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TAXATION ENQUIRY COMMITTEE

VOLUME VI

Evidence

RANGOON, BOMBAY and POONA.



M A D R A S

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7th April 1925.

RANGOON.

Present:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.D.

The Hon'ble SARDAR JOGENDRA SINGH.

Dr. R. P. PARANIPPE.

Dr. L. K. HYDER, M.L.A.

Written memorandum of Mr. C. E. Rushton, Chief Engineer and Secretary, Public Works Department, Irrigation Branch, Burma.

Q. 15.—The charges levied for water supplied by any irrigation work in Burma form part of the ordinary land revenue of the country, and are assessed by the civil administrative officers after lengthy settlement investigations which may last from three to five years.

It is laid down that the assessment should include the full value of the use of the water to the occupier on a commercial basis, so that a higher proportion of profits can usually be taken as revenue and still leave a considerable improved margin for the cultivator.

Canals in Burma are constructed for the irrigation of rice fields, where a very large volume of water is necessary. The labour rates in Burma are higher than in India. These two factors explain the high cost of the canals compared with the area benefited.

It is difficult therefore to ensure that such irrigation works shall be productive, which under the present rules means that after payment of all running expenses full interest on capital expenditure should be recovered in addition to whatever purely land revenue may have been imposed.

Practically the rule applies that the combined land revenue and water-rate shall not exceed one-fifth the gross produce of the land.

In past settlements, in the case of major canals, it was customary to levy separate rate for land and water revenue.

The area irrigated was divided out into price tracts and again into soil fertility classes based on accessibility, etc., and outturn of the land per acre; on these data the rates for land revenue and water were assessed.

In the case of the Mandalay Canal, for instance, one-sixth of the gross outturn per acre was fixed as water-rate, and one-sixth of the net outturn as land revenue. Of the latter, however, one-third was allowed as a further credit to irrigation.

These separate rates involve great labour and, to simplify matters, in all recent settlements the assessment is based on a consolidated rate for both land and water, of which a percentage roughly based on the formula in the statement attached (Appendix I) is credited as the water-rate.

In the case of Mandalay and Shwabo Canals, this percentage of the gross demand works out at 76 per cent and 83 per cent respectively. The percentage of net yield per acre on which consolidated rates have been fixed in the case of the Shwabo Canal is 39 and 34 per cent in the two varying tracts, and 30, 33 and 38 per cent for different assessment areas of the Yeu Canal.

In the table attached (Appendix II) the mean working results for the four major canals in Burma for the years 1921-22 to 1923-24 have been tabulated. The figures show that three out of the four works are unproductive.

It must be remembered that when it is necessary to levy water-rates, the proportion of land taxation it is possible to levy towards the general administration of the country is perforce small as compared with that paid

on secured areas elsewhere, and it is open to question if the ideal to be aimed at should not include a sinking fund for the repayment of the capital expended within a period of 25 to 60 years, according as the fertility of the canal tract in question would admit of enhanced rates.

A private landowner in Upper Burma paying the Government dues can rent his land producing say 40 to 45 baskets per acre for a return of 15 to 20 baskets, or on a profit-sharing basis of half profits with his tenant, each paying half share of revenue. It is open to question, therefore, when large sums of money are spent on irrigation works for the benefit of the few, whether the Government demand should not be pitched higher. Under recent settlements, full notice has been taken of the rise in labour rates brought about by the war, and the owners' labour has been included at a valuation. On the other hand, insufficient consideration has been paid to the very great increases in cost of upkeep of all irrigation works, as the net outturn per acre is based on the average value of paddy during the past 20 years rather than on the increased average value of late years.

It may, therefore, be said that in general the charge for water supplied for irrigation in Burma is not adequate and that—

(1) Every irrigation work, major or minor, should be made to pay as far as possible the full cost of supplying water including interest on capital invested.

To ensure this as far as possible the consolidated rate should be levied as at present up to a limiting point of one quarter the gross produce.

(2) Any canal that under the present very reasonable system of assessment pays more than its maintenance and interest charges, the balance should be treated as a fair commercial profit to cover losses on unproductive works.

(3) Irrigation works should be credited with the revenue they bring in, so that pressure can be brought to bear on the staff to work them at their maximum efficiency.

(4) To charge by volume will make no discrimination for soil class for thirsty and poor land as against fat and rich land, and is not recommended in Burma where the variations are great.

(5) No.

Q. 16.—When land is brought under irrigation it always increases in value. If a reasonable return is taken by Government in full settlement of interest charges and cost of supplying water, there seems no reason to deprive the owner of the rise in value of the land into which he likewise must put labour and capital to make it take irrigation and close cultivation.

APPENDIX I.

Approximate formula for sharing consolidated assessment between land revenue and water-rates.

(a) Old land revenue in unirrigated tracts.

(b) New do. do.

(c) Percentage increase.

(d) Gross demand (now), irrigated tracts.

(e) Old land share (i.e., Land Revenue credit of Land Revenue) in irrigated tracts.

(f) Cost of Land Revenue staff in irrigated tracts.

(g) Cost of collection (Thugyi's commission) in irrigated tracts.

(h) Cost of Land Revenue staff in dry tracts.

(i) Cost of collection in dry tracts.

(j) Percentage cost in dry tracts = $\frac{(h + i) \times 100}{a}$

(k) Reduced cost of collecting dry revenue in irrigated tracts = $(e + o) \times \frac{j}{100}$

(l) Reduced cost of collecting old irrigation revenue = $f + g - k$.

(m) Old gross demand in irrigated tracts.

(n) Reduced cost of collecting new irrigation revenue = $1 \times \frac{d}{m}$

(o) Revenue on irrigated land in irrigated tracts.

(p) Irrigation share = $d - (e + \frac{e \times c}{100}) - n$.

APPENDIX II.

Mean working results of the four Major Canals in Burma for the three years
1921-22 to 1923-24.

Irrigation system.	Gross revenue from the system.	Cost of maintaining the system excluding interest.	Net income from the system.	Capital cost of the system on the 31st March 1924.	Ratio of columns (4) to (5).
(1)	(2)	(3)	(4)	(5)	(6)
	RS.	RS.	RS.	RS.	
Mandalay canal ..	4,05,585	1,90,001	2,15,584	57,70,227	3.74
Shwabo canal ..	8,59,428	3,49,942	5,09,486	62,36,076	8.17
Yeu canal ..	2,55,575	2,05,251	50,324	59,15,324	0.85
Mon canal ..	3,43,926	1,51,268	1,89,658	63,87,383	2.97
Total ..	18,64,514	8,99,462	9,65,052	2,43,09,010	3.97

Note.—The Shwabo Canal is the only system which is able to meet the interest charges calculated at 4 per cent on the capital invested.

Mr. J. D. STUART, A.M.I.C.E., M.I.E., Rangoon, was examined on
Mr. Rushton's written memorandum and gave oral evidence
as follows :—

Dr. Hyder. Q.—When did you give up the system of charging separately for water and institute the combined system?

A.—It has only lately been decided to give it up and the other has not really come into force yet. We have four canals built with the funds of the Central Government, and in those canals the system of separate water-rates is still in force. They are classed as productive, but as a matter of fact, only one is really productive. Two new settlements have been made and in those the combined water-rate has been provided for but has not come into force yet.

Q.—What rate of interest must these canals pay in order that they may be productive?

A.—4 per cent.

Q.—What is the rate of interest at which you borrowed the money?

A.—4 per cent. All these canals were constructed before the war. The canals have since been purchased by the Provincial Government.

The Maharajudhiraja Bahadur of Burdwan. Q.—Is it not a fact that if you want to construct a canal now, you must guarantee to the Government of India that your productive rate would be 6 per cent?

A.—I think so.

Dr. Hyder. Q.—In paragraph 3 of the paper, you say: "Canals in Burma are constructed for the irrigation of rice fields where a very large volume of water is necessary. The labour rates in Burma are higher than in India. These two factors explain the high cost of the canals compared with the area benefited." Do you mean to apply this to the original cost as well as to the running costs?

A.—Yes; because, the canals have to be made much larger than those for wheat cultivation so as to carry the extra volume of water required for rice cultivation.

Dr. Paranjpye. Q.—Were these canals constructed as famine works?

A.—No; they are constructed as productive irrigation works.

Q.—One of the canals—the Yeu canal—pays less than 1 per cent on the capital invested?

A.—Yes; it is a new canal which has not been in action very long and I think it will show a considerable improvement soon.

Q.—The Mon canals also pay very little?

A.—The Mon canals were particularly expensive canals to construct as considerable engineering difficulties were involved.

Q.—Were not the estimates properly made?

A.—The fact of the matter is that the revenue has not been as much as was expected. The actual cost of the canal was about the same as the revised estimate.

The President. Q.—I see from the Administration Report that no share of the land revenue has yet been credited to the Yeu canal project, so that it would be more productive than appears from the figures.

A.—I think it has now been arranged that the share is to be credited.

Dr. Paranjpye. Q.—Do the canals serve lands which were absolutely unproductive?

A.—There is a certain amount of rain; but it is very precarious indeed to grow any crops in these areas without irrigation. They could only grow dry crops like sesamum, maize, beans, etc.

Dr. Hyder. Q.—Altogether on these four canals about 2½ crores of rupees have been spent. Do you know how much was spent on the canals which are unproductive for which no capital account is kept?

A.—Practically all of them, if not all, are old Burmese works which have been taken over by the Government and we really do not know what the capital expenditure was.

Q.—You say “In the case of the Mandalay canal, for instance, one-sixth of the gross outturn per acre was fixed as water-rate and one-sixth the net outturn as land revenue”. What does the term “net outturn” mean? Is it the same thing as “net assets” as used in India?

A.—The value of the produce of the land after deducting all the expenses of cultivation.

Q.—Is labour included in the expenses of cultivation?

A.—Yes.

Q.—The cultivator's own as well as hired labour?

A.—I cannot go into the details, because it is worked out by the settlement officers. But that is the general idea.

Q.—When you say “net assets”, would that be the same as the letting value of the land?

A.—No.

Q.—There is no sinking fund whatever. Would you like to have a sinking fund?

A.—I do not think so myself.

Q.—I think the Government of India have instituted a sinking fund for their works.

Sir Percy Thompson. Q.—You say “One-sixth of the gross outturn per acre was fixed as water-rate and one-sixth the net outturn as land revenue”; and you say you would take the combined rate. Do you know what the proportion of the net outturn is to represent the water plus the land?

A.—I think it is one-fifth. I might explain that in fixing these rates the average cost of paddy is taken for the last 20 years. Looking into the Settlement Report of the Sawabo district I find the rates are based on a price of Rs. 104 to Rs. 96 per 100 baskets of paddy. That is the average taken for 20 years. The actual average for 1919-22 is Rs. 142 to Rs. 148 per 100 baskets. So really our rates are calculated on a value of the produce which is very much lower than the actuals.

Dr. Hyder. Q.—Then there are normal years, years of scarcity and years of high prices.

A.—Before 1919, during the war, the price of paddy was controlled. Since 1919 we get the actual value.

Q.—You say a private land owner in Upper Burma paying the Government dues can rent his land, producing say 40 to 45 baskets per acre, for a return of 15 to 20 baskets. That is the landlord's share, is it not?

A.—Yes.

Q.—When he rents his land for 15 to 20 baskets of rice, does the landlord pay anything or does he pass it on to the tenant?

A.—The tax is assessed on the owner of the field.

Q.—If he lets his land to another man, does he pay half and the tenant pay another half?

A.—That is a matter for private arrangement; we don't collect like that.

Q.—The landlord may nominally pay. But does he ultimately pass it on?

A.—Government only collect it from one man.

Q.—You say under recent settlements full notice has been taken of the rise in labour rates brought about by the war and the owner's labour has been included at a valuation. That is to say, in the calculation of the net outturn you make allowance for the cost of labour?

A.—Yes.

Q.—That is of the cultivator himself?

A.—Yes; the expenses of the cultivators have gone up and a sufficient margin is allowed in settlement, but nothing is allowed for the increased cost of the upkeep of the canals.

Q.—Don't you think that No. (2) of Mr. Rushton's principles works unfairly in the case of people who have better facilities for irrigation and who make use of canals? They have to suffer in order that the unproductive works may be made remunerative.

A.—I think that is quite a wrong principle.

The President. Q.—There is no proposal under (2) to raise any more revenue to get a surplus for the canal system as a whole.

A.—Yes; if the bare cost of supplying water, including interest on the capital invested is charged on each canal, it will be very unfair. Those on the Mon canals would have to pay two-and-half times the rate that they pay on the Shwebo canal.

Dr. Hyder. Q.—Supposing these recommendations are accepted then you will have varying rates?

A.—Yes. The rates are based on the quality of the soil, accessibility to markets, etc. I think that is the fair method.

Dr. Paranjpye. Q.—Have you got any schemes for canals which have not yet been built?

A.—We have no schemes for large canals. We have schemes for extensions.

Q.—Is there any possibility of new sources?

A.—There is scope for more irrigation, but it is extraordinarily difficult to get water to these areas.

Dr. Hyder. Q.—With regard to this formula for sharing the consolidated assessment between land revenue and the water-rates I take it the symbols refer to the lettering of the items. You have no experience yet of the combined system of land revenue and the water-rates?

A.—It is in force on the old Burma canals. It is only in canals constructed with loans from the Central Government that separate rates are in force. That was necessitated by the Government of India rules.

Q.—What is the advantage of the consolidated system?

A.—It is much simpler.

The Hon'ble Sardar Jogendra Singh. Q.—Don't you think it fairer?

A.—I do not know about that. I think it will come to very much the same thing. The revenue people are anxious to have it.

Dr. Hyder. Q.—As regards the village headmen they get 25 acres free of rent and there is no water-rate charged?

A.—I do not know if they are charged.

The Hon'ble Sardar Jogendra Singh. Q.—Regarding the fixing of one-sixth share, you take the gross produce and go into the question of costs. Supposing one-sixth is for land revenue and water-rate, what proportion

will you fix for the cost of cultivation? Taking these two charges, what is the balance left per acre? How many baskets? Have you got any figures about that?

A.—No.

Sir Percy Thompson. Q.—Is one-sixth of the gross outturn a correct system? You might be charging very high with regard to land which is scarcely benefited by the water whereas in lands where the water means everything you will be levying practically the same rate.

A.—This principle has been superseded by new orders.

Q.—The ratio to the net yield varies from 30 to 39 per cent. Are you only taking 30 to 39 per cent of the benefit conferred by the application of water?

A.—Yes.

Q.—Why should the cultivator have the other 61 per cent? Surely theoretically the State is entitled to the whole.

A.—We must leave something for the cultivator.

The Hon'ble Sardar Jogendra Singh. Q.—You are quite sure that the increase is mainly due to irrigation?

A.—Yes.

Sir Percy Thompson.—30 per cent of the old yield represents the old land revenue. 30 per cent of the new yield represents the new land revenue plus the water-rate. Therefore the amount attributed to the water-rate is 30 per cent of the increased yield.

The President. Q.—Supposing you had a piece of land yielding Rs. 100 before irrigation, land revenue before irrigation may be Rs. 25. After irrigation the yield is Rs. 150. Then you can take one-third or a higher proportion of the profits?

Sir Percy Thompson. Q.—Not only is the net assets higher but the pitch of land revenue is also higher?

A.—Yes.

Q.—Supposing the net increase is from 100 to 200, you take 35 per cent of 200?

A.—Yes.

Q.—The effect of the new system will be that you will have varying rates of land revenue all over the province. Is not that a mistake?

A.—They vary very much and vary from district to district. The soil is divided into different classes.

Q.—But the percentage is purely an arbitrary percentage.

A.—Yes.

The President. Q.—Is not the percentage taken on the net profits of the irrigated land?

A.—It is reckoned on the net yield per acre.

Q.—What I cannot see is why there is not some fixed percentage? Why should you take 39 from one and 30 from another?

A.—Well, I have not gone into this. I expect it is due to variations in the quality of the soil.

Q.—That factor would already have worked itself out.

The Maharajahdiraja Bahadur of Burdwan. Q.—What is meant by combined land revenue?

A.—It means the total of land revenue and water-rate.

Q.—Supposing a man has a gross produce of Rs. 100. Under this he will pay Rs. 20 which will be combined land revenue and water-rate?

A.—Yes.

Q.—How do you arrive at the water-rate from that? In other parts of India one is accustomed to hear land revenue being fixed at 50 per cent of the net.

A.—Over the canal areas where we have combined rates land revenue is assessed at rates at which it may be expected to be if it were not under irrigation. The balance is credited to the irrigation work.

Q.—It will be one-fifth of the gross produce. If Rs. 100 is the gross produce, Rs. 20 will be land revenue.

A.—That is the maximum.

Sir Percy Thompson. Q.—If you fix your land revenue at Rs. 14 and then find the water-rate should be Rs. 10, you cut it down to Rs. 6?

A.—As a matter of fact, the combined revenue is never anything like one-fifth.

The Maharajahdiraja Bahadur of Burdwan. Q.—How much of that would be charged as land revenue and how much would be water-rate?

A.—The revenue authorities estimate what the land revenue would be for that tract if it had not been irrigated. That is taken as land revenue and the balance is credited to works.

Dr. Hyder. Q.—I will read to you the present procedure:

“Those who would assign the department only a commercial credit recognise three elements of the demand corresponding to what have been termed the dry rate, the water-rate and the wet rate. The dry rate is the rate on land in its unirrigated aspect, which by general agreement should be levied as a flat rate and credited to land revenue. The water-rate is the direct payment to the irrigation department for the use of water corresponding to the payment known in the Punjab as the occupier’s rate. This should represent the commercial value of the water. The wet rate which corresponds to the payment known in the Punjab as the owner’s rate represents the land revenue due on the enhanced produce resulting from the supply of water. These terms are in themselves ambiguous and have in fact been used at different times with different meanings, so that the uncertainty attaching to them has confused the issues which in themselves contain sufficient difficulties. It appears convenient therefore to obviate confusion by adopting the terms “land share”, “water share” and “soil share”. The land share is the share of revenue due to the land alone quite apart from irrigation and corresponds to dry rate. The water share is the share of the revenue which represents the commercial value of water and corresponds to the water-rate. The soil share as explained more fully below, represents the superiority of certain soils and corresponds to the wet rate. Hitherto, on major works in Burma, as in some Indian provinces, it has been found desirable to distinguish between the share collected as water-rate which is credited directly to the irrigation department and the share collected as land revenue which is credited at least in the first instance to the general revenues. It seems unlikely that this distinction would be so general if it were merely artificial and served no useful purpose. There is in fact a real difference in the nature of the two payments, and there is a practical advantage in distinguishing between them. Suppose that each of the two plots of land, one irrigated from a Government source and the other unirrigated, yields 50 baskets of paddy. In the one case Government has contributed nothing to the yield, in the other case public money has been spent; the State has thus become a partner in the work and would seem entitled to a larger share than the land revenue alone. The payments to Government by occupants of irrigated land clearly contain two elements; the payment on account of land revenue and a payment for the services rendered. Confusion of these elements in practice encourages a confusion of principle which in the long run is prejudicial to the interests both of the community and of the individual cultivator.”

