under the necessary safeguards, to raise by local taxation the amounts of which they would thus be deprived. Their proportionate shares, regarding the minor Administrations, may be roughly calculated as follows:—

	£
Bengal ... ..	80,000
Madras . . . . .	45,000
Bombay . . . . .	45,000
North-Western Provinces .. .	41,000
Oudh . . . . .	12,500
Punjab . . . . .	20,000
Central Provinces . . . . .	7,500
Total ... ..	<u>2,50,000</u>

It is absurd to suppose that there could be any serious difficulty in raising these small sums locally, without trenching on any of the sources of Imperial revenue. As to the modes in which they should be raised, some of the schemes for obtaining revenue which are not worth consideration as measures of general taxation, might be made available for local purposes. The imposition of Tolls, the collection of Bazaar dues, and Fees on Sales of Cattle, an increase in the Fees for carrying Arms, Licenses for the sale of Tobacco within local limits, or a tax upon Marriage-processions in towns, and possibly a local tax upon Pân, are among those which have already been suggested. I have no doubt, though, that the Local Governments themselves would be best able to discover, and make use of, the sources of revenue which are best adapted to each province.

If all these proposals were carried into effect, the total addition to the annual receipts of India would stand as follows :—

		£
Permanent addition obtained from Income and License Taxes	...	250,000
Extraordinary addition from enhancement of 2 per cent. in		
Income and License Taxes	... ..	1,000,000
Increase of Registration receipts	... ..	500,000
Savings from Provincial allotments	... ..	250,000
	Total	2,000,000

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After a little experience had been gained, the quarter of a million retrenched from Local Governments might be raised to half a million, or, even more. This would make the total addition to the Imperial revenue considerably more than two millions sterling.

If much more than two millions should be required, the duty on Salt might be raised, and an addition might be made to the present Local Cesses. In the course of time, the objections to raising the rates of these taxes will have lost very much of their present force. If the need occurred before that time came, and if its urgency were great, it might be necessary to disregard those objections, grave as they undoubtedly are. The possibility, also, of levying an excise on Tobacco and of taxing the succession to personal property in Lower Bengal deserve a closer examination, if a larger sum than two millions is needed. But it would carry me beyond the scope of the present paper if I were to attempt to deal with the supposition of having to provide for a larger deficit than one of £2,000,000.

[No ORDERS.]

## CAPITATION TAX IN B. BURMA, 1881-82.

No 281, dated the 14th January 1882.

No 294.] *From—G. D. Burgess, Esq., C.S., Secy. to the Chief Commissioner, British Burma, To—The Secretary to the Government of India, DEPT. OF FINANCE AND COMMERCE.*

In accordance with the promise made in the marginally cited extract of a letter to the Foreign Department, I am directed to submit a report upon the subject of the capitation-tax and regarding the question of abolishing the impost.

*Extract from letter No. 6313, dated the 13th September 1881, to the address of the Foreign Secretary.*

2. So far as fiscal arrangements are concerned, the declaration of policy contained in paragraph 11 of the despatch from Her Majesty's Secretary of State clears the ground a good deal. It is laid down by Her Majesty's Government that we cannot levy duties on goods passing through British Burma for consumption in Upper Burma or the countries beyond. According to this decision, plans previously brought forward for levying duties on salt or other commodities consigned to Upper Burma may be finally set aside. Regarding the incidence and pressure of the capitation-tax in Burma, Mr. Bernard has been collecting information and asking opinions. The materials for a full report on the matter are not yet complete. But, subject to the better judgment of the Government of India, he considers that there is no present need for taking off the capitation tax, and he is satisfied that the full sum yielded by the capitation-tax, namely, about 29 lakhs of rupees, could not be raised by increasing the land revenue and the salt tax without causing a great deal of discontent and some hardship. The capitation-tax is an old institution to which the people are accustomed. It can be, and it is, paid without discontent. Occasional cases of hardship can be adequately met by application of the remission rules. A report upon the matter will be submitted to the Finance Department, and the subject is mentioned here to show that the question of our treaty and commercial relations with the kingdom of Ava may properly be considered apart from the fiscal arrangements of British Burma.

