

PROVINCIAL TAXATION UNDER AUTONOMY

By
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TO
MY MOTHER IN HEAVEN

PREFACE

PROVINCIAL autonomy on the basis of the Government of India Act, 1935, was introduced in British India with effect from the 1st April, 1937. The new constitution functioned smoothly in the provinces till September 1939 when the ministries in eight out of the eleven provinces resigned on account of their difference of opinion with His Majesty's Government. The constitution was thereupon suspended in these eight provinces but it continued to function in the remaining three. In three out of these eight provinces ministries were subsequently formed so that the constitution was, in March 1944, functioning in six out of the eleven provinces.¹

After the declaration of war by Japan in December 1941 conditions became abnormal. In 1943 the country was in the midst of an economic crisis. These conditions had their effects on provincial finances. In the provinces where the constitution was not functioning, the Governments had generally not departed from the programmes of the resigned ministries till about the end of the year 1941-2. After that changes had to be made on account of abnormal conditions.

The present study is generally confined to the first five years of provincial autonomy, i.e. the years 1937-8 to 1941-2. In the provinces now without a ministry, the active policy of taxation, of course, refers to the first two years and a half when ministries were functioning. In some cases figures for the year 1942-3 have also been given and the Bengal Agricultural Income-Tax Bill which is in the final stages of enactment at the time of writing has been discussed at some length. This measure was, in fact, first published in 1941, though enacted three years later.

During this period the taxation policy in the provinces was, for the first time in the history of British India, placed under popular control subject, of course, to the limitations of a rigid constitution. An analytical study of the result is, therefore, of absorbing interest.

In an appendix a brief survey has been made of the subsequent developments till about the 31st March, 1944, and in some cases up to the date of writing.

¹ The constitution has since been suspended in Orissa also.

In writing the book the author has depended wholly on original sources and on personal enquiries. The original sources consist mainly of the Acts imposing the various taxes and the rules made thereunder, official reports of the debates in the Provincial Legislatures leading to the passing of the Acts and the administrative reports issued by the Tax Collecting Departments where available. The author also made personal enquiries in the Provinces of Bengal, Madras, Bombay, Bihar and Assam in the course of which he met tax payers, tax collectors, businessmen, politicians and economists. The author takes this opportunity of expressing his gratitude to all of them, many of whom appeared to him as nameless economic *units*.

The author is grateful to Dr J. P. Niyogi, University Professor of Economics, Calcutta, for valuable suggestions and to Mr R. L. Walker, Finance Secretary, Government of Bengal, for the facilities provided by him.

B. DAS GUPTA

CALCUTTA

The 14th September 1944

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