A.—That applies only to major canals. I was speaking of minor canals. On the major canals we have what is called increment of land revenue and that is credited to the irrigation department as well as the water-rate. That is only on the major canals. In the case of the minor canals, the rate that would be charged had there been no irrigation is reckoned as land revenue and the balance goes to irrigation.

The Maharajahdiraja Bahadur of Burdwan. Q.—What is meant by a basket?

A.—A basket holds about 9 gallons.

The President. Q.—Is it not a defect of the present system of combined rates that you cannot raise it within 20 years?

A.—Yes.

Q.—How do you charge for a second crop?

A.—There is a special rate laid down. If the usual double crops are cultivated there is no reduction.

Q.—Do you have any crop rates?

A.—Yes, there is a distinction between different crops.

Q.—That is, where the combined rate is not in force?

A.—Not entirely so, valuable crops such as betel gardens are assessed at higher rates where there is a combined rate.

Q.—This elaborate calculation of land revenue is for the purposes of determining the rate and Appendix I is to see if things are paying. That is purely a book transaction?

A.—Yes, it is a book transaction.

Dr. Hyder. Q.—Do you get any drainage rates?

A.—I do not think we have any drainage rates as far as I know.

The President. Q.—You credit the income from fisheries to the canals?

A.—Yes. We have fisheries on the canals and get a small revenue, but only from fisheries connected with irrigation works.

Q.—You do not get land revenue on the ground that lands which have been never used for cultivation before the canals were introduced, have since been made fit for cultivation. Have you got lands in that situation?

A.—I do not think that there are any lands which have never been used for cultivation on our canals and we only get enhancement of land revenue.

Q.—Apart from enhancement of land revenue, supposing you turn a desert into cultivable lands, should not the canal establishment take all the land revenue?

A.—Yes, I certainly think so.

Dr. Hyder. Q.—Supposing land is not irrigated but derives water from seepage, do you get any share of the extra produce?

A.—To some extent in the case of tanks—there are one or two large tanks—we do obtain revenue from areas which derive benefit from seepage.

Q.—How do you obtain credit for embankments?

A.—That has lately been taken as 50 per cent of the land revenue.

Dr. Paranjpe. Q.—Have you got any well irrigation in Burma?

A.—No. People irrigate their betel gardens by drawing water from wells or rivers, but the area is very small. Really speaking, there is no well irrigation for crops.

The President. Q.—Mr. Rushton says in his note: "It is open to question if the ideal to be aimed at should not include a sinking fund for the repayment of the capital expended within a period of 25 to 60 years according as the fertility of the canal tract in question would admit of enhanced rates". He is opposed to the idea of a betterment tax. Would not a betterment tax practically amount to the sinking fund which is suggested?

A.—I think it would. I personally do not agree with Mr. Rushton. I think it would be proper to take a portion of the increase in land values. As it is, there is a tremendous speculation in land when the new canals are started and the Government gets absolutely no benefit from the increased value of the land.

Q.—I have got here five propositions prepared on the replies received from the Punjab witnesses, and I shall read them to you. You will kindly tell us if you agree to the proposition. The first is "that the irrigation enterprise should be treated as a whole, the more favourably situated schemes paying for the others".

A.—I cannot agree to that. Each canal must be considered on its merits. People who live on the less expensive canals should not be taxed for the purpose of making up shortages of revenue on the more expensive canals.

Q.—Mr. Rushton does agree to that, I take it, as he says, that “if any canal under the present very reasonable system of assessment pay more than its maintenance and interest charges, the balance should be treated as a fair commercial profit to cover losses on unproductive works”. You don’t agree with that?

A.—I agree that a canal should make as much profit as it can, but not particularly for the purpose of financing the unproductive works.

Q.—The second proposition is “that the rates should be uniform”. You could not do that under consolidated rates. Do you accept this proposition?

A.—That of course does not apply to Burma.

Q.—The third proposition is “that the supply of water should, roughly speaking, be so regulated that each man should get enough for an average rotation of crops and no more”. What plan have you got here?

A.—Practically the whole of our irrigation is paddy, and it requires a lot of water, and all that we do is to see that fields have sufficient water to provide a slight flow. If water stands in the field, it gets hot and the crops are spoiled.

Q.—You cannot work the duty?

A.—Yes. The duty for paddy is something like 60 to 70 acres per cusec.

Q.—The fourth proposition is “that the charge should vary with the crop in order (a) to enable the raiyat to pay most when he has most money, and (b) to take for the Government a share of special profits”. Do you agree with this?

A.—I think the proposition is a sound one.

Q.—The last proposition is that “the rates should be raised periodically with reference to prices”. You should not use them to balance your budget spasmodically?

A.—I think it is very sound.

The Hon’ble Sardar Jogendra Singh. Q.—Don’t you think the propositions just mentioned are in the nature of a counsel of perfection. Is it not so, for instance, the system of penalising one part that pays well to cover the loss on the other?

A.—I would certainly not put up rates in order that people living upon an expensive canal may make it pay; at the same time I would not reduce rates on an inexpensive canal simply because it is inexpensive. I do not think there is any reason why people who live on an inexpensive canal should not pay full value for the water supplied to them.

Q.—Your position is quite different from that of the Punjab where there is no rainfall and the demand for water is greater than here. There is plenty of rainwater here and irrigation is only a supplement.

A.—I spent six years in the Punjab. I know that we get a bit more rain here than in the Punjab, but not very much. In some years you could not grow any crop at all without irrigation, but in others you could grow a fair crop.

Dr. Hyder. Q.—Have you got any irrigation in your dry tract area which resembles the conditions in Bihar and the United Provinces. In Upper Burma, have you got any such irrigation?

A.—Yes.

Q.—Do you pay any compensation to the private people whose works are ruined because you have constructed the irrigation works?

A.—Under the Canal Act, compensation is to be paid, but as a matter of fact, I have no recollection of any private work being ruined by the construction of irrigation works.

The Hon’ble Sardar Jogendra Singh. Q.—You know both the conditions of the Punjab and Burma irrigation works, do you think the conditions are similar or that ideas originated in the Punjab could be applied here?

A.—No. The irrigation conditions are quite different in the two provinces.

Mr. H. L. STEVENSON, I.C.S., Commissioner, Tenasserim Division, Burma, was next examined.

Written memorandum of Mr. Stevenson.

The minerals mined in this Division are tin and wolfram. The following is the actual taxation levied at present on minerals won, apart from income-tax:

Prospecting licenses—

(1) *Royalty* at the rates specified in Schedule A in Part IV at page 19 of the Mineral Concessions Manual, and

(2) acreage fee at the rates laid down in letter No. 1018-1058/11M-78, dated the 29th July 1923, from the Officiating Secretary to the Development Commissioner, Burma.

Mining leases—

(1) *Royalty* as under prospecting licenses.

(2) *Minimum dead rent* at the rates specified in Schedule C at page 20 of the Mineral Concession Manual.

(3) *Surface rent*—see Schedule D on page 20 of the Mineral Concessions Manual.

In addition to the above, under Rule 10 of the rules relating to the grant and use of water in mining operations notified under Section 79(1) and (5) of the Burma Canal Act, 1905, an acreage fee may be charged subject to a maximum of one rupee an acre and a minimum of annas four.

The amount of royalty fluctuates with the market value of the minerals which is ascertained telegraphically both for wolfram and tin. The present rate seems reasonable. Acreage and surface fees are laid down with regard to local conditions. From the above it will be seen that the taxation of minerals is based on the actual value of the minerals won and keeps pace with market fluctuations in value. It does not seem necessary in the circumstances or possible to enhance existing taxation.

There are no private mines in the Division, nor are private mineral rights recognized under the revenue law.

Mr. Stevenson gave oral evidence as follows:—

The President. Q.—You have been asked to explain to us the whole system of administration of minerals?

A.—Yes.

Q.—You deal with wolfram and tin?

A.—Yes, also with oil shale.

Q.—Can you tell us about the ruby mines?

A.—No. There are deposits of oil shale in the Amherst district and there have been many applications for prospecting licenses. I think some of them have been granted.

Q.—I do not understand how shale oil is extracted.

A.—I am sorry I cannot give you any information about it. The industry has not started as yet. The taxation is on the gallon.

Q.—That also pays Government excise?

A.—Yes, on export.

Q.—It is an excise duty?

A.—Yes, it would be the same as on oil.

Q.—As regards tin and wolfram, you have two ways of taxation, one is prospecting licenses and another is mining leases. Prospecting licenses, I take, are merely for the purposes of prospecting.

A.—Yes. The last stage of a prospecting license is practically undistinguishable from a mining lease. They pay the same royalty.

Q.—What marks the change?

A.—A prospecting license is given for a year or two, whereas mining leases are given for a term of 30 years or so.

Sir Percy Thompson. Q.—How can you pay royalty on a prospecting license?

A.—Royalty is paid on the ore extracted. There were formerly three kinds of licenses, one the exploring license, secondly the prospecting license and thirdly the mining lease. Now-a-days we have combined exploring licenses and prospecting licenses into one prospecting license.

Q.—If a man prospects for six months and does not find any mineral, is he required to pay any royalty?

A.—No.

Q.—If he again were to prospect for six more months and finds something, he pays royalty?

A.—Yes.

Q.—Then at the end of the year he is entitled to a mining lease?

A.—He can get a renewal of the prospecting license if he wishes. He is entitled to a mining lease on the expiry of his prospecting license.

The President. Q.—He applies for a license to prospect a considerable area or is there any limit of the area?

A.—50 square miles is the ordinary maximum limit. Up to 1 square mile, the Collector is the authority to grant a license, from 1 to 5 square miles the Commissioner, and from 5 to 10 square miles the Development Commissioner (see page 12 of the Mineral Concessions Manual).

Q.—They pay an acreage fee on the area licensed?

A.—It varies from 2 annas to one rupee per acre. That is laid down by the Development Commissioner, I think.

Q.—When does he actually begin work?

A.—Permission to work follows automatically on the grant of the prospecting license.

Q.—He has got the sole right to work?

A.—Yes.

Q.—You cannot allow two men to work on one and the same area?

A.—No. The license covers only one area and it gives mining rights over that area.

Dr. Paranjpye. Q.—Can a man who has got private lands go and prospect in his own lands?

A.—No. He must have a license. I have not had time enough to look into the matter of tenures thoroughly. The system prevalent in Upper Burma is somewhat different from that in Lower Burma. What do you mean by private land?

Q.—I mean land which is cultivated by a man and for which he pays land revenue.

A.—What tenure do you hold for that land?

Q.—For which there has been settlement for over 20 years or so.

A.—I think the mineral rights belong solely to Government; Government has reserved all mineral rights for itself.

Q.—Can Government give licenses on such land?

A.—I have mentioned in my note that Government has reserved the mineral rights to itself. When I wrote that answer, I did not go deeply into the matter as regards both Upper and Lower Burma. Even where you have perfectly free-hold land in Lower Burma, the mineral rights are reserved to Government.

Q.—I can quite understand if there is any mineral on the land, you will not allow him to work it unless he pays a royalty, but as it is, if a man is using it for agricultural purposes and somebody comes and says that he wants to prospect that land, will Government give permission to that man?

A.—That has been provided for in our rules. If A has lands which he was cultivating himself and B wants to prospect that land, he can come and apply to Government for a prospecting license, and then Government can acquire that land under the provisions of the Land Acquisition Act and give the license required.

The Maharajadhiraja Bahadur of Burdwan. Q.—Supposing A has 100 acres of land and he holds it for 20 years or so under the settlement prevailing in Burma, and B comes and says that A has got only the surface right but I am going to work underneath and I shall see that there is no damage to the land. What I want to get at is, do you have in Burma any cases in which people hold mining rights over and above the surface right?

A.—I do not know of any. In a recent case the same kind of question came up. A man applied for a license over some land which was in the ownership of some one else; the owner did not want to give it up for prospecting, and it was pointed out that we could acquire it. Government can give prospecting licenses, but it cannot give the right to work. It would have to acquire the land (at the cost of the license-holder).

Dr. Paranjpye. Q.—You say that Government would first acquire the lands and then hand over it to the man for prospecting?

A.—Yes.

Sir Percy Thompson. Q.—Suppose one wants to sink a pit in the land as an experiment, would you require the owner's permission?

A.—Yes.

Q.—It would be otherwise a trespass on the land?

A.—Of course.

The Maharajadhiraja Bahadur of Burdwan. Q.—Just now you said that you had not considered the case about rent-free lands. You don't have much rent-free land in Burma?

A.—Not rent-free land. I was speaking of free-hold land.

The Hon'ble Sardar Jogendra Singh. Q.—Have you got free-simple lands?

A.—I can't say.

The Maharajadhiraja Bahadur of Burdwan. Q.—My point is that the State owns both the surface and the underground rights.

A.—That is not quite correct. In Lower Burma you have what we call landholders' rights acquired after 12 years. In the case of lands in Lower Burma which are thus held under landholders' rights—Government has reserved the mineral rights. In Upper Burma the position may be different. Then much land is 'bubabaing', i.e., ancestral land which is practically a free-hold. The owners hold as long as they pay land revenue.

Dr. Paranjpye. Q.—But it is quite easy for an occupier to explore whether there are any minerals or not.

A.—I think so. But he must eventually get a prospecting license.

The President. Q.—With regard to the question of priority, there is a very strict rule that the license goes to the first applicant, even though the concession is a valuable one.

A.—Yes.

Q.—The Government cannot sell it by auction?

A.—Government has an absolute right. It can do what it likes.

Q.—Can you refer us to the rule and to any correspondence which has ensued on the subject?

A.—Yes. Rule 23 of the Burma Minerals Concession Manual says that in case of two or more applications affecting the same land the prior right to a license shall, subject to any order to the contrary which the Local Government may in its discretion pass in any particular case, be deemed to lie with the applicant who being the holder of a valid certificate of approval and after compliance with the procedure prescribed by the rules shall have been the first to file his application with the Collector.

Q.—The certificate of approval is merely a formality?

A.—In a way it is; but you can by it restrict those who go in for mining; we generally try to get people who have some money to lose.

Q.—The first applicant gets it unless there are special reasons to the contrary.

A.—That is so.

Dr. Paranjipe. Q.—Are there any restrictions against foreigners getting these prospecting licenses?

A.—Yes; we don't allow them to come in.

Dr. Hyder. Q.—The restriction in the case of foreigners applies only to tungsten and wolfram?

A.—I think it applies to all minerals since the war. Before that there was no restriction. During the war wolfram and tungsten were brought under restriction.

The President. Q.—Actually, Government do not actually put these things up to auction or to tender.

A.—They have a free hand. All these cases are judged by priority of application as a general rule.

Q.—Does it not rather tend to this: that all licenses fall into a certain number of hands?

A.—No; we have not found that to be the case so far; on the contrary, it has been a safeguard.

Q.—You are talking of wolfram and tin?

A.—Yes.

Q.—I suppose you would not sell them by auction at the stage of prospecting license.

A.—If you were to take up blocks of lands and put them to auction, it would be a different matter. That has not been done at all with regard to tin and wolfram.

Q.—In oil?

A.—I think that has been done in oil; I am not sure.

Q.—Hasn't the matter been a good deal discussed?

A.—I think so.

Q.—You come to the stage of mining lease; can a man sell his right to the mining lease?

A.—Yes, but not to foreigners. Whether it is a prospecting license or a mining lease, the transfer must be sanctioned by Government.

Q.—Is royalty paid at the same rate as in the case of the prospecting license?

A.—Yes.

Q.—And these rates are fixed by the Government of India or the Secretary of State?

A.—By the Local Government, I think [rule 30 (iii)].

Q.—Could you tell us what the royalties are for wolfram and tin?

A.—2½ per cent on the sale value at the pit's mouth of the metal or ore, convertible at the option of the Local Government to an equivalent charge per ton to be fixed annually or for a term.

Q.—You say that the market value of the minerals is ascertained telegraphically. Who from?

A.—We have just introduced this system for wolfram and tin; I think it is from Penang we get the price of tin. We get that of wolfram from Watson & Sons, Liverpool.

Q.—Do you think 2½ per cent is as much as you can safely get?

A.—Yes, at present.

Q.—You think that any higher rate would stop mining?

A.—I think so. In the first place there is no market practically for wolfram and for tin it has often been disappointing.

Dr. Hyder. Q.—Why is there no market for wolfram?

A.—Owing to the large stocks accumulated during the war and to China coming in as a producer. During the war we produced a few hundred tons with great difficulty and then suddenly China jumped in with a very large output indeed. I would rather not give figures.

The President. Q.—You charge a minimum dead rent and a surface rent.

A.—Surface rent is the same as acreage rent. The acreage rent for prospecting licenses is practically the same as the surface rent for mining leases.

Q.—Does a mining lease cover the whole area of a prospecting license?

A.—It may or may not.

Q.—What is the minimum dead rent?

A.—The dead rent is the minimum royalty. If you do not produce anything on which you can pay royalty, you pay your dead rent. If your dead rent is, say, Rs. 100 and you pay Rs. 10 royalty, you pay a dead rent of Rs. 90.

Q.—You have acquired either by private negotiation or through Government a certain amount of land for your works. I suppose you pay land revenue on that.

A.—I do not think that comes in at all. You have got your lease.

Q.—That only allows you access to other people's land,—assuming that there are other people?

A.—No; most of the mining land is waste.

Q.—There is no land revenue charged?

A.—No.

Q.—Is there a charge for the use of water?

A.—That has not been levied so far.

Q.—Is there any local taxation of mines? Do the mines pay anything towards the upkeep of the roads, for instance?

A.—Not that I know of.

Q.—Is there a land cess in this part of the country?

A.—Yes.

Q.—That is not levied in mining areas?

A.—I do not think so.

Q.—Is it purely on agricultural land?

A.—I think so.

Q.—The mining companies pay income-tax?

A.—Yes.

Sir Percy Thompson. Q.—I am not quite clear about the surface rent you pay under the mining lease. Suppose you get a license to prospect over an area of, say, 150 square miles and you find some tin in one particular spot. You would take a lease, not for the 150 square miles, but for the place where the tin is. What is the surface rent?

A.—Your lease would only cover what you require for mining.

Q.—The surface that ordinarily would be comprised in the mining lease would be the surface which is necessary for the sinking of the pits and for the sidings.

A.—Yes. Generally a square mile or two is taken.

Q.—The amount paid as surface rent is not very large.

A.—It does not come to very much. For the agricultural year ending 30th June 1924, the total royalties in rents and fees from Tavoy was Rs. 77,650 and from Mergui, Rs. 38,117.

Q.—Presumably it is much more in the oil districts.

A.—The royalty is eight annas per 40 gallons in oil areas.

The President. Q.—If a man or a company gets a lease or a prospecting license, can he or they keep it idle? Is there no condition that they must work it?

