

[To be introduced in the Legislative
Assembly.]

A
BILL

TO

*Fix the duty on salt manufactured in, or imported
by land into, certain parts of British India, to
fix maximum rates of postage under the Indian
Post Office Act, 1898, further to amend the
Indian Tariff Act, 1894, the Indian Stamp
Act, 1899, and the Indian Paper Currency Act,
1923, and to fix rates of income-tax.*

WHEREAS it is expedient to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Tariff Act, 1894, the Indian Stamp Act, 1899, and the Indian Paper Currency Act, 1923, and to fix rates of income-tax; It is hereby enacted as follows:—

1. (1) This Act may be called the Indian
Short title, extent and duration. Finance Act, 1927.

(2) It extends to the whole of British India, including British Baluchistan and the Sonthal Parganas.

(3) Sections 2 and 3 shall remain in force only up to the 31st day of March, 1928.

2. The provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if, with effect from the 1st day of April, 1927, they imposed such duty at the rate of one rupee and four annas per maund of eighty-two and two-sevenths pounds avoirdupois of salt manufactured in, or imported by land into, any such part, and such duty shall, for all the purposes of the said Act, be deemed to have been imposed by rule made under that section.

3. With effect from the 1st day of April, 1927, the schedule contained in the First Schedule to this Act shall be inserted in the Indian Post Office Act, 1898, as the First Schedule to that Act.

4. With effect from the 1st day of March, 1927, the following amendments shall be made in the Indian Tariff Act, 1894, namely:—

(1) In the Second Schedule to that Act there shall be made the amendments specified in Part I of the Second Schedule to this Act.

(2) In the Third Schedule to that Act there shall be made the amendments specified in Part II of the Second Schedule to this Act.

5. With effect from the 1st day of July, 1927, the following amendments shall be made in the Indian Stamp Act, 1899, namely:— II of 1899.

(1) In section 3—

(a) in clause (b), the word "cheque" shall be omitted, and after the words "bill of exchange" the words "payable otherwise than on demand" shall be inserted; and

(b) in clause (c), the word "cheque" shall be omitted.

(2) In clause (b) of section 11, the word "cheques" shall be omitted.

(3) In sub-section (1) of section 18, the word "cheque" shall be omitted.

(4) In section 19, after the words "bill of exchange", where they first occur, the words "payable otherwise than on demand" shall be inserted, and the word "cheque", in both places where it occurs, shall be omitted.

(5) In section 47, for the words "promissory note or cheque" the words "or promissory note" shall be substituted, and for the words "note or cheque", wherever they occur thereafter, the words "or note" shall be substituted.

(6) In clause (c) of section 49,—

(a) the word "cheques" shall be omitted, and after the words "bills of exchange" the words "payable otherwise than on demand" shall be inserted;

(b) the words "or cheque", wherever they occur, shall be omitted;

(c) the word "cheque", wherever it occurs elsewhere, shall be omitted; and

(d) for the words "any bill of exchange", where they occur for the first time in sub-clauses (1) and (3), the words "any such bill of exchange" shall be substituted.

(7) In clause (a) of sub-section (1) of section 62, the word "cheque" shall be omitted, and after the words "bill of exchange" the words "payable otherwise than on demand" shall be inserted.

(8) In section 67, after the words "bill of exchange" the words "payable otherwise than on demand" shall be inserted.

(9) In article No. 13 of Schedule I, the word, figure and brackets "and (3)" shall be omitted, and the letter, brackets and words "(a) where payable on demand", together with the entry "one anna" in the second column against those words, shall be omitted.

(10) Article No. 21 of Schedule I shall be omitted.

6. In sub-section (7) of section 19 of the Indian Paper Currency Act, 1923, for the figures "1927" X of 1923. the figures "1928" shall be substituted.

7. (1) Income-tax for the year beginning on the 1st day of April, 1927, shall be charged at the rates specified in Part I of the Third Schedule.

(2) The rates of super-tax for the year beginning on the 1st day of April, 1927, shall, for the purposes of section 55 of the Indian Income-tax Act, 1922, be those specified in Part II of the Third Schedule. XI of 1922.

(3) For the purposes of the Third Schedule, "total income" means total income as determined, for the purposes of income-tax or super-tax, as the case may be, in accordance with the provisions of the Indian Income-tax Act, 1922. XI of 1922.

It is hereby declared that it is expedient in the public interest that the provisions of clause 4 of this Bill should have temporary effect under the provisions of the Provisional Collection of Taxes Act, 1918. XVI of 1918.

SCHEDULE I.

Schedule to be inserted in the Indian Post Office Act, 1898.

[See section 3.]

“THE FIRST SCHEDULE.**INLAND POSTAGE RATES.**

[See section 7.]

Letters.