2. In the last administration report the following general

account of the tax was given:—

"The capitation-tax is an old local impost, which, under Native rule, to some extent took the place of the land-tax. Under present rules every adult married man, over the greater part of the province, pays a capitation-tax of Rs. 5 a year and every unmarried man Rs. 2-8 a year. Men over 60 years of age, paupers, and Government servants are exempted. In municipal towns another impost in lieu of capitation-tax, is levied for municipal purposes. The yield of this tax has not increased proportionately to the population of late years, partly because of exemptions in municipal towns, and partly because additional care is taken not to assess men who are too old or too poor to pay. As many as 716,910 persons, or 19 per cent. of the total population, are assessed to the tax, £288,789 were collected, and £1,854 were remitted. The number of coercive processes for realisation of capitation-tax was 13,659 or 1.8 per cent. of the total number of assessments. In 44 cases the property of defaulters was attached and sold, while 32 recusants were sent to the civil jail for short periods."

To this general account may be added the following further particulars namely, that agriculturists, in common with non-agriculturists, pay the tax; in remote and poorer tracts the rate of tax is reduced to Rs. 3 and Rs. 2 per head; new immigrants into the province, either from India, Upper Burma, or China, are exempt from capitation-tax during the first five years of their residence in British Burma.

3. The late Chief Commissioner, Sir Charles Aitchison, was of opinion that the capitation-tax was an oppressive impost and caused harassment to the people; and he advised that early steps should be taken to abolish the tax and to raise in some other way a corresponding amount of revenue. The grounds on which the capitation-tax was condemned were briefly that the tax fell equally upon poor and rich without regard to their means; that its unequal incidence made it very oppressive in the case of poor people; that cases had come to light in which arrears of the tax were collected under circumstances of hardship; and that the tax fell at the same rate on agriculturists who paid land-tax and rice-duty as on traders or brokers who pay no taxes. In place of the capitation-tax it was proposed to impose either an addition to the land-tax or a greatly enhanced salt-tax or a house-tax, or to adopt two or all of these measures. Eventually, in his letter of the 5th November 1879, Sir Charles Aitchison proposed to make up the 29 lakhs which would be foregone by abolition of the capitation-tax by enhancing the salt duty from three annas to forty annas per maund and by levying an additional land-tax of four annas per acre. It was expected that these two sources

of revenue would yield as much as the capitation-tax. Sir Charles Aitchison wrote that—

“Every one would then see that the enhancement of the salt-tax was not merely another turn of the financial screw, but that a substantial *quid pro quo* was given, and that an effort was being made quite as much to introduce equitable principles of taxation as to enhance the receipts. Discontent would be avoided, and the charge would probably be made acceptable to the people on the whole, notwithstanding the gradual extinction of the local salt manufacture and the immediate rise in the price of the Burmese ‘anchovy paste’ which would inevitably follow”.

4. In the first place, as to the character and effect of the capitation-tax—No doubt the tax is unequal in its incidence, but then it is comparatively light, and, by reason of its lightness and uniformity, its assessment and collection does not involve any inquisitorial proceedings, any doubts or any heartburnings such as are inseparable from the collection of assessed taxes in India. Special enquiry has been made this year into the working of the tax and into the feeling of the people about it. The report received in reply to those enquiries are appended. So far as our officers are able to gauge the feelings of the people, it would seem that there is no general feeling against the capitation-tax; that there is no difficulty in paying or in realizing the tax; that the people would be glad to be rid of it as of any tax; but that any other impost which might be devised to take the place of the capitation-tax would be more unpopular and more difficult to realize. The administration of the tax might no doubt be improved in some places; for instance, there is no possible reason, besides mistake and maladministration, why 17 defaulters should be sent to prison in the small district of Kyoukpyhoo, and 14 defaulters in the still smaller district of Tavoy, when only one capitation-tax defaulter was sent to jail in all the rest of the districts put together.

No doubt it would be a boon to the province and the people if the capitation-tax could be foregone; and the Chief Commissioner would be very glad if he could see his way to foregoing the capitation-tax on agriculturists, who have to bear the burden of the land-tax and the rice-duty. But if it is necessary to put some other impost in place of the capitation-tax, then the Chief Commissioner would prefer to keep the tax which the people know, are accustomed to, and pay readily; and he submits that there is nothing in the opinions furnished by the local officers, or in the patent facts of the capitation-tax administration, which need compel the Government to remove the impost at all hazards.