A.—They have to work it and they are supposed to do so. It is a question that is likely to come to the front in the future. It has been a very great problem; and you get the same thing in oil. In oil, I think, we have come to some terms. You must allow a company some reserve.

Q.—But you could conceive a very difficult situation if a company had an oil-field situated in another place and obtained an area in Burma which they wanted to lock up.

A.—The question arises in Tavoy in this way. A private person gets a prospecting license who is entitled afterwards to get a mining lease. He asks so much for his rights that nobody can afford to buy it.

Q.—Is it not also possible that a mining interest that had mines elsewhere could keep competition out by getting control of the land?

A.—It can only do so by getting a prospecting license or mining lease.

Sir Percy Thompson. Q.—Would they have the right to renew their prospecting license?

A.—A prospecting license is at first given for one year, you renew it for another year and it is renewed after that until you get your mining lease.

Q.—Can you get a prospecting license renewed indefinitely?

A.—You cannot hold a prospecting license for more than two years. You will have to get a mining lease after that.

The President. Q.—Does the Local Government keep any mining experts?

A.—I do not think so.

Q.—Have you studied the bearing of the Devolution Rules on this question?

A.—I have had some acquaintance with the Indian Mines Act.

Q.—The Local Government's sphere is the development of minerals and the Government of India control all mining operations.

A.—That is so. Under the Indian Mines Act we have no Inspector for this province.

Dr. Hyder. Q.—Under the Indian Mines Act there was a Chief Inspector of Mines and some Inspectors of Mines under him for different areas at the discretion of Local Governments.

A.—But there has not been anybody specially for Burma.

The President. Q.—Would it not be the function of the Local Government to see that State property was not wastefully exploited? Have they any staff for the purpose?

A.—Theoretically, yes. I do not think there is any staff for the purpose. During the war when there was a boom in wolfram, we had a geological expert, Mr. Coggin Brown in Tavoy. He helped the local officers to administer the area.

Dr. Hyder. Q.—Have you any Mining Boards in Burma?

A.—There are none. There are Advisory Chambers of Mines in Tavoy and in Mergui. They are purely advisory.

Q.—I thought your Government had the power to constitute one under the Indian Mines Act.

A.—They have; but they have not constituted one yet. The Advisory Board is rather different from a Controlling Board of Mines.

Mr. S. A. SMYTH, C.S.I., I.C.S., M.L.C., Commissioner, North-West Border Division, Burma, was next examined.

Written memorandum of Mr. Smyth.

I have been requested by the Government of Burma in the Finance and Revenue Departments to submit answers to questions 33 to 50, 96 to 104, 119 and 120 and 147 to 162 of the Questionnaire of the Indian Taxation Enquiry Committee.

Before doing so I must explain that my service has been confined to Burma and that my knowledge of conditions in India is slight. I would also like to say that experience in Burma has not impressed me with the applicability of Western theories of taxation to Eastern conditions. Western theories apply to an assumed individual idea of citizenship and economic attitude, which may be prevalent in the west, but can hardly be said to exist in Burma. Here it is foolish to expect that a change in the system of taxation will be acceptable, because it is just and equitable; or that the people will submit without complaint to new taxation, because it is necessary for the State or even for their own local amenities. Taxation is not considered from the point of view of its object or utility, but is regarded as a necessary evil, when it is direct and felt. Habit of payment is the chief mitigation; and readjustment of the burden rouses more opposition than support. For example, a few years ago the bringing of municipal taxation in Mandalay on to the equitable basis of rental values roused widespread and bitter opposition in the town. A tax is none the less regarded as an evil though it may produce benefits which far outweigh it. The difficulty of inducing residents of towns to submit to a tax in order to secure such a necessity of life as a reasonable water supply is well known.

Indirect taxation, on the other hand, e.g., a customs duty, though its effect on the community may be great, excites as a rule no comment, because it is not demanded from the individual. Individuals who take any wider view than their own obvious and immediate interests are few.

In regard to taxation, as in regard to other matters, it may therefore be said that in Burma reason and justice go but a small way towards constituting acceptability. And as acceptability is one of the main considerations in changing taxation, this fact must be borne in mind.

Commissioners have now been disassociated in Burma from income-tax administration and I am therefore not in a good position to advance opinions on that subject with reference to questions 33 to 50. The position in Burma is, however, that a very substantial tax is paid by cultivators in the form of land revenue. Non-agriculturists with incomes of Rs. 2,000 and over pay income-tax, but those with incomes of less than Rs. 2,000 pay only the capitation tax in Lower Burma, and the *thathameda* tax in Upper Burma. In theory, *thathameda* is a tax on non-agricultural income and property; but in practice there is no distinction of source of income, and indeed the tendency is for the local assessors who distribute the *thathameda* demand to tax agriculturists more highly than non-agriculturists. Capitation tax in Lower Burma is paid by agriculturist and non-agriculturist alike; and its incidence per head of the population is on the average not dissimilar from that of *thathameda*. If land revenue is regarded as a tax—as I think, it must be regarded—there is therefore a wide inequality between the direct taxation of agriculturists and that of non-agriculturists. The average agricultural income is nowhere in the neighbourhood of Rs. 2,000; in Upper Burma Rs. 200 would be nearer the mark. There is therefore a suitable field for taxation in non-agricultural incomes below Rs. 2,000. But it seems to me that the income-tax law is so complicated and difficult of administration that it is impossible under it fully to exploit this field and that it will not be possible to reduce the income-tax exemption limit below Rs. 500 at lowest. This will leave untouched the majority of incomes and, unless the system of assessment is made more simple and summary, will mean much extra expense in administration. It will also arouse considerable opposition; but having regard to all this, I think it is the minimum step which should be taken towards equalization of agricultural and non-agricultural taxation.

The above may be regarded as an answer to question 40, and is, in my opinion, the most important reform required as regards income-tax.

As regards question 38, I think that the principle which should be adopted is that agricultural incomes from which land revenue is paid ought not also to be liable to income-tax, unless the incidence of land revenue on the net income is less than the incidence of income-tax would be, if the income were non-agricultural; and that the difference only should be paid as income-tax. Subject to this, I see no objection to the subjection to income-tax of large agricultural incomes. I see little object in differentiating between cultivating owners of land and non-cultivating owners; and the differentiation would be difficult to define legally and would easily be evaded.

The proportion of cultivators in Burma who make a profit of Rs. 2,000 a year on cultivation is small, probably not more than 1 per cent in Upper Burma.

I am in entire disagreement with the dictum in question 39 so far as Burma is concerned.

As regards question 33, experience in other countries has shown that rates of income-tax must be raised in case of necessity; but I would not create necessity by abolishing other taxes except on very strongest grounds. In the absence of imperative grounds, it is folly to abolish a tax in the East with the idea of imposing a direct tax in its place.

The question of graduation (question 34) seems to me to depend on average incidence. If average incidence is high, graduation will have to be much steeper than if it is low. Theoretically, a tax should be in proportion to resources and there should be no graduation: but as a matter of expediency, it is necessary to graduate when the average incidence is so high, as in the absence of graduation, to cause hardship in the case of low incomes. I think that with the present incidence in India the existing scheme of graduation is probably satisfactory enough.

The answer to question 35 must also, I think, be based on expediency. I see no ground of theory on which earned incomes should be differentiated. All incomes are or have been earned by some one at some time. For example, a pension is earned just as much as a daily wage. I would answer question 36 in the negative. To question 37 I am not in a position to reply, nor to question 41. As regards question 42 I think that the prescription of a standard form should be confined to incomes of considerable amount: and that prescription should be by way of making revision of assessment on appeal impossible, unless accounts in the standard form are produced, and not direct. As public opinion of the required stamp is in Burma for all practical purposes non-existent, I do not think that the devices referred to in question 43 would be of any avail whatever. As regards question 44, I think the convenience of tax-free securities outweighs the disadvantage referred to: and I think also that under the existing law in India adjustment is possible. I have no views on questions 45 and 46. As regards question 47, I favour the present system which is simpler and proportions assessment to immediate capacity to pay.

I agree with the view expressed in the first question in question 48. As regards the second, I doubt whether a tax will produce a change of mind in the inefficient spender: if it does not, he will explore other avenues of ineffective expense. As regards the third, there is no distinction in fact between necessities and luxuries. A luxury to one man is a necessity to another; and to the same man what is a luxury to-day is a necessity to-morrow. As regards question 49, excise duties are not advisable except when the source of supply can be controlled, e.g., an excise duty on meat, sugar, sweets, etc., could not be enforced except with a degree of trouble and expense quite disproportionate to the advantage gained. Subject to this as well as to demands for temporary protection of nascent industries, and to the question whether the probable amount of tax is worth while, I see no objection to the imposition of an excise duty on any article whether described as a necessity or a luxury, if necessity should arise. In reply to question 50, the practicability of graduation is a matter for investigation in each case. It ought to be easy enough in regard to manufactured goods of well-recognised grades and descriptions. But graduation is, I consider, not a question of principle so much as of expediency, in derogation of the main principle that taxation should be in proportion to resources: and, from that point of view, the graduation of indirect taxation is of less importance than the graduation of direct taxation.

As regards question 96, a rent is based on the economic value of the property rented without regard to the resources of the tenant: a tax is based on the necessity of the taxing authority combined with the resources of the tax-payer.

So far as Burma is concerned, land revenue is now a tax and not a rent. It is based on net produce, i.e., value of gross produce, less cost of cultivation, and approximates on theory to a non-graduated income-tax on agricultural income. Rents are, on the other hand, fixed by competitive value, which depends on net produce plus a number of other items, e.g., pressure of population, availability and relative profit of other occupations in the neighbourhood, etc.

Land revenue is of high incidence on net produce value (25 per cent and more), but this does not alter its essential character as a tax and not a rent.

The prosperity of the cultivator (question 97) is certainly affected by the land tax in the same way as the prosperity of every other tax-payer is affected by the tax which he pays: i.e., in proportion to the incidence of the tax on his income. I do not know that there are any special characteristics in the condition of the cultivator which prevent taxes affecting him in the same way as other tax-payers.

The land revenue assessment certainly does not ignore (question 98) the ability to pay of the subject. The value of the net produce is a very good, though partial, indication of ability to pay in a normal year.

The assessments in Burma are certain for a normal period of 20 years except when crops fail, when the revenue is reduced or altogether remitted. There are special arrangements to avoid sudden enhancements of revenue on the expiry of the settlement.

The present system does not lead to official tyranny and extortion. The tyranny and extortion, where they exist, are due to the bad character of subordinate officials who would tyrannise and extort under any system. If a system could be devised in which it would not be necessary to employ subordinate officials, one would be glad to hear of it.

The time of payment of revenue is carefully fixed at the date most convenient for the cultivator and is always altered when shown to be inconvenient.

The cost of collection is no doubt high—partly on account of the unreliability and inefficiency of the aforesaid subordinate officials, and partly on account of the elaborate precautions to prevent hardship to the cultivator in bad seasons which the system entails. The figure of 20 per cent does not, I think, apply in Burma.

In Burma the normal period, for which prices are taken, in arriving at the assessed average price on which assessment rates are calculated, is 20 years. The inequality resulting from settlements expiring at different times is therefore not so great (question 99) that it is worth while to take special measures to avoid it.

The subsistence level (Q. 100) is certainly far below Rs. 2,000. In Burma it could hardly be placed higher than Rs. 250, and in Burma the standard of living is much higher than in India.

I do not think there is much more difficulty in ascertaining agricultural incomes in Burma than in ascertaining non-agricultural incomes. For small incomes there is probably less difficulty.

I agree as regards fractionisation of holdings, being probably encouraged by exemption of low agricultural incomes, but I do not think that a tax on mutations is either desirable or would be effective to prevent fractionisation. There is no means to prevent fractionisation other than an improvement of agricultural methods and the standard of living.

I disagree with the dictum in question 102. Though the use of natural resources of high value (including freshly irrigated land) should be highly taxed, private property in them should not be prohibited. Property is a necessary condition of enterprise as human nature is now constituted.

Land revenue within municipal limits should be assessed and levied by the same agency and in the same manner as outside municipal limits. The abandonment of that field of taxation, which is a provincial and not a local field, to local authorities is inadvisable and quite unnecessary (question 103).

There is no possibility of arriving at the comparative incidence of land revenue on income from land in different provinces (question 104), because no statistics of income from land are available. It is of course possible to compare the revenue with population, occupied area, etc., but the result gives no idea of effective incidence. By a wearisome comparison of settlement reports, it is possible to arrive at an idea whether a selected district in one province is or is not more highly assessed than a selected district in another province. But settlement methods vary so much from province to province that even this gives no certain result; and anything like an exact estimate of incidence on resources is altogether impossible.

As regards question 147, what is wanted in Burma is a complete separation from the rest of India, at least so far as finance is concerned, and a payment to the Indian Government based on services rendered. This is in short the reply to questions 147 to 159; and the reason is that Burma is geographically separate from India, dissimilar to India in most ways, and cannot properly develop either politically or materially in association with India.

To take the case of customs revenue. It can be quite easily separated from customs revenue in the rest of India; it has a high incidence in Burma; and it can be largely expanded by provincial efforts towards improvement of communications, etc. But why should provincial funds be devoted to objects from which the return in the shape of increased revenue will largely be appropriated by the Central Government? The vesting of customs revenue in the Central Government thus removes a powerful incentive to the development of the province and the consequent expansion of the revenue itself; and this consideration alone seems to me to be a sufficient condemnation of the present position.

As regards question 160, I think the principle of benefits should be adopted throughout as regards local taxation: that in regard to general benefits, e.g., roads, hospitals, etc., taxation should take the form of rates on immovable property of all sorts; and, in regard to particular benefits, e.g., lighting, water-supply, etc., or similar rates on those who benefit where possible. On non-residents making use of municipal amenities, and on residents in cases where the benefit cannot be dealt with by a rate (e.g., use of bazars, etc.), it is of course necessary to impose tolls and fees. I am not particularly in favour of taxes on professions or businesses which tend to be vexatious and unfair in incidence.

The present system under which District Boards rely principally upon surcharges on land revenue is not satisfactory, and should be replaced by a system of rates applicable to all classes of the population. The devising and putting into practice of such a system is, however, a matter of difficulty. The Provincial Government should certainly have the power of limiting cesses on land revenue to the figure regarded as desirable in each case, and the limit should not be fixed by law but left entirely at the discretion of the Provincial Government.

As regards question 162, I do not think one authority should be allowed to diminish the taxable resources of another by occupying free of tax property, e.g., land, which would otherwise be subject to taxation. For example, I see no reason why land occupied by a cantonment, or municipal bazar, should not be subject to the payment of land revenue or town-land rent, as the case may be.

Mr. Smyth gave oral evidence as follows :—

The President. Q.—You have recently taken over charge of the post of Financial Commissioner?

A.—Yes.

Q.—You have sent us a note as Commissioner, North-West Border Division, and you are prepared to give us as much help as you can on Mr. Lowry's note as Financial Commissioner?

A.—Yes, subject to the fact that I am not well acquainted with the subject.

Q.—On any points which you might like to consider in detail, you can send us a separate note?

A.—Yes.

Sir Percy Thompson. Q.—I think your point with regard to land revenue and income-tax is that incomes between, say, Rs. 500 and Rs. 2,000, are very lightly taxed?

A.—Non-agricultural incomes between Rs. 500 and Rs. 2,000.

Q.—That is treating land revenue as a tax?

A.—Yes.

Q.—Suppose there is a piece of land which is bringing in, say, an income of Rs. 100, and the liability of the land to land revenue is Rs. 40, would you buy it on the basis of the income being Rs. 100 or Rs. 60?

A.—I think it is still a tax in the same way as any other property which is subject to taxation, e.g., a tax on immovable property in towns.

Q.—If it is a tax, at any rate it has been amortized.

A.—So is every tax on property after a time.

Q.—Income-tax?

A.—Income-tax is not a tax on property, but it is a tax on income.

Q.—Is land revenue a tax on income?

A.—As it is now assessed, it is a tax on income derived from land, but in theory I presume it is a tax on land.

Dr. Hyder. Q.—You have two different systems of land revenue in Burma. Could you tell us what the difference is between the land revenue system in Upper Burma and that in Lower Burma?

A.—The land revenue system in Lower Burma is governed by the Lower Burma Land Revenue Act of 1876. The land revenue system in Upper Burma is governed by the Upper Burma Land Revenue Regulation of 1889. I am afraid I cannot give you an absolutely detailed account of the difference in a short space of time.

Q.—What are the chief points of contrast?

A.—One main point of contrast is that in Upper Burma there are what are called State lands. These correspond practically to Crown lands in theory. At the time when the Upper Burma Land Revenue Regulation was passed, it was intended that these lands should also be dealt with as Crown lands, but the practice has been more to make them equivalent to non-Crown lands from the point of view of revenue. I think it is a fact that now in Upper Burma, practically everywhere, the rates of revenue on State lands and on non-State lands are the same.

Sir Percy Thompson. Q.—Theoretically, at any rate, the *thathameda* tax is intended to hit non-agricultural incomes between Rs. 500 and Rs. 2,000.

A.—Yes.

Q.—But you say in practice there is no distinction as regards the source of the income?

A.—Yes.

Q.—What is the law on the subject?

A.—The law on the subject is that the *thathameda* tax shall be assessed by local assessors. It is fixed in a lump sum for a period according to the number of households in the village at so much per household. The lump sum is distributed by local assessors called *thamadis*, residents of the village, and their distribution is subject to appeal, but is practically never called into question by the inhabitants.

Q.—Supposing an income is entirely derived from agriculture, what will happen if those who pay land revenue object to being assessed to this tax?

A.—I cannot say what would happen, because such a case has in my experience never occurred.

Q.—Does it not come to this, that the agriculturist acquiesces being assessed twice, when the law distinctly says that he shall not be so assessed?

A.—Yes.

The President. Q.—Won't the Subdivisional Officers also be required to check the assessment rolls?

A.—They check the rolls prior to distribution by the *thamadis*.

Q.—They do not scrutinize the local assessment?

A.—No; the distribution is left practically entirely to the *thamadis*.

Dr. Hyder. Q.—The system of assessment is this: the headman prepares a list of the households, then he sends it to the township officer or District Magistrate, who says that so much shall be levied, and this is spread over the different households.

A.—Yes.

Q.—Does the agriculturist in Upper Burma who pays land revenue pay cess?

A.—No; not in Upper Burma.

Sir Percy Thompson. Q.—How is the local cess raised in Upper Burma?

A.—It is not raised; we have no cess in Upper Burma.

Q.—How is the expenditure on education met?

A.—By provincial contributions.

Dr. Hyder. Q.—Entirely?

A.—Yes, except for the proceeds of such things as ferries, cattle pounds, slaughter houses, etc.

Sir Percy Thompson. Q.—Why should the general tax-payer pay for the local expenditure in Upper Burma?