For a weight not exceeding two and a half tolas	One anna.
For every two and a half tolas, or fraction thereof, exceeding two and a half tolas	One anna.

Postcards.

Single	Half an anna.
Reply	One anna.

Book, Pattern and Sample Packets.

For every five tolas or fraction thereof	Half an anna.
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Registered Newspapers.

For a weight not exceeding eight tolas	Quarter of an anna.
For a weight exceeding eight tolas and not exceeding twenty tolas	Half an anna.
For every twenty tolas, or fraction thereof, exceeding twenty tolas	Half an anna.

Parcels.

For a weight not exceeding twenty tolas	Two annas.
For a weight exceeding twenty tolas and not exceeding forty tolas	Four annas.
For every forty tolas, or fraction thereof, exceeding forty tolas	Four annas.”

SCHEDULE II.

[See section 4.]

PART I.*Amendments to the Second Schedule to the Indian Tariff Act, 1894.*

- (1) (a) For Item No. 10-A, the following Item shall be substituted, namely :—

“10-A | RUBBER STUMPS, rubber seeds and raw rubber.”

(b) In Item No. 76, for the words “excluding oil-seeds imported into British India by sea from the territories of any Prince or Chief in India (see No. 6)” the words “not otherwise specified” shall be substituted.

- (2) For Item No. 36, the following Item shall be substituted, namely :—

“36 TOBACCO, unmanufactured	Pound		Rs. A.
			1 8

- (3) (a) After Item No. 42, the following heading and Item shall be inserted, namely :—

“CARRIAGES AND CARTS.

42-A. MOTOR CARS, motor cycles, and motor scooters, and articles (other than rubber tyres and tubes) adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for other purposes than as parts and accessories of motor vehicles included in this item or in No. 87 shall be dutiable at the rate of duty specified for such articles.		<i>Ad valorem</i>	20 per cent.”
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(b) In Item No. 87, for the figures “127” the figures and letter “42-A” shall be substituted.

(c) In Item No. 115, for the words and figures “Nos. 53 and 139” the word and figures “No. 53” shall be substituted.

(d) Items Nos. 127 and 139 shall be omitted.

PART II.

Amendments to the Third Schedule to the Indian Tariff Act, 1894.

1. In Item No. 3 and the heading thereto, the words "HIDES AND" shall be omitted.
2. Item No. 5 and the heading thereto shall be omitted.

SCHEDULE III.

[See section 7.]

PART I.

Rates of Income-tax.

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—	Rate.
(1) When the total income is less than Rs. 2,000	Nil.
(2) When the total income is Rs. 2,000 or upwards, but is less than Rs. 5,000	Five pies in the rupee.
(3) When the total income is Rs. 5,000 or upwards, but is less than Rs. 10,000	Six pies in the rupee.
(4) When the total income is Rs. 10,000 or upwards, but is less than Rs. 20,000	Nine pies in the rupee.
(5) When the total income is Rs. 20,000 or upwards, but is less than Rs. 30,000	One anna in the rupee.
(6) When the total income is Rs. 30,000 or upwards, but is less than Rs. 40,000	One anna and three pies in the rupee.
(7) When the total income is Rs. 40,000 or upwards	One anna and six pies in the rupee.
B. In the case of every company and registered firm, whatever its total income	One anna and six pies in the rupee.

PART II.

Rates of Super-tax.

In respect of the excess over fifty thousand rupees of total income:—

	Rate.
(1) in the case of every company	One anna in the rupee.
(2) (a) in the case of every Hindu undivided family—	
(i) in respect of the first twenty-five thousand rupees of the excess	Nil.
(ii) for every rupee of the next twenty-five thousand rupees of such excess	One anna in the rupee.
(b) in the case of every individual, unregistered firm and other association of individuals not being a registered firm or a company, for every rupee of the first fifty thousand rupees of such excess	One anna in the rupee.
(c) in the case of every individual, Hindu undivided family, unregistered firm and other association of individuals not being a registered firm or a company—	
(i) for every rupee of the second fifty thousand rupees of such excess	One and a half annas in the rupee.
(ii) for every rupee of the next fifty thousand rupees of such excess	Two annas in the rupee.
(iii) for every rupee of the next fifty thousand rupees of such excess	Two and a half annas in the rupee.
(iv) for every rupee of the next fifty thousand rupees of such excess	Three annas in the rupee.
(v) for every rupee of the next fifty thousand rupees of such excess	Three and a half annas in the rupee.
(vi) for every rupee of the next fifty thousand rupees of such excess	Four annas in the rupee.
(vii) for every rupee of the next fifty thousand rupees of such excess	Four and a half annas in the rupee.
(viii) for every rupee of the next fifty thousand rupees of such excess	Five annas in the rupee.
(ix) for every rupee of the next fifty thousand rupees of such excess	Five and a half annas in the rupee.
(x) for every rupee of the remainder of the excess	Six annas in the rupee.