5. But in case Sir Charles Aitchison's view should prevail, and it should be deemed clearly expedient to get rid of the capitation-tax and to substitute another impost, it seems desirable to review briefly the substitutes which it was proposed to put in place of the capitation-tax. Sir Charles Aitchison, on the 5th November 1879, wrote:—

“I have gone on the supposition that the salt duties would *not* be made available for this purpose, and have consequently aimed at recouping the capitation-tax, partly by an additional land-rate, and partly by a house-tax or ground-rent. Of course, there are some difficulties in the way of the adoption of this plan; and these have a tendency to increase the further inquiries are pushed. At the same time, they are by no means insuperable, nor is there, at present, any reason to despair of being able to adjust the matter on that principle if no better plan can be found.

“3. The chief difficulties seem to me to be three: *1st*, the house-tax is already forestalled in all the large towns and some of the bigger villages, and will be forestalled to a still greater extent under the Rural Police Act, *2nd*, to recover the amount required, it will be necessary to extend the house-tax to many villages and hamlets where it will operate vexatiously; *3rd*, a house-tax ought rather to be spent on local objects than form a source of imperial revenue.

“4. Under this plan I have not hitherto advocated the enhancement of the salt-duty to more than eight annas a maund, and that rather in fulfilment of my pledge to submit to extra taxation in return for the improved system of provincial finance generously conceded to us than from the conviction that the measure is in itself desirable. But matters will be much simplified if, as I now understand from your memorandum, the salt-tax can be made available as a substitute for the capitation-tax.

“5. Under such circumstances, the only difficulty, at present insuperable, in the way of the equalisation of our salt-duty with the Indian rate is the Mandalay treaty. If salt in Upper Burma is to be taxed at something like one-and-a-half pies a maund only, it would be obviously impossible to put a tax of Rs. 2-8 on salt consumed in British Burma. The present rate of three annas does not afford sufficient temptation to cover the risk of smuggling nor probably would eight annas do so, but Rs. 2-8 would be irresistible. The Bill sent up to the Foreign Office last mail, providing for the levy of full duty at Rangoon,

on Mandalay goods, with a drawback at the frontier, would, if adopted, obviate all risk of smuggling salt in transit to Upper Burma. But the salt once across the frontier and drawback paid, the thickest customs hedge on such a frontier as we have could not prevent the salt finding its way back in large quantities to our territories.

"6. No equalisation of duties, and no very great increase upon the present rates, can be made while the treaty remains in force. A general revision of our relations with Upper Burma cannot however be very long postponed, and, if only as a means of recruiting our finances, it cannot be undertaken too soon. Whatever form the revision may take, we may be permitted, after the horrible and hostile occurrences of this year, to assume that it will be attended with at any rate such material restrictions on the powers and status of Upper Burma as an independent kingdom as will enable us to get rid of the differential rates. On the present statistics, this alone would yield an increased revenue of Rs. 2,81,000, assuming the salt-tax to remain at three annas a maund, not to speak of a saving of Rs. 20,000 in customs establishment."

Sir Charles Aitchison went on to estimate that the enhanced salt-duty of Rs. 2-8 per maund would yield 23 to 25 lakhs of rupees; and he proposed to supplement the salt-duty by an addition to the land-tax of four annas per acre all round. In his way the whole sum, 27 to 29 lakhs, lost by the abolition of the capitation-tax, would be made good.

6. In the first place, this estimate of the yield of the enhanced salt-duty was based on the assumption that we should levy a transit duty of 400 per cent *ad valorem* on salt consigned to Upper Burma. The Secretary of State's recent despatch shows that Her Majesty's Government have decided that we ought not to levy any transit duty at all on such salt. According to the last year's returns, British Burma made or imported 64,996 tons of salt; and out of this, 20,294 tons were consigned to Upper Burma. This would leave more than 25 per cent. of our salt imports duty-free. Moreover, the arrangement would place the people of British Burma at a great disadvantage compared with the people of Upper Burma in respect of an important necessary of life, and would give rise to salt smuggling across our border.