A.—There is no justification in theory. In practice, I believe it was thought that the burdens of the cultivator in Upper Burma, where the crops were not so certain as in Lower Burma, were, in fact, greater than those in Lower Burma.

Q.—Then why not alter the land revenue?

A.—That amounts to taking it from one pocket and putting it in another. The constitution of local bodies in Upper Burma only took place quite recently—at the end of 1922. The crops are not quite so certain in Upper Burma and in uncertain areas the pitch of assessment is not very high.

Q.—You say that the *thathamada* tax is illegally assessed?

A.—It is not illegally assessed. There is no law on the subject. It is assessed in a manner which is contrary to the intentions of Government.

Q.—Does not the law define the people who are to be assessed?

A.—The manner in which individuals are to be assessed is not defined by law.

Dr. Hyder. Q.—Are not there exemptions? For instance, the village headmen, your Government servants and certain other classes are exempted?

A.—Yes. Rule 12 of the Upper Burma Land Revenue Regulations contains the list of exemptions.

The origin of this is as follows:—In Burmese times, practically the only tax levied was the *thathamada*. In addition, land revenue was payable on State land and not on other lands. When it was proposed under the British Government to impose land revenue, it was intended that the portion of *thathamada* which might be assigned to agriculturists should be discontinued and that the tax should be levied on non-agriculturists. But, as a matter of fact, the assessors have continued to assess both agricultural and non-agricultural incomes.

Sir Percy Thompson. Q.—Is there a statutory law with regard to this *thathamada* tax?

A.—Section 22 of the Upper Burma Land Revenue Regulations says: "Subject to the provisions of this regulation, the *thathamada* tax will be leviable at such average rate per household or family, and shall be assessed by such persons, and subject to such rules as the Local Government direct. The average rate at which the *thathamada* is to be levied may vary from

district to district and from place to place in a district, as the Local Government having regard to local circumstances and the rates of land revenue payable may deem expedient”.

Q.—It is left to the Government to make rules which have the force of law?

A.—Yes. Section 22 (3) says: “In the case of any town or village tract or if the Financial Commissioner so directs, of any part of a town or village tract, . . . shall be jointly and severally liable to the whole of the *thathameda* tax leviable thereunder”. Under that has been made rule 12; and then a long list of exemptions is given. Rule 16 places the responsibility for the just assessment of each household on the *thumadis*.

Dr. Hyder. Q.—People who pay income-tax do not pay the *thathameda*?

A.—They do in Upper Burma for this reason: that income-tax was recently introduced in Upper Burma, and the question arose as to how persons who paid the *thathameda* in addition to income-tax should have the *thathameda* refunded; and it was decided to continue to assess them to the *thathameda* and to refund, when they paid income-tax, the amount they had paid as *thathameda*.

Q.—Is it a tax on non-agricultural income?

A.—It is now assessed in Upper Burma as a tax on non-agricultural income, though, as a matter of fact, in practice it may amount to a tax on agricultural as well as non-agricultural income. The idea is that taxation on non-agricultural incomes in Upper Burma in the case of large incomes takes the form of income-tax and in the case of small incomes takes the form of *thathameda*.

The President. Q.—Has not it been superseded by the provision that the *thathameda* should be made over to the local bodies?

A.—No; *thathameda* is not now made over to the local bodies. But the local bodies can impose the circumstances and property tax under the Rural Self-Government Act and then the *thathameda* automatically ceases.

Q.—In practice the difference between the *thathameda* and the capitation tax disappears?

A.—Not entirely. Capitation tax is a fixed tax on each person. The *thathameda* is a variable tax on each household.

Sir Percy Thompson. Q.—You are in favour of reducing the exemption limit of income-tax to Rs. 500?

A.—Yes.

Q.—Do you think the yield will be sufficient to pay for the increased staff?

A.—Yes.

Q.—As a matter of fact, we had some figures in one province showing that if the limit is reduced from Rs. 2,000 to Rs. 1,000, the number of assesses would be nearly doubled, but that the additional yield would be very small. The limit of exemption was once at Rs. 500, and I think the reason why the limit was raised was on account of the trouble involved in collecting from small people without any good yield.

A.—Yes. But circumstances have changed with the rise in the level of incomes due to increase of prices since the war.

The President. Q.—But your proposal is coupled with the proposal that it should be made more simple and summary?

A.—Yes.

Q.—In fact, it would be something like the *thathameda*?

A.—Yes.

Q.—If the circumstances and property tax were generally introduced, will that meet your view?

A.—No. I think the non-agriculturist, though he pays the *thathameda* as a local tax, ought certainly to pay something else as a provincial tax or an imperial tax as the case may be.

Dr. Hyder. Q.—You have the *thathameda* in towns in Upper Burma?

A.—Yes, except in Mandalay.

Q.—I am informed that there are certain towns in which the *thathameda* or the capitation is merged in the house tax, so that there are a certain number of towns in which no capitation tax is paid.

A.—That is in Lower Burma where in certain towns land rate is paid in lieu of capitation tax. It is not in Upper Burma.

Q.—In Rangoon capitation tax is merged in the house tax?

A.—In land rate. Various towns are mentioned in the Lower Burma Land Revenue Manual.

The President. Q.—Do you regard the *thathameda* and the capitation tax as entirely peculiar to Burma? Is not there something very similar in practically every province in India?

A.—I believe that the only instance of similarity is the circumstances and property tax in the Central Provinces and some sort of poll-tax in Bengal.

Q.—But is not there the circumstances and property tax in the United Provinces, profession tax in the Punjab and Madras, chowkidari tax in Bengal and Bihar?

A.—I am not personally acquainted with India. But the matter was discussed in the year 1918 when I was on special duty in the Secretariat in connection with the settlement of provincial finance, and Sir Reginald Craddock then noted that with the exception of circumstances and property tax in the Central Provinces and one or two others, no parallel existed in India; and, as a matter of fact, this was made one of the reasons for a revision of the provincial financial arrangements with the Central Government.

Dr. Hyder. Q.—How are your rural police paid?

A.—The rural police are a dead letter. We have got the village headmen and under them there are people who are called village *gaungs* in Upper Burma, and ten house *gaungs* in Lower Burma. They are not now called rural police.

The President. Q.—How are they paid?

A.—They are not paid. They are exempted from the *thathameda* and the capitation tax in certain cases. They are appointed by the headman of the village subject to control, and I suppose they work for the public benefit.

Sir Percy Thompson. Q.—You don't believe in graduation and differentiation?

A.—Not in theory in graduation as to the incidence of tax on high and low incomes, and differentiation as regards source of income.

Q.—You don't think that you should adopt the principle of equality of sacrifice? Surely, it is easier for a man with an income of a crore of rupees to pay Rs. 100 than a man with an income of Rs. 200.

A.—That is why it is found expedient to graduate, and no doubt to differentiate; but, in my opinion, there is no ground in theory why the incidence of tax on a small income should not be the same as on a higher income. My view is that every man receives certain services from the State which might be roughly regarded as proportionate to the amount of benefit which he receives from his income, and he, therefore, ought to pay tax in proportion to his total income.

Q.—Then why should not each pay exactly the same amount?

A.—Because I think the man with large interests, say with a thousand acres of land, gets more benefit than a man with a hundred acres.

Dr. Paranjpye. Q.—Would you agree that each man should pay a capitation tax and a tax on property proportionate to his property? The State does two things. It protects life and property.

A.—It also provides education.

Sir Percy Thompson. Q.—The person who does not send his children to school does not get anything.

A.—That is a matter of expediency again. Government has thought it necessary to prescribe compulsory education and to charge the cost of that education to the general tax-payer.

Q.—And in your view it is quite unjust?

A.—I would not go so far as to say that it is quite unjust, because a higher standard of education benefits the community generally.

Dr. Hyder. Q.—Though the village rate may be Rs. 5 per household, the assessment on individual households might vary between As. 4 and Rs. 20; if the *thathameda* tax is Rs. 20, don't you think that it is rather a burden on the household?

A.—It depends on the income of the household. You may be quite certain that when a village assessor puts Rs. 20, it means that that household can afford to bear Rs. 20. The tendency is to let off rich men.

Dr. Paranjpye. Q.—So that the poor man is charged more?

A.—Yes. The poor man generally is charged more in proportion than the rich man.

Dr. Hyder. Q.—There is a great opposition to the *thathameda* tax in Burma?

A.—Yes, in certain places.

Q.—Will you please explain the causes of this opposition or discontent?

A.—The causes of the opposition are, in my opinion, entirely political. The opposition to the payment of the *thathameda* and capitation is of quite recent growth and coincides with the development of political activity. As a matter of fact, so far as I know, there has been no opposition in Upper Burma.

Q.—And it is an old tax levied from the times of the Burmese Kings? The people are used to it and this opposition is entirely new.

A.—Yes.

The President. Q.—Was not there difficulty about the date of payment?

A.—Yes, with regard to the capitation tax but not with regard to the *thathameda*. Steps are being taken to amend it.

The Maharajahdiraja Bahadur of Burdwan. Q.—With regard to land revenue, you say: "So far as Burma is concerned, land revenue is now a tax and not a rent. It is based on the net produce less cost of cultivation and approximates in theory to a non-graduated income tax on agricultural income". What are your grounds for saying that it is now, a tax? Do you consider that at any particular stage it was a rent and is now a tax?

A.—In theory, in Upper Burma, when the Land Revenue Regulation was passed in 1889, it was intended that the tax on State land should be in the nature of a rent.

The President. Q.—At one time the tax ticket was styled "rent receipt or tax ticket".

A.—Yes.

The Maharajahdiraja Bahadur of Burdwan. Q.—You have no special reason for calling it a tax. You call it so because it is looked upon as a tax by your Government in these days. Is it your own view, or is it the view generally held?

A.—It is my own view.

The Hon'ble Sardar Jogendra Singh. Q.—And the view of the people who may?

A.—I don't think they ever consider that.

Q.—They do not know the difference between the two?

A.—I don't think they know the theoretical difference.

The President. Q.—You say in answer to Q. 16, "Where there is at present little or no cultivation, the whole area would be converted into a Government estate, upon which rents more or less approaching to the economic rent would be levied instead of revenue". Are there Government estates?

A.—There has been a proposal in the last few years to have Government estates in Burma, and efforts are now being made to give effect to it in the interests of revenue.

Q.—In these colony schemes are the lands rented or are they taxed subject to the usual land revenue system?

A.—I believe the tax obtained by Government is the usual land revenue.

The Maharajadhiraja Bahadur of Burdwan. Q.—You say land revenue has a high incidence on the value of the net produce. Is 25 per cent considered a high incidence?

A.—25 per cent was said to be the normal incidence; but the tendency in recent years has been to increase the incidence. It varies from district to district. For the entire province I could not give exact figures, but in my late Division it is something between 25 and 33 per cent.

Q.—Do the people generally consider it to be high?

A.—There is no special feeling so far as I know.

Q.—Do I understand that your revision of settlement takes place in every 21st year?

A.—As a rule, the term fixed for settlement is 20 years. Before the end of that term proposals are made for revising the rates, and the new rates commence from the 21st year.

The President. Q.—Actually you don't assess land that is not cultivated?

A.—In Upper Burma, no. In Lower Burma it varies from place to place. In some places fallow rates are given automatically. In other places you have to make an application for fallow rates. The fallow rate is two annas.

Q.—So if land is not cultivated, it can either escape with a low assessment or with no assessment.

A.—Yes.

Q.—Is that not an expensive method?

A.—Yes, but it is thought necessary in Upper Burma where crops are uncertain, and in Lower Burma to allow of fallowing in the interests of fertility.

Q.—The Land Revenue Committee proposed a trial of fixed assessments?

A.—Yes.

Q.—Has that been carried into effect?

A.—Fixed assessment has so far been carried into effect, so far as land revenue proper is concerned, only in remote and sparsely cultivated tracts, where the total demand is not great, and where the cost of assessing the demand annually would bear an unduly high proportion to the revenue. In such cases, the fixed assessments are on a basis lower than the land revenue in more fully cultivated areas.

Q.—Has it been tried in the most fertile areas?

A.—No, but it is contemplated to do so in the near future.

Q.—Are considerable portions of land left uncultivated by reason of disputes?

A.—Such cases are very exceptional.

The Maharajadhiraja Bahadur of Burdwan. Q.—Regarding land revenue within municipal limits in your part of the world, do you have any sort of lands within municipal limits which are exempted from any kind of revenue, such as village site? Are town lands practically unassessed in Upper Burma? If I were to purchase a piece of town land in Upper Burma, would I have to pay any land revenue?

A.—It depends upon the rules. If you have to pay, it will be very little.

Q.—In other places in Lower Burma is the rate very much the same?

A.—The rate of land revenue is exactly the same and similarly assessed, so far as I know, outside and inside the towns.

The President. Q.—Surely you apply the 1895 rules and fix the town land rates.

A.—That is for lands belonging to the Crown. I was speaking of lands already in private hands.

Q.—These town lands, if you sell by auction subject to the payment of land rent, become private land?

A.—No. The amount obtained by auction is of the nature of a premium on the lease.

Q.—As regards the comparative incidence of land revenue in different provinces, do you think it is altogether impossible to get the exact incidence?

A.—Yes.

Q.—Don't you think, by comparisons of a large number of samples, you can get it?

A.—You cannot say within 20 per cent whether the incidence in one province is greater than in another, even after the examination of the settlement reports.

Q.—Supposing you take a large number of leases and lease-deeds from registration offices and calculate from them the rental value of land and then calculate the incidence of land revenue upon the rental value?

A.—Information from lease-deeds is of rents. Land revenue in this province is not based on rent, nor does it bear any fixed proportion to the rent. Lands may pay quite different rents in accordance with the situation, and according to the availability of non-agricultural occupations in the neighbourhood. It is a matter of competition.

Q.—Is the revenue based on the comparative return of the land?

A.—I do not know if there is anything like that. The other way is to make a detailed enquiry wherever it is possible.

Sir Percy Thompson. Q.—Is not rent determined on precisely the same principle as net assets are determined for purposes of land revenue?

A.—One feature that must always be taken into consideration is the presence of competition. Competition determines rent.

Q.—Supposing the net assets correspond very closely to the rental value?

A.—No, the rental value is in theory net assets excluding the cost of living of the agriculturist.

Q.—Why cost of living?

A.—The value of the gross produce less the cost of cultivation (out of pocket) is a little more than the net produce, which is the basis of assessment in Burma. The net produce and the little more is what the cultivator has got to live on and in addition to pay his rent out of.

Q.—In the cost of raising the crop, surely the cost of his labour is included.

A.—In Burma in calculating the net produce, we do not include the cost of living as well as the cost of cultivation of the agriculturist.

Q.—Do you not include the cost of labour of the agriculturist and his family?

A.—In recent times the matter has been under discussion. When I did settlement, I included the value of the labour of the cultivator and his family so far as the amount of labour could be ascertained and valued at market rates.

Q.—You say what is wanted in Burma is a complete separation from the rest of India, at least so far as finance is concerned. Do you contemplate a separate State under the Governôr-General?

A.—I have not considered that view. I hold strongly that for the development of Burma there is necessity for the separation of finance.

Q.—You say you would pay for the services rendered and the overhead charges?

A.—Yes.

Q.—You would not bear the proportionate charge of maintaining the army.

A.—I do not know the details. I would not mind paying a proportionate share of the cost.

Q.—How can you pay a separate share which will vary from year to year?

A.—This is a matter for arrangement when separation takes place.

Dr. Hyder. Q.—How would you pay with regard to the Post office? You will have to pay far more for a separate Post office.

A.—It is quite possible. It is a matter for consideration. I have not got any statistics.

The President. Q.—Is there a half-way house between the position of the Malay States and an Indian province?

A.—I should think so. The general scheme that I would advocate would be to take as provincial the bulk of the revenues now collected by the Government of India and to pay to the Government of India as annual contribution a fixed amount based on present proceeds of these revenues.

Q.—That is why I ask you whether there is a half-way house?

A.—The idea is that Burma is an extremely undeveloped province compared with the rest of India. We have to spend largely on development. If we do so, we are benefiting the central revenues. Take the case of customs. The increase of customs revenue depends, I think, on no factor more than the improvement in communications inside the province. If the customs revenue increases, it goes to the Government of India. If we improve the communications, the expenditure falls on the Provincial Government. Our existing sources of revenue are not capable of much expansion. A good many of them are very inelastic. If we improve the province, an undue proportion of the increased revenue would go to the Government of India.

Q.—Is it peculiar to Burma?

A.—It also exists in the case of other provinces, if any, undeveloped and capable of development. I should say similar conditions to those in Burma do not exist in provinces in India.

Sir Percy Thompson. Q.—What direction is the development going to take? Is it agricultural?

A.—Take the case of customs. If you improve the communications in Burma, that would allow of imported articles being taken into the interior and would increase import. The customs revenue would automatically increase.

Q.—Do you mean to say that the development of communications will increase the customs duty and not increase the resources of the province?

A.—I do not mean to say that for a moment. But I think the main increase would be an increase in the customs revenue.

Q.—Is it not worth while to improve communications except from the point of view of the increase of customs duty?

A.—It may be; probably yes. In the general interests of the inhabitants of the province it is necessary.

Q.—The provincial revenue will also share in the prosperity.

A.—Much less than is equitable.

Dr. Hyder. Q.—Have you got a rough estimate of a budget for Burma on the basis of the separation?

A.—In 1918 it was thought that the separation of the province in financial matters was necessary. I then tried to arrive at such an estimate, but it was impossible to get any figures for certain charges borne on behalf of the province by the Government of India.

Q.—I do not know if it is worth while to ask you to consider something which would be common to all provinces?

A.—I am not acquainted with the conditions in the other provinces at all.

Q.—Have you got any proposals on the subject which would be useful to us?

A.—The proposals that were made in regard to Burma in 1918 are in the Secretariat.

Q.—Ordinarily I cannot quite see how Burma is going to remain a member of the federation while not contributing on the same lines as the rest.

A.—In 1918 a case for differential treatment was made out, and I believe it was admitted.

Q.—In the administration report on the Public Works Department, it is stated that the water-rates could have been higher?

A.—That is from the point of view of the Public Works irrigation officer. But, so far as I know, in all settlements relating to irrigated areas, the irrigation officers are consulted and they have expressed themselves as satisfied with the rates proposed.

Q.—His difficulty is that you bind yourself to a rate which you cannot increase for twenty years?

A.—That is so. I do not think it can be avoided, because it is in the interest of everybody.

Q.—But it is in the general interest of the tax-payer that you should charge the cultivator for the benefit he enjoys?

A.—I agree.

Q.—What is the justification for taking a higher percentage of the net outturn in irrigated areas?

A.—The justification is that in irrigated areas we do not now impose a separate water-rate. We impose a consolidated rate based on the net produce *plus* the consideration that irrigation is provided. The idea formerly was to charge for water on a commercial basis, but we could not get that.

Q.—It does result in a difference in the pitch of land revenue?