STATEMENT OF OBJECTS AND REASONS.

The object of this Bill is to continue certain provisions of the Indian Finance Act, 1926, which would otherwise cease to have effect from the 1st April, 1927, to make certain changes in the Schedules to the Indian Tariff Act, 1894, and to abolish the stamp duty on cheques and other bills of exchange payable on demand.

2. Clauses 2, 3 and 7 provide for the continuance of the rates of salt duty, postage, income-tax and super-tax prescribed by the Indian Finance Act, 1926, while clause 6 provides for the credit to revenue for a further period of one year, *i.e.*, till the 31st March, 1928, of interest on securities forming part of the Paper Currency Reserve.

3. Clause 4 gives effect to the following changes :—

- (a) The abolition of the import duty on rubber stumps and rubber seeds.
- (b) The increase of the import duty on unmanufactured tobacco from Re. 1 to Rs. 1-8-0 per pound.
- (c) The reduction of the import duty on motor cars, etc., from 30 per cent to 20 per cent *ad valorem*, and the reduction of duty on tyres and tubes from 30 per cent to 15 per cent *ad valorem*.
- (d) The abolition of the export duty on tea and hides.

The exemption of rubber stumps and rubber seeds imported into India from the payment of import duty has been very strongly urged by the Government of Burma in order to afford every possible encouragement to an adolescent industry in Burma. The change will not result in any appreciable loss of revenue.

The import duty on cigarettes was fixed in 1925 at Rs. 7 per thousand, if the value does not exceed Rs. 10-8-0 per thousand, and at Rs. 10-8-0 per thousand, if the value exceeds Rs. 10-8-0. These rates of duty for the two classes of cigarettes are equivalent to Rs. 2-12-9 and Rs. 4-3-3 per pound, respectively. But the import duty on unmanufactured tobacco is only Re. 1 per pound. It is proposed that the duty on unmanufactured tobacco should be raised from Re. 1 to Rs. 1-8-0 per pound. This increase is expected to yield an additional revenue of Rs. 18 lakhs, which should cover the loss of revenue which would result from the proposed reduction of import duty on motor cars and tyres and the abolition of the export duty on hides.

The reduction of the import duty on motor cars and tyres was suggested by the Taxation Enquiry Committee, on the ground that, though

the existing scales were justified as productive of revenue, a lower duty would undoubtedly encourage the development of motor transport in India. The reduced scale of duties will also afford Provincial Governments and local authorities an opportunity to levy taxation to be devoted to the improvement of roads. It is anticipated that the loss in Customs revenue on the reduced scale of duty will not exceed Rs. 10 lakhs, due allowance being made for increased importation.

The export duty on hides was originally imposed in September, 1919, in the interests of the Indian leather industry, but for various reasons the duty has failed in its purpose. The Taxation Enquiry Committee have by a majority recommended early abolition, as in their opinion the duty is wrong in principle, a view which was shared by the Fiscal Commission.

The abolition of the export duty on tea was suggested by the Fiscal Commission. The Taxation Enquiry Committee came to the conclusion "that the duty is one which may continue for the present, but it should be removed or reduced, if and when the conditions of the trade indicate that it is having a prejudicial effect". The duty is, however, wrong in principle, and it is, therefore, proposed to abolish it and to compensate the loss in revenue by altering the present basis of assessment to income-tax of the profits of the tea industry. Tea companies are now assessed on only 25 per cent of their total profits, the remaining 75 per cent being regarded as agricultural income, and therefore not liable to income-tax. The proportions assigned to the agricultural and manufacturing operations of the trade were based on very imperfect data, and recent inquiries have shown that the proportions should be at least equal. It is, therefore, proposed that a rule should be made under section 59 of the Indian Income-tax Act, 1922, to provide that, if owing to the existence of a market for green tea the manufacturing profits can be separately ascertained, such profits should be assessed, and that otherwise they should be assumed to form 50 per cent of the entire net profits.

Neither the public revenues nor the tea industry as a whole will be appreciably affected by these proposals, but the substitution of a tax on the profits for the export duty will result in a more equitable distribution of the burden of taxation.

4. Section 7 gives effect to the recommendation of the Currency Commission that the stamp duty on cheques should be abolished in order to encourage the habit of banking. It is also proposed to abolish the duty on bills of exchange which are payable on demand.

The 28th February, 1927.

BASIL P. BLACKETT.

GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

A
BILL

TO

Fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Tariff Act, 1894, the Indian Stamp Act, 1899, and the Indian Paper Currency Act, 1923, and to fix rates of income-tax.

The Governor General has been pleased to accord the sanction required by section 67 (2) (a) of the Government of India Act.

L. GRAHAM,

Secretary of the Legislative Assembly.

(The Honourable Sir Basil Blackett.)