7. Next, the estimate of revenue takes for granted that the people of Burma will consume within 10 per cent. of the salt they now take after the salt-duty shall have been enhanced by 1,100 per cent. It may perhaps be doubtful whether there is warrant for this expectation. So far as Mr. Bernard is aware, the yearly consumption of duty-paid salt in the provinces of British India has at different times ranged from about 8lbs. per head per annum in Oudh to about 14lbs. per head in the Madras Presidency; it used to be about 9 or 10lbs. in the Central Provinces and about 11lbs. in Bengal. The new census figures and the recent changes in the rate of salt-duty may have made some change in these rates of consumption. But at the time these rates prevailed, the prices of salt in the different provinces were such that each person's salt consumption came, whether the 8lbs. in Oudh, or the 10lbs. in the Central Provinces, or the 11lbs. in Bengal, to about eight annas a year. Now, the average\* consumption of salt in British Burma is 29lbs. per head; and the average retail price of salt in British Burma is 30 seers per rupee. Thus the average Burman, like the average Indian, spends about eight annas a year on his salt. With a salt-duty of Rs. 2-8 a maund, the retail price of salt could hardly be cheaper than 10 or 11 seers per rupee. Even if an ordinary Burman spent twice as much as he now does, and twice as much as his Indian brother does, on salt, he could consume only 22lbs. of salt per annum. A population of 3½ millions eating salt at this rate, and paying a Rs. 2-8 duty per maund, would yield a gross duty of about 20 lakhs of rupees. The three annas duty at present yields 2½ lakhs, so that the surplus available towards supplying the place of the capitation-tax would be 17½ lakhs, and a deficit of 11½ lakhs on the present yield of the capitation-tax would remain. Even this result is only possible on the assumption that every inhabitant of Burmah will spend twice as much as he now does on salt, an assumption which at the outset would hardly be fulfilled.

8. But the inadequacy of the salt-duty to fill the gap and the certainty that cheap salt smuggled from Upper Burmah would compete with dear salt in British Burmah are not the only arguments against substituting an enhanced salt-duty for the capitation-tax. The salt-tax would fall at the same rate, or

\* In 1880-81 the gross import and production of salt was for British Burma 64,996 tons. Of this quantity, 20,274 tons were consigned and 44,702 tons were left for house consumption. This gives an average consumption of 29lbs. per year on 3½ millions of people.

nearly the same rate, on poor and rich; and in this respect it would be open to the same objection as the capitation-tax.

The Burmese are a people much given to eating and catching fish. The fishery business is a great industry, and yields an annual revenue\* of nearly 14 lakhs to the public treasury. A great part, probably by far the larger part, of the fish caught is converted into dried fish, salt fish, and fish-paste, all of which are largely consumed in Upper and Lower Burma. In preparing dried fish a good deal of salt is used; and fish salted or made into *ngapee* (fish-paste) requires nearly its own weight of salt. At present the fishermen do not as a rule possess much capital; they often have to borrow money for their boats and nets, or to pay their instalments of revenue. They would find great difficulty in providing salt enough to cure their take of fish if the price of salt were to be raised 300 or 400 per cent. Fish would be ill cured or not cured at all; the fishing industry would languish; the supplies of fish to the population would decrease; and the fishery revenue would fall off. Perhaps in course of time people would come to pay high prices for fish, and the business would recover; but a great rise in the price of salt must, for some years at any rate, cripple the fish industry and materially affect the fishery revenue.

9. It is quite certain that, under present circumstances, the land revenue of Burma could not be enhanced so as to cover the whole, or even half or a third, of the deficit caused by the abolition of the capitation-tax. The land revenue would have to be increased by 44 per cent. in order to make up for the loss of 29 lakhs of capitation-tax. Already the Settlement Department is, on other and general grounds, enhancing the land-tax. Owing to the fall in the price of rice and for other reasons, we have already been forced to forego a part of the large increase in the land revenue which was expected when the regular settlement business was first started; and we have had actually to reduce the new rates of land-tax as first fixed in 1880. The proceedings of the Settlement Department will, in consequence of the greater accuracy of the measurements, yield a moderate addition to the land revenue; and the normal increases of land-tax, due to extension of cultivation, will go on. But any further increase of rates on a very large scale is utterly and entirely out of the question. Such proceedings would arrest progress, check immigration, reduce the outturn of rice, and might make the people discontented. No doubt the people would have in their pockets the 29 lakhs now paid in capitation-tax. But for the great majority of agriculturists the increase as land-tax would far outweigh the four or five rupees saved by abolition of the capitation-tax. The burden would be thrown on the landed classes instead of being as now spread over all classes.