A.—I do not think it makes any practical difference. It includes both water-rate and land revenue.

The President. Q.—May we now pass on to the question of salt?

A.—I have very little knowledge of salt.

Q.—Salt is one of the items of revenue which Burma wants to take for itself, is it not?

A.—Yes.

Q.—Burma has a peculiar system of taxing salt on the vessel which obtains nowhere else.

A.—Yes.

Q.—And there is also a very considerable amount of illicit consumption, I believe.

A.—Personally I have not come across this.

Q.—Mr. Lowry says in his note that "I am strongly of opinion that the local industry should be fostered, so that the country may as far as possible produce its own supplies". He says you should impose an import duty which is higher than the excise duty? Do you concur in that opinion?

A.—I cannot say off-hand. There are special circumstances relating to salt which will have to be considered.

Q.—The special circumstances to which Mr. Lowry alludes is that Burma can be isolated in war time even from Indian supplies.

A.—I agree generally with what is said in reply to Q. 56 by Mr. Lowry.

Q.—He goes on to say that "Burma relies too much on one or two staples for its trade, and we should endeavour to broaden the basis of our taxation and our trade". You can never make salt for export, could you?

A.—What he means is not the export trade, but the absence of industries in Burma.

Q.—Is salt in this part of the world a supplementary industry to agriculture?

A.—Not generally I think, at least not in the districts I know of.

Q.—In answer to Q. 60, Mr. Lowry says: "The issue of duty-free salt for fish-curing purposes was referred recently to the Development Commissioner who was not in favour of the scheme." He goes on to say: "It may be pointed out in this connection that so long as salt is a central revenue, it is not likely that free issues of salt for agricultural or industrial purposes can be regarded as practicable". I do not know if you are aware there is a free issue of salt in Madras and Bombay for fish-curing purposes.

A.—I never knew about it.

Q.—It is a very large business there and is being developed by the Development Department.

A.—I was not aware of it.

Q.—In answer to Q. 63, it appears that Mr. Lowry was anxious to tax gambling? You have special laws relating to gambling?

A.—Yes, we have the Gambling Act.

Q.—What is the effect?

A.—A number of prosecutions for gambling, but it does not impose any tax on gambling.

Q.—I gather from his report that there is a good deal of gambling?

A.—Yes.

Q.—May we now pass on to excise. Mr. Lowry says: "I should like to extend the contract distillery system as far as possible". Is there a considerable area still under the outstill system?

A.—Yes.

Q.—Is it not the policy to reduce it every year?

A.—Yes.

Q.—He further says that "country spirit has to compete with illicit spirit which is easily and universally manufactured if there is a demand for it, unless the preventive staff is increased to such an extent that its cost would more than swallow up the revenue it brings in". Is it so very difficult?

A.—It is very difficult to get information about illicit distillation.

Q.—Do you think there is more illicit than licit consumption?

A.—This is impossible to say, but certainly there is a tremendous lot of illicit consumption.

Q.—He says further that adulteration and short measure are probably equally as important as illicit distillation?

A.—I daresay it is. You will hear more about this from the Excise Commissioner.

Q.—He says that "the tree-tax system has been tried in Burma and been abandoned as far too expensive compared with its effects on revenue". I wonder if you can give us some more details about this?

A.—I am afraid I cannot give you any information about this. I think the Excise Commissioner can give you the details.

Q.—As a matter of fact, in Upper Burma, there is no tax on *tari* when it is five miles away from a shop.

A.—Yes, that is so.

Q.—Practically *tari* is free?

A.—Except within five miles of the shop.

Q.—Actually does not the tapper tie a ladder to every tree? There is no difficulty in identifying the tapped trees.

A.—In some cases it is done, and in some cases it is not done. If the tree is fairly high, they sometimes tie a ladder to the upper part of it. They cannot always be identified in that way.

Q.—May we pass on to *ganja*? You prohibit *ganja* altogether?

A.—Yes.

Q.—The Burman does not take *ganja* at all?

A.—I have never known a case where the Burman taking *ganja* came to my notice.

Q.—He takes opium, but you don't prohibit him.

A.—No.

Q.—Is it quite consistent?

A.—The idea in the opium policy was to regulate the habit where it existed among Burmans and to prevent its spread, and so long as it is admitted that the demands of registered consumers should be reasonably met, then, I think the policy is consistent. There is no demand for *ganja*, and there is therefore no case for any regulation.

Q.—There is no case on the part of the Burman, but there is in the case of the Indian. You allow opium which is equally dangerous for the sake of Burman consumer, but in the case of *ganja* you deny the non-Burman consumer, because the Burman does not require it. Why do you allow the privilege in one case and deny in the other case?

A.—In the interests of the Burman and to prevent the possibility that he may take to *ganja*, it is better to prohibit.

Q.—Is there much *ganja* smuggling?

A.—I do not think there is much smuggling into the province, but from the hilly tracts it is smuggled down for the use of Indians.

Q.—A good deal of it goes to Madras?

A.—I cannot say that.

Q.—There is no sign that the Burman has taken to it?

A.—I have not heard of any such case.

Q.—In the case of opium, Mr. Lowry says that "in the more backward areas of Burma, especially those adjoining China where opium is believed to be cultivated almost without restriction, it is necessary for the Burma Government to retail at very low rates, if we are to compete in any way with the illicit imported articles". You said just now the prices charged are not sufficiently high. Do you mean to say the backward area is an exception?

A.—I agree with Mr. Lowry.

Q.—Mr. Lowry says that "a tax on betting in this country is likely to produce a considerable income, but there would be difficulties in taxing betting other than through the totalizator". Have you studied the Calcutta system?

A.—No. I see Mr. Lowry suggests that the totalizator in Rangoon should be taxed.

Q.—You have ferry license fees and other fees which are sold at auction. Do they tend to develop into taxes?

A.—I suppose that amounts to a tax, but probably the public would have to pay much more if they made private arrangements.

Q.—Do they use the proceeds for building bridges?

A.—They can be used for bridges, etc.

Q.—Mr. Lowry says that "the time of payment is perhaps a little earlier than one would prefer, but so long as the financial year ends on the 31st March, it is impossible to have a tax of first rate importance falling due within a few days of the end of the financial year". You cannot postpone over the 31st March?

A.—No.

Q.—It is said that village headmen are paid for their services to the general administration by means of a percentage on their revenue collections. Is that brought into account?

A.—Yes. First of all the total land revenue is paid in, and afterwards the headman draws his commission on a separate voucher.

Q.—Then it appears both as receipt and expenditure?

A.—Yes.

Q.—Mr. Lowry says that he prefers that all taxes on land, professions, etc. (except income-tax) levied within a municipality should be amalgamated with all municipal taxes into one single tax credited to municipal funds.

A.—Personally I do not agree with that.

Q.—It is said that betel leaf and areca-nuts are taxed at the source in Burma by paying special rates of land revenue?

A.—The betel-leaf gardens pay high rates of land revenue, and they pay under the heading of special crops. Tobacco is also included in this.

Q.—Shellac is taxed by the Forest Department; that is a kind of royalty I suppose?

A.—Yes, I think so.

Q.—You levy a special rate on tobacco?

A.—There is a high rate of land revenue on it as a special crop; it does not depend on the land.

Dr. Paranjpye. Q.—If the settlement is made for a piece of land for the period of 20 years, and the man after two years of settlement begins to grow tobacco, what will you do?

A.—Automatically, the rate will go up. The rate will be paid only in the years in which tobacco is grown.

Q.—Is that uniform rate the same for the whole province?

A.—No. Generally, it is 5 rupees or 6 rupees per acre as against 3 rupees for an ordinary crop.

Q.—Does it not amount to an excise duty on tobacco?

A.—It may amount to that in part, but the tax is a small proportion of the yield.

Q.—Does this acreage rate tend to reduce the tobacco grown?

A.—Not at all.

Q.—He also proposes to put an import duty on Indian tobacco. Would you support that?

A.—I shall have to consider that question.

Q.—Mr. Lowry says that the District Boards should rely on a percentage of the normal land revenue rather than on the actual land revenue paid in a particular year after deducting remissions. Again, he says that remission of cess should be given by the District Council and should not be automatic, following ordinary remission of land revenue?

A.—I do not see any particular reason for that. You may fix the contribution on an average of land revenue for a series of years.

Q.—You collect cesses under the Rural Police Act and apply them to other purposes?

A.—The Act was really to provide a cess for local purposes.

Q.—What is meant by State control of pawn shops? Is it not peculiar to Burma?

A.—We license the pawn shops where it is necessary, and in municipal towns the pawn shop licenses are disposed of by auction or tender. The revenue goes to the municipality.

Q.—What is the reason for licensing them?

A.—In order to prevent irregular dealings mostly.

Q.—Does it yield a considerable amount of money?

A.—Quite a good sum sometimes.

Q.—Mr. Lowry says that he would prefer a Government monopoly of all arms, ammunition and explosives, etc.?

A.—I see no objection to it.

Q.—He says he would advocate the transfer of registration of deeds to the Land Records Department?

A.—In that I do not concur with him.

Q.—I think that is one of the recommendations of the Committee?

A.—I think they proposed to utilise the land records staff in maintaining a record of rights. That has not met with approval, and now I understand it has been negatived by Government.

The Hon'ble Sardar Jogendym Singh. Q.—Have you got any ideas about the burden of taxation prevailing at present between the different classes?

A.—I think the agricultural class pays too much in proportion, and the main thing which has to be done is to make the non-agriculturist pay at any rate a little more.

Dr. Paranjpye. Q.—If you accept the principle that land revenue is a tax?

A.—Yes. To constitute it as a rent, I think, it must be held that land is the property of Government.

Sir Percy Thompson. Q.—I don't think it is necessary.

A.—On what other basis could Government levy the rent?

Q.—What the Government has done is that it has conferred on individuals a right in respect of land and it has reserved one thing, that is, the right to levy land revenue.

A.—Yes. Land revenue is a payment on the income from land. Personally, I do not see any reason historically or otherwise why land should ever have been regarded as vesting in Government. Historically, I think property in land is vested in the individuals, not in Government.

Q.—Take the case as it is; you are a landholder and you pay land revenue: I have no land and I pay nothing. If you don't pay land revenue, would you not be in a better position, because you have land, and I have not got it?

A.—Probably I had to buy that land.

Q.—Suppose I have got land which brings me Rs. 10,000 and I pay Rs. 4,000 to Government by way of land revenue; I am taxed to the extent of 40 per cent on my income. Do you think it will be fair, in estimating the incidence of taxation, to consider what other income I have?

A.—You will find my reply to it in my written statement. As regards Q. 98, I have said that I think that the principle which should be adopted is, that agricultural incomes from which land revenue is paid ought not also to be liable to income-tax, unless the incidence of land revenue on the net income is less than the incidence of income-tax would be if the income were non-agricultural, and that the difference only should be paid as income-tax.

Q.—That is entirely based on the view that land revenue is a tax.

A.—I have said in reply to Q. 96 that a rent is based on the economic value of the property rented without regard to the resources of the tenant, and that a tax is based on the necessity of the taxing authority, combined with the resources of the tax-payer.

Q.—Land revenue is not based on the resources of the tax-payer?

A.—Land revenue is based on the net produce of the land, which, to a great extent, governs the resources of the tax-payer.

Q.—Mr. Lowry, having said that land revenue is a tax, proceeds to contradict it in his answer to Q. 100 when he says that "the suggestion that land revenue should be paid only by persons whose income exceeds a certain limit is impossible and unjustifiable. A landlord does not allow cultivators to work small holdings rent free, because their income is below income-tax level." If a man wants land, he must pay for it?

A.—This remark is merely a general remark. It has nothing to do with the previous discussion.

Q.—But this statement is made by a man who agrees that land revenue is a tax and not a rent; he contradicts himself when he comes to the question of exempting the man from land revenue?

A.—I do not think he is contradicting himself.

Q.—You say: however poor the man, you should sell him up for land revenue?

A.—I say that in principle there is no reason why small incomes should be exempted from taxation.

The President. Q.—Small incomes of any kind?

A.—Yes.

Sir Percy Thompson. Q.—You would charge a 25 per cent income-tax on very small incomes?

A.—Yes.

Q.—In other words, the principle of graduation has no play at all?

A.—I do not say that in future it should not.

Q.—Has land revenue the attributes of a tax or the attributes of a rent?

A.—My opinion is that it has got the essential attributes of a tax and has not got the essential attributes of a rent.

Q.—It has the essential attributes of a rent in that you get the use of a valuable asset if you pay land revenue; secondly, it is in no way graduated nor does it vary from the rental value?

A.—Land revenue in Burma depends on the net produce, which is quite a different thing from the rental value.

Q.—The only difference is in the fact whether you deduct the expenses of the cultivator or include the expenses of the cultivator. If you do not include them, you are not getting the true rent. If you do, as is done in other provinces, you are getting the true rent.

A.—In my opinion, the element of competition cannot be dissociated from rents. Rent is essentially based on competitive value.

Q.—That is perfectly true, but all competitors are actuated by economic considerations, and do not pay more than what the land is worth, which depends upon the net produce after deducting the expenses of cultivation.

A.—Land is worth much more to a man in certain parts of Burma than its investment value. I mean to say that a man living in a place where land is scarce and where agricultural occupations are numerous will pay a price for it which is entirely beyond its value.

Q.—That is rent?

A.—That is not rent, that is rack-rent.

The Hon'ble Sardar Jogendra Singh. Q.—The main question is whether people in India have ever paid anything except land revenue. Can you bring in a new theory and impose a double tax on agricultural incomes?

A.—That depends upon ancient history.

Q.—Is it your view that taxes are paid by persons and are a matter of natural growth, and it will be dangerous to make experiments with ideas which have not got their birth in Burma?

A.—I would refer you to paragraph 2 of my written statement.

The President. Q.—Would you inhibit all ideas that did not arise in Burma simply because they did not arise in Burma?

A.—No.

The Hon'ble Sardar Jogendra Singh. Q.—You will be guided by local conditions in imposing taxes?

A.—You will have to consider the conditions with which you have to deal.

Q.—You start a system of taxation after considering the life of the people as it is represented in your own province?

A.—That is what we have done in the past.

The President. Q.—When you started your land revenue system and municipal system, you sent officers to India to study the systems in force in India?

A.—We had officers from India.

The Hon'ble Sardar Jogendra Singh. Q.—The question arises whether a rich man should pay more than a poor man as in the case of other incomes. Suppose you want to introduce some kind of graduation and differentiation in the matter of agricultural income, you cannot do it through land revenue?

A.—Graduation and differentiation are, I suppose, applied to the tax that you wish to graduate or differentiate. You will have to introduce them through land revenue, because there is no other tax to be applied.

The President. Q.—Instead of having a graduated system of land revenue by raising the land revenue according to the size of a man's income, you could do it the other way by superimposing on a flat rate.

A.—Yes; if you consider it necessary to differentiate, I do not see any particular reason why you should not do it one way or the other, except that the profits in the one case would go to the Provincial Government and in the other to the Central Government.

Sir Percy Thompson. Q.—If you differentiate and graduate land revenue, would it be a tax or rent?

A.—I do not much care whether it is called a tax or rent as long as it is there.

The President. Q.—Would it be practicable to graduate land revenue?

A.—I do not think it necessary to graduate it.

Q.—Graduation would depend on the income; how would you graduate land revenue?

A.—You could graduate it by saying that if a man owns 10 acres he would pay at a certain rate; if he owns 50 acres, he would pay at a certain rate and so on. It is, of course, a difficult matter, because one man may have 10 or 12 holdings.

Dr. Paranjpye. Q.—You would encourage fractionisation also?

A.—Yes, if you do not have some means of getting together a man's holdings.

8th April 1925.

RANGOON.

Present:

Sir CHARLES TODDUNTER, K.C.S.I., I.C.S., *President.*

Sir BHAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

The Hon'ble SARDAR JOGENDRA SINGH.

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Mr. S. Z. AUNG, K.S.M., A.T.M., B.A., Excise Commissioner, Burma, was examined.

Written memorandum of Mr. Aung.

Q. 61.—I do not anticipate an early introduction of a policy of total prohibition, though now and again some unofficial members of the Burma Legislative Council may attempt to introduce the question. The present Government policy of restriction expounded by the late Hon'ble Minister for Excise seems to have satisfied the House. If the *Wanhanu* party be returned to power at the next election, they will try their best to introduce a bill for total prohibition, but I doubt the chance of some such measure becoming law.

Q. 62.—I am not an advocate of total prohibition, for I realise that it would be futile to attempt to enforce such policy. Dr. Mathai's proposals will not be workable in Burma. Both the super-tax on land revenue and a provincial surcharge on income-tax would be extremely unpopular in this province. I have heard complaints against land revenue as too high.

As regards the Bombay Excise Committee's proposals, I may observe that there are not many wealthy classes among Burmans. In my opinion, the terminal tax, if ever imposed in Burma, should be applied to the Rangoon Corporation and a few other important municipalities. I am not a racing man and I do not know how much the totalizer duty will yield in Burma. It is the only tax that commends itself to me as one which should be imposed not for excise revenue but for general purposes.

Q. 63.—I generally accept the statements. But the statement "of this character are alcoholic drinks and tobacco in the dimensions of their present use" seems to me to be open to criticism. I have no quarrel with tobacco, and to many it would appear that the use of alcoholic drinks in moderation is in itself not objectionable.

Q. 64.—As a measure of taxation, the policy followed in my province falls short of that which I would approve. For instance, the policy of *ganja* prohibition in this province is futile.

Q. 65.—The duty rates on country spirit in this province vary from Rs. 1-4-0 to Rs. 13-12-0 and it is not practicable to introduce a uniform rate, as local conditions vary vastly from district to district and even in the same district. Duty rates in this province are subject to periodical revision as it is desirable to reduce the auction fees to a minimum and realise the maximum of duty.

Q. 66.—The majority of the local authorities have not complained of recent increases. Illicit production is prevalent in certain parts of Burma, but it has not been generally due to high duty, though in some instances the Chinese licensees have tried to make out losses due to high rates of duty driving the customers to cheaper country fermented liquor. But in most of such cases, it is the Chinese licensees themselves resorting to the mal-practice of introducing undutied spirit into their shops to evade the tax and make a greater profit.

Q. 67.—I consider that locally made imitations of imported liquors should pay the full tariff rate of duty and be given the same freedom as imported liquors, to keep down cheap liquor.

Q. 68.—Yes. This question has received attention. It is only the wealthy classes who can indulge in these high-priced liquors, and it is but right that each province should get the share of the excise revenue on this form of liquor from them. In Burma, cheap Java rum competes with our locally made foreign spirit. If variable rates for the wholesale monopoly be imposed on such imported liquors, in addition to the customs duty for import, we should be able to tax Java rum higher.

Q. 69.—I understand that this question refers to local duties, if any imposed, and not to customs duty, at the tariff rate. So far as I can see, no adjustment of such local duties is necessary in this province.

Q. 70.—I think that *tari* in this province is taxed adequately, having regard to its alcoholic contents, except in the areas outside the five-mile radius of a shop in Upper Burma. The *tari* tree-tax system in force in Madras which was tried in Burma has been recently abolished. The question of bringing the exempted areas under the operations of the Act is one of cost for supervision and control.

Q. 71.—*Ganja, charas* and *bhanga* are strictly prohibited in this province. I think rates should depend upon local conditions.

Q. 72.—No, not in this province. The wholesale supply of intoxicating liquors has not been taxed for the monopoly of sale, in addition to duties for the import. There is no wholesale supply of hemp drugs in Burma.

Q. 73.—The system of the disposal of licenses for the retail vend of opium is satisfactory as far as it goes. The auction system of the disposal of licenses for the retail vend of liquor is, in the absence of a better substitute, considered suitable, as it disarms criticisms of favour. We are experimenting with a tender system in Moulmein.

Q. 74.—The principle enunciated may be accepted with a qualification that the reduction in the number of shops may lead to an increase in illicit manufacture, which would react on the monopoly value of the remaining shops. In Burma, several politico-temperance societies have aimed against Government licensed shops, but not against drunkenness from an illicit source.

Q. 75.—It is not practicable to level up duties. I believe in some provinces, such as Assam, the auction system is still retained. Burma is peculiar and differs from Indian provinces. Burma shops largely cater for Chinese, who are better off than most Indian consumers. The retail price is regulated more or less by the price of smuggled opium. Having fixed the retail price, a more or less uniform net profit in the neighbourhood of Rs. 1,000, except in some important shops, is allowed to licensees, who are merely expected to be honest salesmen. The wholesale price therefore depends upon the issue of opium and the expenditure on establishment of the licensees.

Q. 76.—We have not yet introduced salaried licensees. I think we should be able to get an honest salesman on Rs. 50 per mensem. We shall save about Rs. 50,000 a year in Burma.

Q. 77.—Yes. A special detective staff has been recently sanctioned in Burma. The co-operation of China where opium is cultivated is necessary. The Government of India may also be able to take measures against over-production in the Indian States. Most of the so-called Shan opium is probably Yunnanese opium, and most of the so-called Bengal opium is probably what is called "up-country" opium from the Indian States.

Mr. Aung gave oral evidence as follows:—

The President. Q.—When did you take charge as Excise Commissioner?

A.—A year ago.

Q.—You say that the excise policy has been laid down by the late Hon'ble Minister for Excise in a speech. Could you get us a copy of that speech?

A.—It was reported in the proceedings of the local Council. It is a policy of maximum revenue and minimum consumption.

Q.—I was surprised to see that in your administration report you have referred to the opium policy as a policy of maximum revenue and minimum consumption, but actually is not your opium policy a policy of prohibition to the Burmans?

A.—Yes, but not to non-Burmans.

Q.—Could you give us an idea of how that policy has succeeded? What was the year in which registration was made?

A.—The original registration was made about 35 years ago; it was revised 10 years later.

Q.—Could you give us an idea of the experience so far? The policy was to register everybody who was consuming opium at the beginning, and as they died out, they were not to be replaced, so that after a generation you would have no Burman left.

A.—That is so.

Q.—What is the present situation?

A.—We have got more unregistered Burmans now than registered Burmans. The number of registered Burmans has dwindled down to 3,571. In some districts only one man is left.

Q.—Nevertheless consumption has not gone down.

A.—In some parts there are five unregistered Burmans to one registered Burman.

Q.—By unregistered Burman you mean a Burman who takes opium without being brought on to your registers?

A.—Yes; he gets the stuff from smugglers.

Dr. Hyder. Q.—You say that for one registered Burman there are five unregistered Burmans?

A.—Yes, in Arakan.

Sir Percy Thompson. Q.—Can't you prevent their using opium without registering themselves?

A.—We try to, but it is impossible to do so especially in malarial Arakan, where there is a long coast line for smugglers.

Dr. Paranjpye. Q.—Is not the very fact that a man who is unregistered is seen under the effect of opium a crime by itself? Couldn't he be hauled up for it?

A.—It is an evil, but it is not an offence yet.

Dr. Hyder. Q.—May I read to you in this connection a paragraph from the report? "Nevertheless the price of illicit opium, whether Indian, Chinese or Shan, was everywhere much above that charged by the licensed shops except on and near the north-eastern border." The unregistered Burmans presumably consume illicit opium; surely they would not pay much more than they would have to if they were registered.

A.—They have to pay much more, as they cannot be registered.

Sir Percy Thompson. Q.—Surely the object of prohibition is to stop people taking opium. If that object is not attained and people continue to take opium just the same, there should be a reduction in the duty levied.

A.—That is the reason why we have introduced the prophylactic experiment in the Myaungnya district. Opium is used on medicinal grounds by labourers, etc., who have to expose themselves to cold and wet.

Q.—Does that cover all unregistered people who you know are taking opium? You are just trying the experiment; very possibly, you will introduce it universally.

A.—Not all, as we would confine it to only malarial parts. The Legislative Council wanted to turn it down; we might be able to get over the opposition.

Q.—Do the Legislative Council know that the use of illicit opium is quite a common thing and that the province is getting no duty out of it?

A.—They know it; but some members as well as those outside the Council say that if Government abolished opium shops, everything would be all right.

Dr. Paranjpye. Q.—Would they be prepared to accept any piece of legislation making it a presumptive offence for a man to be opium-drunk?

A.—I do not know whether they would go to that extent. People would not co-operate with the Government in stopping smuggling, but they say that the smuggling would die out if Government opium shops were abolished.

Sir Percy Thompson. Q.—That is perfect rubbish; the more you restrict, the more people would take to illicit stuff. Is that not your experience?

A.—Yes.

Dr. Hyder. Q.—Do I understand you to say that there are no more Burmans who were originally registered who now consume opium and for every registered Burman there are five unregistered Burmans?

A.—No, there were 3,571 registered Burmans at the close of 1923-24. The proportion of 5 to 1 is only in one part of Burma, viz., Arakan. In Kyaukspyu district which is very malarial, my estimate is that about 75 per cent of the people are opium eaters.

Q.—Firstly, people have to pay more, and secondly, there is an increase in the number of opium eaters.

A.—At least the number is not decreasing.

Q.—What is the objection of those Burmans who have not registered to do so?

A.—They are anxious to be registered, but I think it is a mere sentimental objection on the part of the people to allow them to do so.

Sir Percy Thompson. Q.—It has come to this: there is a prohibition of licit opium and an encouragement of illicit opium.

A.—Yes.

The President. Q.—You say there is an area in which almost all opium consumers previously obtained their supplies from illicit sources.

A.—That is in Myaungmya. We take great pains to enquire into those who are taking opium for health and issue opium to them as a sort of preventive. They would be much worse if they did not take opium.

Q.—This experiment is only to be extended to persons who are found to be using opium as a prophylactic.

A.—Yes, we have registered over 1,200 now.

Dr. Paranjpye. Q.—Are they expected to eat opium or smoke it?

A.—Most of the Burmans are eaters, not smokers.

Q.—But these registered Burmans are smokers?

A.—Very few of them are smokers, they are mostly eaters. The Chinese are smokers as a rule.

The President. Q.—I see it stated in your last report that if percentages of habitues to total population are increasing from year to year, then we may be justified to say that the taste is increasing among the population and you go on to say that the taste for this aromatic drug with its pleasing dreams is not on the decrease. That is the result of 30 years of prohibition?

A.—Yes.

Q.—May we pass on to *ganja*? There you have absolute prohibition.

A.—Yes, we have not known of a case in which a Burman has taken to it as a habit.

Q.—Are there ample supplies of *ganja*?

A.—About one lakh and a half of tolas seized in 1923-24.

Dr. Hyder. Q.—You say there was a drive in 1921-1922 with the result that there was a distinct shortage in the supply of *ganja*.

A.—There was, but I think the practice is still going on.

Q.—You say that this practice prevails among Indians. In which districts does this practice prevail?

A.—There are Indians scattered all over Burma, but Rangoon and the Arakan border are the chief places.

The President. Q.—Where does the imported *ganja* come from?

A.—Some from Madras, some from Bengal, some are grown in the Yomas, and other hills in Burma.

Dr. Hyder. Q.—Does it grow wild in the Yomas?

A.—It is cultivated there. It grows wild in the Shan States and the Kachin Hill tracts.

Q.—Are not such cases reported?

A.—This cultivation is all in inaccessible places and cannot be controlled.

The President. Q.—Is there any cultivation of *ganja* in Burma at all?

A.—Yes; on the hills.

Q.—Do your officers know that?

A.—Yes.

Q.—So, you tried total prohibition* extending over half a century and that has failed; and you made another experiment in partial prohibition and that has also failed.

A.—Yes. But I am not aware of any experiment in partial prohibition of *ganja*.

Dr. Hyder. Q.—Has the policy failed in so far as the Burmans are concerned in the matter of *ganja*?

A.—No.

Q.—It has failed in respect of the Indians who are addicted to it?

A.—Yes.

The President. Q.—Is not there something inconsistent in enforcing this prohibition on the foreign people in the case of *ganja*, while you don't enforce a similar prohibition in the case of opium which does appeal to your people?

A.—Our fear is that we might create a new taste.

Q.—You would not remove the present prohibition on gambling, apart from races?

A.—No.

Dr. Hyder. Q.—May I ask you if gambling is an old Burman vice?

A.—Yes; it is an old Burman vice. They have the gambling instinct.

The President. Q.—With regard to tobacco, is there any movement to stop juvenile smoking?

A.—No.

Dr. Hyder. Q.—Are these—tobacco and opium—having any effect on the physique of the people?

A.—Opium has, because they take it to excess. If it is taken regularly in small quantities I think it is very good. But the Burmans are not regular and they take it to excess.

Q.—I think occasional excessive indulgence in opium would not produce much harm—say once in three or six months. Do young people take to opium?

A.—Young lads of about 20 take to it.

Q.—And do you notice no difference in their physique?

A.—After some time there is physical deterioration. But the Chinese can stand it. They are very regular and there is very little physical deterioration among them.

The President. Q.—In answer to Q. 65 you say "The duty rates on country spirit in this province vary from Rs. 1-4-0 to Rs. 13-12-0."

A.—Yes; it is very difficult to fix the rates uniformly. The question is one of difficulty.

* In his letter of the 17th April 1925 to the *Rangoon Gazette*, Mr. Aung points out that the failure of the actual steps taken towards prohibition in Burma is very significant.

Sir Percy Thompson. Q.—Do you fix the maximum price?

A.—Only in two districts it is fixed. In the other places they charge anything they like.

Q.—You still have liquor of different strengths—30, 40, 50 and 60 degrees?

A.—Yes; in Upper Burma they have 30 and 50 and in Lower Burma, 40. The spirit of the weaker strength is not very popular.

Q.—You vary the duties every year?

A.—Yes.

Q.—And you don't think you could push them a little higher?

A.—No, not in Rangoon, at least for the present.

Q.—In the administration report it is stated "The distiller's price varied from Rs. 2 to Rs. 4-2-0 per London-proof gallon. The duty varied from Rs. 1-4-0 per London-proof gallon in Bhamo and Myitkyina districts to Rs. 12-8-0 in Rangoon."

A.—We are just issuing some instructions as to how to proceed with the revision. We want to reduce the license fees and increase the duty.

Q.—Do you find it is possible to do that?

A.—We are just trying it.

Q.—Do you find that increasing the duty makes the man bid less?

A.—If they do not bid less, they resort to malpractices.

Q.—What is the idea of having varying duties?

A.—They are changed according to the local conditions—the object being not to drive the consumers to other forms of cheap liquor.

Q.—Do you find that where the duty is low, the retail price of the liquor is low too? Do you find that one follows the other?

A.—I think generally it ought to, though not exactly to the same extent. When the duty is low, the price also will be low.

The President. Q.—You say illicit production is prevalent. Have you any estimate as to the extent of the consumption which is licit and illicit respectively?

A.—In one subdivision, I think there is much illicit consumption.

Q.—Do you think that half of the liquor drunk is illicit?

A.—Probably more than that in that subdivision.

Q.—Could you give us any opinion as regards the province as a whole?

A.—It might be taken that a quarter of the consumption is illicit.

Q.—Have you any such estimate to give us as regards opium, taking the total consumption of the province as a whole?

A.—It may be taken as half and half.

Q.—In answer to Q. 68 you say "If variable rates for the wholesale monopoly be imposed on such imported liquors, in addition to the customs duty for import, we should be able to tax Java rum higher". What do you mean by 'variable rates for the wholesale monopoly'?

A.—At present we have fixed license fees for the wholesale vend to retail vendors. But the wholesale importers pay nothing more for the wholesale vend to wholesale vendors. This is with regard to foreign spirit.

Q.—Would you like to put a protective duty on Java rum through means of a monopoly license fee?

A.—Yes.

Q.—The *tari* tree-tax system was tried and abolished?

A.—Yes.

Q.—Could you give us a short account of the method in which it was tried—that is, what was the rate of the tax per tree, what was the method of marking the trees, and so forth?

A.—I have received a notice of this from the Financial Commissioner only a few minutes ago and I will give you a note on the subject.

Q.—You think that the auction system is suitable?

A.—Yes.

Q.—But you say you are experimenting with a tender system in Moulmein. What is the reason for that?

A.—Because people say that to make good the enormous license fee, the licensee has to resort to illicit practices.

Q.—Have you found that that is the fact?

A.—That is why we want to reduce the auction-fee in the case of country spirit.

Q.—Is he less liable to resort to malpractices, because he gets in much cheaper?

A.—Yes; But in Moulmein under the tender system we realised more than from the auction system.

Q.—You say "Several politico-temperance societies have aimed against Government-licensed shops, but not against drunkenness from an illicit source"?

A.—Yes. Temperance societies are simply political. They want to boycott the Government shops, and they prevent people going to Government shops.

Q.—In the case of opium shops, you aim at a more or less uniform profit of Rs. 1,000?

A.—Yes.

Q.—And you give that by selection to individuals?

A.—Yes.

Q.—Can you not realise more by sale by auction?

A.—I am in favour of salaried vendors.

Q.—You suggest that having an honest salesman on Rs. 50 per mensem, you would save about Rs. 50,000 a year.

A.—Yes.

Q.—You also have an arrangement under which the shopkeeper has to break up the cake of opium into small packets before sale?

A.—Yes.

Q.—Would you approve of a system under which it would be made up at the Ghazipur factory into pills and sent down in sealed bottles?

A.—That would rather increase the cost of opium.

Q.—If it were done on a large scale, will it be more costly than you have now when each man has to employ a certain number of people to cut it into small pieces and weigh each bit separately? Moreover, don't you find that these packets will not keep for a long time?

A.—I think the bottle and transport charges will cost too much. But if it does not increase the cost appreciably, I don't mind trying that method.

Q.—Every medicine that is sold is sold in bottles. Moreover, would it not also help you in dealing with smugglers?

A.—Yes, it would.

Q.—You say that a special detective staff has been recently sanctioned. What is the strength of that?

A.—The Chief Superintendent of Excise has three Inspectors and four Sub-Inspectors, and seven peons.

Q.—Do they operate on the railways?

A.—Yes; all over the province.

Q.—Is that an outcome of the enquiries made by Mr. Comber, a Burma police officer who was deputed in 1911 to go into the matter?

A.—I do not know whether it was the direct outcome of that. But the present Chief Superintendent has been fighting for it and we have just managed to get the sanction.

Q.—Would you approve of having a staff operating in India under the Central Board of Revenue which would gather all information from your special Excise staff and similar staffs all over India, so that it would be able to deal with smuggling in a more efficient way?

A.—The bureau here is in touch with other bureaus.

Q.—But there is no central co-ordinating bureau.

A.—I do not know whether it will not cause delay. But if we were to directly communicate with the Bengal bureau I think we can get things done more quickly.

Q.—Some provinces have not got bureaux. Other provinces are not interested in stopping opium from reaching you.

A.—We might have a central bureau.

Q.—You are considering the taxation of *hlarzye*.

A.—In Rangoon there is to be a central brewery to supply local shops.

Q.—Are you going to levy excise duty?

A.—Yes. We have not decided the rate. It may be 8 annas a gallon.

Q.—Is cocaine and morphia sold in Burma?

A.—Yes. In Rangoon to a great extent. It is being introduced in some districts in the delta. In some districts we are able to keep it out.

Q.—You used to have a law prohibiting hypodermic syringes. Is it still in force?

A.—Yes.

Q.—Nobody can use it without license. Is that operating as a check?

A.—In some cases the compounders use it for injections and we have prosecuted some.

Q.—You are making a claim on the Government of India for a larger payment on salt staff?

A.—Yes.

Q.—Is there any proposal to separate the Salt and Excise staff?

A.—Not necessarily to make it a separate staff; but there is a proposal to make salt a transferred subject.

Q.—Salt is a central subject.

A.—We want to take Salt from the Government of India.

Q.—I think they will never agree to that.

A.—That remains to be seen.

Q.—There was an experiment in the direction of the Government owning the liquor shops in Rangoon.

A.—We proposed that the Government should own premises for liquor shops, but it never came to pass.

Q.—You are still in the same old difficulty of getting shops? The chairman of an Excise Advisory Committee charged a licensee Rs. 1,200 a year rent for a shop site in a field belonging to his own wife.

A.—Yes.

Q.—There has been a large restriction of the allowance of opium in the districts. Is that the allowance for Burmans?

A.—It is for all, mostly Chinamen.

Q.—Do they get more than they really need?

A.—Some of them do hawk about the surplus opium and make a living.

Q.—The cutting down has been overdone?

A.—In spite of the increase of wholesale price there was a large reduction in revenue.

Q.—There is a reduction in issues?

A.—Yes, due to reduction of allowance. The normal consumption of a Chinaman is 7 to 7½ tolas per month. To be on the safe side, the Chinese labourer is given only half the allowance in the mines of Tavoy. There is a special licensing system. The employer takes out the opium for his employees.

Dr. Paranjpye. Q.—Does every Chinaman take opium?

A.—Most Chinamen. We have got 17,000 Chinese registered smokers.

Q.—My object in asking you was to know if a Chairman can register himself for smoking and sell it to others.

A.—There are some people who hawk the surplus to others.

Q.—I wish to know whether there are Chinamen who don't take opium but get themselves registered and sell them to others.

A.—Most of the Chinese are opium consumers. But only 17,000 have got themselves registered as smokers. Some of them do not want to get themselves registered.

Q.—Why?

A.—There was some idea that they would be regarded as criminals.

Q.—So every Chinaman can get himself automatically registered if he pleases?

A.—Enquiries are made as to habit, reputation and antecedents, etc., of the applicants before registration as ordinary consumers. But the registration of smokers has been closed.

Q.—What are the medicinal preparations made in Burma?

A.—We have just issued instructions regarding a private warehouse and patent medicines made out of spirituous liquors.

Q.—You refer to the secret ingredient experiment, what is that?