10. It is not probable that a house-tax would ever yield the full amount, or any very large proportion of the amount, lost by abolition of the capitation-tax. If such a house-tax is to be far reaching and to yield a large revenue, the nearer it approaches in form to the capitation-tax the more successful it will be. In such a case there can be no advantage in substituting a new impost for a tax to which the people are accustomed. If, on the other hand, there were to be a differential house-tax, graded according to the means and circumstances of the householders, we should drift into something like an income-tax with its annoyances to the people.

Further, a house-tax is already in operation in most of the cities and towns of Burma and the proceeds are devoted to local purposes. The people would much

\* Note.—The following passage from the last annual report gives some account of the fishery revenue —

“The fishery revenue of the past year amounted to £138,902, showing an increase of 16 per cent. upon the preceding year's receipts. Of this sum, the greater part was yielded by taxes on inland fishing, and only £7,181 by taxes on sea-fisheries and turtle banks.”

Fishery Revenue

The most lucrative inland fisheries are in the shallow lakes and hollows which are filled every year by the spill waters of the Irrawaddy and other streams; these lakes dry up for the most part in the hot season and nearly all the fish therein are caught, fresh supplies of fish come in with the next year's inundations. The right to fish in these lakes is leased out by auction for a period of years in other waters fees are exacted on every net, trap, or other implement, saving only rod and line employed in fishing. Sea-fishermen who use boats pay an annual fee of Rs 50 for each boat license. The census returns show that 20,355 families earn their livelihood solely by fishing. The demand for fresh fish is very great, and fish of many kinds are for sale in every bazaar. But the bulk of the fish caught at the larger fisheries are dried in the sun, or else converted into a sort of fish paste called *ngapee* which is universally eaten all over Burma. The best *ngapee* is made from prawns and shrimps, but sharks, cat fish, and most other fish can be used for *ngapee*. The value of the *ngapee* exported to Upper Burma in the year 1880-81 was £235,581, nearly all of which comes from the Thongwa and Bassein districts. The value of the whole take of fish in Burma, including the fish sold fresh, the dried fish, and the *ngapee*, cannot be far short of one million sterling.”

dislike to see this tax largely increased in all such places. As for a house-tax in villages, if the impost were merely the capitation-tax under another name, no doubt the tax could be levied. But there could be no advantage in changing the name and form of the tax. If the impost were to be graduated, or were to differ widely from the capitation-tax, the new tax would be very unpopular and very difficult to work. Under the Bengal Road Cess Act the house tax had to be given up after several years' working. The Burma Cesses Act of 1880 provided for the levy of a house-tax for purposes of rural police; and the first orders issued under the Act directed the assessment of such a tax. But almost every officer reported strongly against the advisability of such a tax; the rural population in more than one district were much disturbed when they heard of it; it was clear that the tax would yield very little; and so no house-tax under Act II of 1880 was ever either assessed or collected.

11. In conclusion Mr. Bernard would submit that, so far as he is able to judge—

- (a) the people of Burma are accustomed to the capitation-tax, pay it without difficulty or harassment, and have no special dislike for it, though they would no doubt be glad to be rid of it.
- (b) if the money can be spared, it would be a good thing to abolish the tax, and especially to relieve agriculturists from the burden of it; such relief would however involve a loss of about three-quarters of the present yield;
- (c) if the money cannot be spared, it would be much better to keep the capitation-tax rather than attempt to find the money by other imposts;
- (d) a heavy salt-tax could not be worked in British Burma if salt consigned to Upper Burma is to go duty-free; and a salt-tax, even at the rate of Rs. 2-8 a maund, would fall far short of filling the deficit caused by abolition of the capitation-tax;
- (e) a heavy salt-tax would, for a time at any rate, cripple the fishery trade, greatly reduce the supply of fish diet throughout Burma and materially affect the fishery revenue;
- (f) an increase to the land revenue sufficient to make good the 29 lakhs now yielded by the capitation-tax is out of the question; such an increase would check immigration, diminish the progress of the country, and might stop the normal increase of cultivation and revenue;
- (g) a house-tax, such as would yield any large contribution towards filling the deficit of 29 lakhs, would be possible only if it were assessed, levied, and managed as the capitation-tax under another name; a graduated house-tax over the whole country would be most unpopular and would cause indefinite friction.