A.—We want to find out the malpractices of the licensees. We treat our issues with some harmless secret ingredients so that when any outside spirit is introduced it could be detected on an analysis.

Q.—Has it been a success?

A.—We are just experimenting with it.

Dr. Hyder. Q.—Is there a strong temperance movement in Burma?

A.—It is not systematic. Political associations and religious associations now and then take up the question.

Dr. Paranjpye. Q.—Is it more anti-Government than pro-prohibitionist?

A.—Anti-Government.

The Hon'ble Sardar Jogendra Singh. Q.—How do they show it?

A.—They try to boycott Government shops.

Dr. Hyder. Q.—There are no shops, except Government shops.

A.—No. The associations preach abstinence; but it is a mere cloak for the political movement. They form political associations and say "We do not want people to drink."

The witness before withdrawing volunteered the following statement:—

"I like to correct my written answer to one of the questions relating to inter-provincial relations. It was written under a misunderstanding that the customs absorb the whole of the tariff on Indian-made spirit imported into Burma. But as they only intercept the difference between the customs tariff rate and the excise tariff rate, some adjustment between Burma and exporting provinces of India, such as Bengal, would be necessary under the principle recommended by the Finance Members' Conference that duty follows consumption."

Mr. W. B. BRANDER, C.B.E., I.C.S., M.L.C., Officiating Chief Secretary, Government of Burma, was next examined.

Written memorandum of Mr. Brander.

Q. 48.—The first quotation is a strong justification of the tax on salt. The great mass of the people of India contribute very little to the Government's revenues, except indirectly. A tax on salt is almost a direct impost on the whole population and is so small in itself per person that its incidence is scarcely felt. I can conceive of no other article of consumption which is more suited to a tax than is salt, (a) because it is generally consumed, and (b) because in the special circumstances of India it is not difficult to collect.

The second quotation has probably a reference to excise duty on alcoholic liquors, and states the case for such duties as succinctly as it could be stated. The policy of the Indian Government and of Local Governments in India is to increase the amount of revenue realised from these excise duties, and at the same time provide no incentive to people to consume alcoholic beverages. In fact, the higher the duty the greater the difficulty people have in obtaining liquor. On the other hand, the duty cannot be carried beyond a certain point, because once the price of liquor has reached beyond that limit, the consumer falls back on illicitly prepared spirit, and on the easily-procurable toddy or other cheap substitute.

The third quotation is a further justification of a salt tax. In Burma I am perfectly certain that any variations in that tax are scarcely felt one way or the other. So cheap is salt that Government derives the maximum benefit from the imposition of this tax.

Q. 49.—I very much doubt whether in the special circumstances of India, it is possible to impose an excise duty on many of the articles in the list mentioned at the end of this question. On some of the articles it is undesirable to impose a duty for obvious reasons, amongst which are their use in industries of national importance, and secondly the impossibility of imposing a duty on articles which are produced in every village of any size in the Indian Empire. On other than revenue grounds it might, however, be desirable to impose an excise duty on patent medicines, on playing cards and on yeast. Each case has to be decided on its merits, and no general principle can be laid down in respect of many of the articles on which an excise duty might be imposed. India is at the beginning of her industrial development, and any taxation which might in any way retard her development is, from her point of view, to be deprecated.

Q. 50.—I have no doubt at all that to indirect taxation the graduated or progressive principle might in theory be held to be applicable, but in practice I do not believe that it is feasible so to apply it. To take one case alone, that of salt, the principle breaks down at once, because the distribution of salt is so widespread that it would be impossible to fix varying rates on an article such as this. Again, in respect of liquor, any attempt to increase rates on the higher qualities would inevitably tend to an increase of consumption of the lower qualities, so that any such attempt at adoption of this progressive principle would defeat itself, as far as an increased return from the duties is concerned. Moreover, in India where the kinds of spirit are so very similar, and where the cost price of production of the cheaper qualities is not great, the system whereby the strength of the spirit is regarded as the test is as sound as any other.

Q. 51.—I am in entire agreement with the statement of general policy in respect of taxation of salt quoted in this question.

Q. 52.—I do accept the statement that it would be difficult to devise any other duty of general incidence less oppressive and less open to evasion than the salt tax.

Q. 53.—I am inclined to think that there was no necessity to reduce the salt tax last year to its present rate. The saving to consumer was so slight that it was inappreciable, and the revenue derived therefrom was at the same time sufficiently large to justify continuance of the tax at the rate at which it then was. In the consumption of any commodity there is always a great deal of waste, and this is particularly noticeable in the case of salt, because it is so cheap that not even the poorest are unable to procure sufficient for their needs, while most people could quite well exist on a much smaller quantity of salt than is actually purchased by them.

Q. 54.—I have no experience of Indian conditions. In Burma the salt is produced by licensees and sold at competitive prices. The licensees in Burma are amongst the most conservative of mankind, are loath to adopt any new ideas in respect of the methods of production and are so tied down to their wasteful system of manufacture that I can conceive of no improvement in their position or any improvement in the quality of the salt manufactured, unless a radical change is effected.

Q. 55.—I am quite convinced that a cheaper and purer article could be produced by substituting large scale manufacture for production by a very large number of petty manufacturers. This fact might be regarded as a ground for the gradual extension of the Government monopoly. But I have myself so little faith in Government's methods compared with ordinary business methods that I should hesitate long before I would assent to

the idea of a large scale production by Government of salt in this province. Burma's experiments in Government manufacture have not been peculiarly fortunate.

Q. 56.—Again, I can only speak on behalf of Burma, and my view is that any protection to Burma salt would only tend to confirm the salt manufacturers in their antiquated and wasteful forms of manufacture. Possibly, the best thing that could happen in Burma would be the complete closing down of the great majority of salt licensees.

Q. 57.—The separation of salt into various qualities is not strongly in evidence at the salt fields. The practice is probably resorted to by the wholesale dealers. What is done is to mix salt of an inferior grade with that of a better grade, so that many purchasers on a fairly large scale lose heavily through purchasing mixtures containing depreciated salt values. The practice generally is to mix local salt with imported salt in Rangoon and then distribute the resulting mixture throughout the Delta. It would be exceedingly difficult to prohibit any such mixing of salt, and I am not sure that the ordinary play of competition will not in the long run be sufficient to kill a practice which is admittedly dishonest and which involves the purchaser in the payment of a price in excess of that which he ought to pay.

Q. 58.—I regard the sale of salt by weight as the ideal to be attained, but in Burma I question whether it would be practicable to enforce any rule to that effect. Nor do I think that the practice of selling by measure causes any material loss to the consumer.

Q. 59.—I am averse generally to the marked participation of Government in the production or the distribution of salt. Facilities can be given in other ways, as by arrangements for the storage of salt, and by the grant of concessions in respect of the payment of duty.

Q. 60.—I consider it undesirable and practically unnecessary to adopt any process of denaturation of salt in Burma. Salt is so cheap that very few people take the trouble to manufacture it illicitly, and if the denaturation is intended to produce a salt on which the duty charged may be less than that which is charged at present, I doubt whether it would be practicable to enforce any rules which would make it incumbent on Excise Officers to test salt held by agriculturists for *bona fide* agricultural purposes which had been purchased at a reduced rate of duty.

Q. 61.—I consider the policy of total prohibition impracticable under existing conditions. First of all, there is no strong public opinion in favour of it, and secondly any such policy could not be put into practice. There are thousands of acres of land in this province in which toddy trees or *dhani* palms grow, and from these a fairly strong alcoholic liquor can be produced without any great difficulty. Moreover, there are few villages in this province, in which the great majority of the inhabitants do not understand how to make illicit spirit, and any attempt to curtail their purchases from the licensed liquor shops would inevitably result in a great extension of illegal practices.

Q. 62.—I do not advocate total prohibition in this country, and I am not therefore called upon to refer to the schemes mentioned in this question. I cannot believe that Dr. Mathai's proposals would be acceptable. Nor do I think that the Bombay Excise Committee have considered what the result of their proposed forms of taxation will be. The total duty estimated at twenty lakhs on the totalisator will probably kill racing. Some of the other taxes are bound to curtail trade and to increase the cost of living, while some of the others would, at any rate in Burma, be impossible to collect or would bring in a very small yield.

Q. 63.—I accept the theory that a tax on alcohol may be a positive good by reason of the fact that while the price is raised consumption is diminished.

I am also in agreement with the view stated in the second quotation.

The third quotation is a further justification of the taxation of alcohol, although I am not prepared to admit that the consumption of alcohol is necessarily detrimental to personal health, morals or public order. I am not at all convinced that a tax on alcohol which diminished consumption to the vanishing point might not bring other and greater evils in its train.

As regards the fourth quotation this also seems to me to be a truism.

The fifth quotation also is applicable to the conditions in this province.

The sixth does not appear to carry one very far in respect of a decision on this question of the taxation of alcohol. The chief ground to my mind must be the economic.

Q. 64.—In this province I consider that more might be done by way of taxation of alcoholic liquors. A great amount of revenue is lost, because in a large number of villages no liquor shops exist; yet consumers in these villages get their supplies. They are naturally opposed to any proposal to establish licensed shops and use religion as a cloak for their opposition. They then procure their supplies locally from illicit sources at a much cheaper rate than if they had to purchase their requirements from a licensed shop, and naturally resent any proposal which will add to the cost of living. There are, however, certain classes of liquor introduced into this country from abroad which differ from other forms of liquor. I refer particularly to Java rum. That liquor might be taxed very heavily by imposing additional fees on licensees who sold that particular spirit.

Q. 65.—The rates of duty on country spirit have to be widely divergent because of the different conditions subsisting throughout the province. For instance, on the southern border of Burma, it is possible for consumers to cross the river Pakchan to Siam and procure their supplies there for practically next to nothing. Unless the rate of duty is very low, any attempt to maintain a licensed shop is impossible. The rates in Burma are examined from year to year and are regulated in accordance with the opinion of local officers, who are best acquainted with the conditions of the areas for which they are responsible. I do not consider it is practicable to make any variations in the existing system.

Q. 66.—I think it is almost certain that increases in the rates are bound to be followed by increases in production. I am not sufficiently acquainted with the most recent statistics. The increases in the rates have always been made gradually in this country in order that the consumer might not be driven to substitutes or to illicitly manufactured country spirit.

Q. 67.—This question has not so far as I know excited any interest in Burma. My recollection is that the amount of such liquor that is manufactured in Burma is not large. I consider, however, that the taxation on all liquor of the same kind should be uniform.

Q. 68.—I have referred already in my answer to Q. 64 to Java rum. I think this is a liquor which in my opinion might well have a supplementary duty imposed upon it by the Local Government. It is the one form of liquor which competes most closely with country spirit, being very similar to the country spirit manufactured in Burma. It can be sold, in Rangoon at any rate, at prices which tend to make it attractive to consumers.

Q. 69.—This question hardly arises in the case of Burma as its supplies of foreign liquor are mainly obtained direct through the ports in Burma or are produced locally. As far as I am aware, practically no exports of locally made foreign liquor take place from Rangoon.

Q. 70.—I am in agreement with the view that *tari* even when freshly drawn is as intoxicating as a mild beer. It certainly reaches quite a strong alcoholic strength when kept for a short time. It is frequently doctored, and thus becomes even more potent as an intoxicating beverage. The difficulty in Burma in taxing *tari* adequately is that great parts of the country are sparsely populated, and in these areas it is practically impossible to maintain a staff to check the consumption of this liquor. In fact, in Upper Burma, in areas five miles away from any licensed shop, people may consume as much as they please of this beverage.

The tree-tax system was tried in Lower Burma, but was doomed to failure from the start, because of the difficulties connected with the supervision of the *dhani* palm. This palm grows in the lower reaches of many of the rivers that are to be found in Lower Burma and thrives best on very muddy ground. The consequence is that the illicit manufacturer of toddy from the *dhani* palm can collect as much as he pleases without much fear of detection. In other parts of Burma where the *dhani* palm does not exist, the difficulties mentioned above render control ineffective. What too condemned the system as much as any other cause was the cost of the staff required. As far as my recollection goes, the staff practically ran away with any profit that was derived from the tree tax.

Q. 71.—In this province all forms of *ganja* are prohibited, so that Burma is not concerned with the rates of taxation on this drug. I consider that this province is losing a great deal by refraining from the legitimization of the use of *ganja* and its allied compounds, and I would support any proposal to dispose of this drug to consumers through the existing opium shops.

Q. 72.—From the point of view of taxation, I think that on the whole the present system of the wholesale supply of intoxicating liquors is satisfactory. One difficulty that has to be faced here—which is not to be found in other parts of India—is that the local beer made from rice, *hlauzaye*, cannot be supplied wholesale. Each shop that sells this liquor makes it on the premises. I believe that considerable additions to revenue could be effected by the establishment of a central brewery in a place like Rangoon.

Q. 73.—This question has been threshed out *ad nauseam*, and while I consider that Government by disposing of its licenses by auction may in a few cases lose a little, I think that on the whole it secures as large a return by this method as by any other.

Q. 74.—A very considerable reduction in the number of licenses for retail vend has been effected in Burma, but to my mind the methods adopted to secure a decrease have been on entirely wrong lines. Sporadic, and in many cases ill-conceived, proposals have been made to reduce shops in a particular area. I held a special enquiry into a reduction of shops effected in a particular area in the Bassein district, and found that practically the only effect of the reduction was to cause trouble to the consumer who has to go farther for his supplies. Revenue was practically the same after a few years. The total amount consumed was probably not less than it was, and the reduction in crime which it was expected would follow upon the decreased facilities for drinking was not manifest. It is obvious to my mind that wholesale reductions are bound to result in the creation of monopoly values.

Q. 75.—Burma is in a very different position from the other provinces in India. Here smoking is permitted because of the large number of Chinese residents, and there is no reason whatsoever why these Chinese consumers of opium should not pay heavily for their supplies. If they were resident in such places as the Straits, they would probably have to pay more, and even if in their own country they get large quantities at a cheap rate, that is because China is in a state of upheaval, and because there is no effective control over the consumption or distribution of the drug. I am not sure, however, that in Burma the price of opium to the consumer has not been raised beyond the safety point. By that I mean that I feel almost certain that the high price has induced smuggling on a large scale. The supplies come not only from India but from China, from the trans-Salween Shan States and even from the south. I have heard that opium is sometimes brought in direct from China. In spite of the efforts of the preventive staff, probably not more than 25 per cent at most of the opium smuggled into this country is captured.

Q. 76.—The system of employing salaried persons is not in force in Burma. On the other hand, the system that is in force is a very simple system. It is one based on giving to the licensee a more or less fixed sum per annum.

An objection to a salaried person is that the salary must be paid by Government and that the employee must then become a Government servant. The system in force here has stood the test of time. It provides adequate remuneration for the licensee. It does not necessarily give him any inducement to increase his sales, and it is probably as cheap to Government as any other system.

Q. 77.—The control of smuggling in Burma is one which is probably different from the problem in any other province in India. Not only has Burma a long land frontier, but it has also a sea frontier. It has a number of ports into which entry may easily be effected and it has a large number of estuaries and harbours in various parts of the Tenasserim coast, and even along the Delta which permit of extensive smuggling without any possibility of check. Again, the land frontier, particularly in the north-east, is such that to exercise any effective control over imports is impracticable. The nature of the country facilitates the smuggling of the drug and until China mends her ways the idea of posting a preventive staff along the frontier to detect smugglers would involve the Local Government in such heavy charges that they could not be faced.

Mr. Brander gave oral evidence as follows:—

The President. Q.—Mr. Brander, you have sent us a note about excise and salt?

A.—Yes, Sir.

Q.—Salt is still managed by the Local Government?

A.—Yes. Of course, the proceeds go to the Government of India.

Q.—Is it managed by a combined staff?

A.—Not altogether. We have a special subordinate salt staff in charge of the districts in which the biggest factories are situated. We have also a Chief Superintendent of Salt and we used to have an Assistant Superintendent in charge of Salt. It is a year and a half ago since I was in the department, and I don't remember the exact numbers.

Q.—You debit the Government of India with a share of the excise staff?

A.—Yes. But we do it because the excise staff in certain districts do salt work also.

Q.—What is the basis of the division?

A.—I have forgotten the basis of the division. I am afraid I am too much out of touch with the department to remember the basis of our calculation. There have been many changes since I left the department.

Q.—I understand that you levy a composition duty.

A.—It is levied in certain districts. As far as the salt industry is concerned in those districts, it is practically worthless from the point of view of manufacture.

Q.—Why not wash it out?

A.—I don't see any necessity to do so. It does not lead to any material loss to Government revenues, and it does provide people who live in those parts with an occupation.

Q.—Is there a good deal of fraud in the composition licenses?

A.—I don't think it leads to any great fraud. I used to inspect the factories when I was in charge of a subdivision, and on the whole we could get within a fairly close approximation of the right amount that was manufactured.

Q.—Captain Walker says in his report: "A cleaner product would be sure to find a better market than salt of the quality of that at present produced. Assessing the tax by the size of the evaporating pan seems to lead to much abuse: thus in one place a duplicate pan was found for which no tax was paid. This must lead to a great loss in revenue."

A.—I don't think it matters much. I don't think there is any great loss.

Q.—It is also variable?

A.—Yes, the amount varies from year to year. A good deal depends on the effective supervision of the staff.

Q.—Is there not a proposal in hand for revising the rates of composition?

A.—I cannot tell you that. It must be a recent development.

Q.—I see the Deputy Commissioner, Akyab, arrives at the conclusion that only about one-fifth of the salt consumed in the district pays duty. You will find this in the report for 1922-23.

A.—But Akyab is not a composition duty district. I think there is a good deal of illicit manufacture there.

Q.—It shows that you require large preventive staff which you don't get now.

A.—Yes. As it is, we find difficulty in procuring the staff to maintain an effective supervision. These salt manufacturing areas are all wild places and it is difficult to get the preventive staff to stay there.

Q.—You will see at the end of the last Administration Report it is said: "It would seem from these cases that the time has arrived for a general

tightening up of control and supervision. The nature of the industry and local conditions make it necessary that a certain amount of trust should be placed in salt licensees, who are in a position to defraud the Government of revenue if they care to be dishonest and run the risk of detection."

A.—It is admitted that there is a considerable loss of revenue simply through lack of supervision which can be tightened up only by the increase of staff.

Q.—Can you give us the idea of what is the extent of the staff?

A.—You got it on page 23 of the report. You will find there the number of inspectors, sub-inspectors and peons. The total is 120.

Q.—It is extraordinarily small?

A.—Certainly. It is obviously inadequate.

Q.—In referring to the composition duty, it is said in the report, that if any reliance is to be placed on the figures of estimated outturn and number of months of manufacture it would seem that the rates of composition duty fixed under Section 8 of the Burma Salt Act, 1917, are in need of revision.

A.—Yes. I think we began by making enquiries whether we could not concentrate the manufacture of salt in certain districts and introduce forms of new manufacture. The Government placed Mr. Robertson with a member of the Geological Survey on special duty to examine the salt wells and the report was under consideration when I left the department. Of course, if these wells were in success, manufactures could be very much more easily controlled.

Q.—You have some experimental factories?

A.—We had an experimental factory at Amherst and it was quite a success and it did bring in a certain amount of money, but we did not wish to compete with private enterprise and we shifted it to Kyaukpyu.

Q.—Was it to improve the methods of manufacture?

A.—Yes, to make better salt and at a cheaper rate.

Q.—You say, "I am perfectly certain that any variations in the salt tax are scarcely felt one way or the other." Actually there was an increase when the duty was doubled.

A.—There was a slight increase. I don't think the people felt the additional duty very much.

Q.—I mean an actual increase in consumption.

A.—Quite probable, I cannot tell you definitely.

Q.—The prices do vary in a most extraordinary way.

A.—They vary largely because of the difficulties of transport. There are some places where transport involves carting for miles into the interior.

Q.—If you look at page 19 of the report, you will find a variation from Rs. 2-2-1 to Rs. 6-1-2.

A.—That is probably for foreign salt. The figure of Rs. 6-1-2 for Shwebo is probably inaccurate if it is compared with places like Katha which is farther away than Shwebo. The price in Katha is Rs. 3-10-6 and in Shwebo it is Rs. 6-1-2, and in Myitkyina which is much farther than Shwebo it is only Rs. 4-10-0. I think the figure should be Rs. 4-1-2.

Q.—The reason I ask you is because Mr. Robertson makes a point that it is the duty of the Government to keep down the middleman's profit.

I think it is very difficult. If the Government were to interfere in these matters, it often leads to results other than those intended. I am rather afraid that we cannot interfere.

Q.—Is there any ring?

A.—Indirectly there is, I think. I do not think there is any big ring, but I think they try to regulate the prices.

Q.—You think the prices do rise when Burma salt cannot get in to Rangoon?

A.—Yes. Another thing they do is to mix the Burma salt with the foreign salt and sell it as Burma salt. That is a practice which should be declared illegal.

Q.—In dealing with the possibility of graduating excise duties you say the principle breaks down at once, because the distribution of salt is so widespread that it would be impossible to fix varying rates on an article such as this.

A.—I think it would be in a place like Burma. I did not take that as much into account. The composition duty means that Government is getting some revenue from a taxable article in as cheap a way as possible. I do not regard it as an actual variation in rates.

Q.—Could you not make the excise duty slightly lower than customs duties?

A.—I think you could do that. You mean Burma salt should get some preference. I think it is possible. Personally I am not enamoured of it. I think Mr. Robertson is in favour of it.

Q.—I admit that foreign salt is better than locally-made salt, but I was asking whether it would be possible to graduate it.

A.—I think it is possible. On the other hand, salt in Burma varies to such an extent. I doubt whether it would be possible to assess duty in this way. Even in the same factory I have seen two different kinds of salt coming out from two successive boilings. You can see it with the naked eye. I do not think it is possible to graduate it. At least it would involve the establishment a very large staff to check the quality.

Q.—You say that you have very little faith in Government undertaking the production of salt and say that Burma's experiments in Government manufacture have not been peculiarly fortunate.

A.—We tried solar salt, i.e., we tried to make salt by the solar system. We copied this system from Madras and put an officer from Madras on this duty, but it was found to be a hopeless failure, because the conditions here are different. The dry weather is not long enough. It might be done perhaps in Upper Burma, but in Lower Burma it is perfectly hopeless. Even in the middle of April we get heavy showers.

Q.—You have not got up-to-date methods in Burma at all. It is a traditional cottage industry.

A.—I regard it as purely a cottage industry. I consider that locally-made salt is not good, and but for political reasons, I should prefer to have imported salt.

Q.—Is it not practicable to have large scale salt production by licensees?

A.—The present licensees could not take up any large scale manufacture. As a matter of fact, they do not know anything. I doubt very much if you could get any Burmese syndicate to take it up. It is impossible to take up large scale manufacture without foreign capital.

Q.—I understand that Mr. Robertson is not in favour of a Government monopoly, but thinks, that the local industry should be maintained on a sufficiently efficient basis. Burma would then be self-supporting in case of another war?

A.—In case of war, production could be increased very easily. It simply means adding to the number of boilers.

Sir Percy Thompson. Q.—If the small producer is inefficient and his cost of production is higher, is it not worth while for a syndicate to start big scale manufacture?

A.—But you have got political reasons against it. It is almost certain that European capital would have to come in to finance such operations.

Q.—But suppose a syndicate is prepared to do that, would Government refuse them the right?

A.—I think there might be some opposition.

Q.—I do not say that the present licensees should be prohibited.

A.—Even then there will be opposition. The present licensees are most inefficient and their methods are wasteful in the extreme. Then people are most conservative and they won't try to improve their methods. If you get over the political difficulty, I admit the proposition would be excellent. On the other hand, the political tension would probably involve refusal, because these manufacturers would protest.

Q.—The result would be the public would get cheaper and better salt.

A.—I do not think the average politician would consider that. He is always concerned with the feeling amongst the salt manufacturers who would be driven out by the large-scale manufacturer. They would simply say that the Government had interfered with a traditional form of industry and so on.

The Hon'ble Sardar Jogendra Singh. Q.—What profit does a salt maker get?

A.—I think it might work out at about 100 rupees for six months.

Q.—Will it be necessary to protect efficient manufacturers of salt?

A.—I do not know that large scale of production would be successful even if run economically. The chief difficulty is to secure sufficient fuel for the large production of salt. In most of the salt-producing areas they find great difficulty in getting sufficient fuel. Moreover, there are no proper roads and railway communications.

The President. Q.—What do you think of the future possibility of this trade?

A.—My own view is that the small licensees will gradually die out, and their supplies be replaced by imported salt. I think it is bound to happen here sooner or later. I cannot see any reason for supporting any industry which cannot survive by its own natural powers.

Q.—Is this not an industry subsidiary to agriculture?

A.—Not altogether. Some of them have fields in addition to their factories.

Q.—Can it be said that the coolies work at agriculture also?

A.—A certain number of coolies work at agriculture and when it is over they work for the salt manufacturers during the dry weather.

Dr. Paranipye. Q.—Don't you think it is necessary in the matter of salt, the country should be self-supporting?

A.—Is there any country in the world which is self-supporting? I think some are, but not all.

Q.—I mean from the point of view of defence in the case of war.

A.—I think it would be very easy to work up the salt industry; if necessary, it can be worked up within six months.

Q.—But within six months there might be much misery?

A.—I do not think so.

Dr. Hyder. Q.—If the argument is accepted that the country should be self-supporting, then I think every country should manufacture each and everything.

A.—Quite so.

The President. Q.—Is the salt credit system in force in Burma?

A.—It is only in force in regard to Amherst salt. It was started recently and I do not know how far it has gone. We allow them up to six months.

Q.—Can you tell us the extent of issue of salt for industrial purposes?

A.—That again is a matter which came up when I was about to leave the department. I know we allow a certain amount for chemical industries, and we allow some for the manufacture of sauce and we do not allow it for the curing of salt fish.

Q.—I think it is said in your note that the Government of India can hardly be expected to forgo the duty.

A.—That was the idea.

Q.—But as a matter of fact in other provinces the Government of India forgo lakhs of rupees worth of duty and until recently they have been forgoing a large part of the cost price.

Q.—I suppose you would have no objection to issue it duty-free for fish-curing purposes if you could get permission.

A.—I raised the question once or twice; I was always told that it was not possible.

Dr. Paranipye. Q.—Is salt at all used in agricultural operations?

A.—No, except for feeding cattle.

Q.—Is it not used for palm cultivation?

A.—No. They get enough salt from the salt water that comes up to them.

The President. Q.—I say that no general principle can be laid down in respect of many of the articles on which an excise duty might be imposed. I do not know if you are familiar with the principles laid down by the Fiscal Commission.

A.—On the whole I would accept these principles generally.

Q.—You are rather well placed in Burma for excise in respect of certain articles, e.g., you actually do levy an excise on tobacco by imposing an acreage rate on the crop in Burma.

A.—Yes.

Q.—There is nothing corresponding to that in the case of Indian-grown tobacco, so that you are actually taxing Burma tobacco higher than the imported Indian tobacco?

A.—I would not be prepared to say that the crop rate here is assessed on all the tobacco grown. It is grown all over the place.

Q.—I was only suggesting an instance. If you wanted more revenue, it would be quite fair to impose a tax on Indian tobacco.

A.—Yes.

Q.—Do you grow any coffee in Burma? There again you can get an excise duty.

A.—I do not think any coffee is grown. All our coffee comes from Madras.

Sir Percy Thompson. Q.—How could you get an excise on coffee? That would be an import duty.

A.—Yes; on the other hand, India might adopt a similar policy in regard to certain articles from Burma.

The President. Q.—In Burma you have a self-contained unit, but India could only retaliate as a whole.

A.—As long as India and Burma are joined together, any interference with the freedom of movement of goods and of people would be resented by the people.

Dr. Paranjpye. Q.—What about Burma rice?

A.—India cannot afford to do without Burma rice.

The President. Q.—Would you approve of a tax on patent medicines?

A.—Personally I have no great objection to that; I do not object to a tax on perfumery also.

Q.—Matches?

A.—I think it is rather a trifling tax. I should think that the amount you would get would not be worth the annoyance caused to the private individual.

Q.—I was not proposing a monopoly, but only the possibility of an excise.

A.—You could have it on matches.

Dr. Paranjpye. Q.—Have you a large match industry in Burma?

A.—No. Several people have tried to make matches, but they have generally failed.

Q.—Would timber be available for splints?

A.—Yes.

The President. Q.—Aerated waters; you would tax the cylinder, whether it was locally filled or whether it was imported; I think it is mostly local.

A. Yes; you could not tax aerated waters directly.

The Hon'ble Sardar Jogendra Singh. Q.—Did you ever think of imposing any of these taxes before you saw this Committee's questionnaire?

A.—Yes; they were discussed once or twice, but they did not go very far.

Q.—These articles did not occur to you as suitable for taxation?

A.—I would regard the taxes on articles mentioned in Q. 49 as being open to the very grave objection that the consumer always pays a great deal more than the amount of the duty.

Dr. Paranjpye. Q.—Are many patent medicines made in Burma?

A.—Very few. The Burmans themselves have their own system of medicine and they sell them, but some of the things they make cannot be regarded as patent medicines. They do not sell them all over the place.

Q.—Are your newspapers full of advertisements for these medicines?

A.—I think it would be a good thing if that kind of medicine was taxed out of existence. A large number of them are certainly injurious.

The President. Q.—In reply to Q. 64, you say that more might be done by way of taxation of alcoholic liquors.

A.—I think we have carried out our policy to an extreme point in abolishing shops in places where there is a legitimate demand for liquor.

Q.—You have an illicit supply in place of a licit one?

A.—Yes.

Q.—You say that there are few villages in Burma in which the great majority of the inhabitants do not understand how to make illicit spirit.

A.—Almost every child over the age of 12 knows how to make illicit spirit. Practically every village has had its illicit still at one time or another. Right along the railway line from Rangoon to Moulmein are a series of hills and you will find that every little gully has an illicit still.

Q.—Is the illicit consumption greater than the licit?

A.—We have been very active in recent years in putting illicit consumption down. Taking everything into account, I do not think there is very much difference between the two.

Dr. Hyder. Q.—Do they manufacture liquor from rice?

A.—Yes, chiefly from rice. Our country spirit is made from jaggery.

The President. Q.—I see that they are also making fermented liquor from jaggery.

A.—Yes.

Dr. Hyder. Q.—What are the objections to bringing toddy under control?

A.—I do not know much about the abolition of this tree-tax system; I was on leave when Government decided to abolish it. The real reason was, not that they did not want to control the toddy from the toddy palm, but the difficulties connected with the supervision of the *dhani* palm. All along the Tenasserim coast and in the delta you have this *dhani* palm growing. It has a big root and the leaves which come out from this are used for covering roofs. It grows in swamps. When we tried to introduce the tree-tax system into these areas, we found we were slowly killing our inspectors and sub-inspectors. We might have abolished the system as far as these particular areas were concerned and concentrated on it in places where the toddy palm grew.

The President. Q.—I think they tried the experiment in Upper Burma.

A.—When they started in Upper Burma, it was a success, but unfortunately there were the difficulties about the *dhani* palm. When we went to mark one of these trees, we had to fix a piece of wire with a piece of lead. People took these off and used them for fishing nets; then a buffalo would come along and uproot the whole tree and fling it into the stream.

Q.—Is there a very large manufacture of industrial spirit from the *dhani* palm?

A.—They do not use that here.

Q.—Why do you want to stop the Java rum?

A.—Because I think that competes very strongly with the local spirit.

Q.—Not with the country spirit?

A.—Java rum is really a form of country spirit.

Sir Percy Thompson. Q.—It is very much more heavily taxed than country spirit?

A.—It is; I would keep it out altogether.

The Hon'ble Sardar Jogendra Singh. Q.—Do you put a protective duty on it?

A.—The tariff rate is Rs. 21-14-0 and the excise rate on country spirit is Rs. 13-2-0. I should be inclined to put an extra rate on Java rum.

Q.—Why do you want to get rid of Java rum?

A.—Because it competes with the country spirit. The profits from Java rum go to the Government of India. There is no reason why our locally manufactured stuff should not have preference over the imported stuff.

Dr. Hyder. Q.—You mean to say that the profits from Java rum go to the Central Government?

A.—Yes; it is customs duty.

The President. Q.—Java rum is competing on an equality with the locally-made foreign liquor?

A.—They can produce Java rum very much cheaper.

Q.—The Excise Commissioner suggested to us this morning that he would limit imports to a single monopolist and take the duty out of him in the shape of a very high licence fee for the monopoly.

A.—That was one of the suggestions I too made. I did not go so far as to suggest a monopoly, but I proposed that any shop that purchased and sold Java rum should be required to pay an extra license fee.

Sir Percy Thompson. Q.—Would not the Central Government have a ground for objecting if you really kept out Java rum?

A.—I do not think it will necessarily keep it out.

The President. Q.—The position is very much the same with what is called Colombo arrack in Madras which is a toddy-arrack made in Ceylon and imported to Madras.

A.—We have always to be very careful in increasing the price, because it might tend to increase the illicit manufacture of spirits.

Q.—You have a certain number of fixed fee foreign liquor license shops?

A.—Yes.

Q.—Those can sell liquor comparatively cheaply?

A.—We have been increasing the license fees for these shops year by year. People who drink foreign spirits have to pay a good price for this kind of liquor. It will probably have an effect on import. The more you increase the price, it is perfectly obvious the less the demand will be, unless you have an increase in population or an increase of desire among the people for drink.

Q.—Or increase of wealth?

A.—Yes.

Q.—You say that the rates for country spirit are regulated in accordance with the opinion of local officers?

A.—Yes, they are consulted and asked for their opinion every year as to what the rates ought to be, and orders are issued by Government fixing the rate.

Q.—Are they generally inclined to be rather conservative?

A.—I do not think so. The rates have been gradually increasing from year to year.

Q.—You have a great variety of rates?

A.—We have to have.

Q.—And very little margin between them: you have rates of 3/6 and 3/9?

A.—It is largely a question of railway facilities. In some cases where the place is 20 or 30 miles from a railway station, they have to cart it out there.

Q.—Is it the three annas that go for the cost of the cartage?

A.—I think we base the rates on multiples of 5 annas. As a matter of fact I tried to avoid those variations as much as possible and bring them on the same footing.

Q.—You say that *tari* is frequently doctored; with what is it doctored?

A.—With yeast. Occasionally (particularly in Upper Burma) they put in other substances to make it more intoxicating, but they generally find it sufficient to put in a little yeast.

Q.—You say that what condemned the tree-tax system as much as any other cause was the cost of the staff required. You had a comparatively low rate of tree-tax?

A.—In spite of all the efforts made to increase the staff, the Finance Department jibbed at increasing it.

Q.—Not the Council?

A.—The Council had nothing to do with it.

Q.—The Finance Department jibbed at increasing the staff even when it yielded a very large profit?

A.—It was difficult to prove that they were getting a very great profit. I think it was a mistake giving it up in places where the toddy palm grew, but I had nothing to do with it.

Q.—You think the continuance of the total prohibition of *ganja* is a mistake?

A.—I do.

Q.—Because it does not appeal to the Burmans?

A.—It would not affect the Burmans at all. They do not touch *ganja*. They use a little in their curries occasionally, but that is like any other condiment.

Q.—The effect is to compel Indians who are used to the consumption of *ganja* to resort to illicit practices?

A.—That is so.

Q.—I see you are starting a scheme for the establishment of a Central distillery?

A.—For a *hlawzaye* brewery. I do not know how far we have gone. I prepared all the necessary data for it, contracts, etc., but I do not think it has got any further.

Q.—Have you studied the Japanese system?

A.—I sent for literature on the subject from the Japanese Consul and asked him how they preserved the local beer made from rice, *hlawzaye*, but he was not able to give me much information. I got two or three bottles of *sake* (which is much the same as *hlawzaye*) and had them analyzed.

Q.—Is it not preserved by being kept in an air-tight vessel?

A.—It is put in bottles. I do not think Burma rice beer will keep good for more than a month; it becomes very sour.

Q.—Don't they keep toddy in the same way?

A.—They do, but toddy does not keep very long. The idea was to bottle it up and send it out to the various retail dealers. I am perfectly certain that this Government is losing a tremendous amount of money over *hlawzaye*.

Q.—You refer in your statement to the following: "there is no reason whatever why Chinese consumers of opium should not pay heavily for their supplies, and if they were residents in such places as the Straits they would probably have to pay more". Can you tell us what the Straits system is?

A.—The Straits system is one of allowing the consumer to go to the shop and smoke it there. I think the price is about 1 dollar a tola.

Q.—Java has a most elaborate scheme

A.—I believe so. I have never studied the Java system. The Straits have several times sent men to study our system, because they thought of introducing it there.

Q.—You say that in spite of the efforts of the preventive staff probably not more than 25 per cent at most of the opium smuggled into this country is captured?

A.—That is so. That is roughly what the most competent authorities found when they made enquiries some years ago. That is also my own opinion.

Sir Percy Thompson. Q.—What does this 25 per cent represent?

A.—We do not know exactly what this 25 per cent represents. It is very difficult to calculate how much of the stuff we capture is really opium. They mix opium with jaggery, leaves and so on.

Q.—How much of the remaining 75 per cent is consumed?

A.—It varies a great deal. I think in one year we had a tremendously big seizure. I think the total was 2 lakhs of tolas. I should think anything up to 5 lakhs of tolas of opium are coming here every year.

Q.—How does it compare with the amount of licit opium?

A.—We cannot tell very well what is happening along the borders. At one time they used to be allowed to bring opium over from China, but that has recently been put a stop to. The total quantity of contraband opium in 1923-24 amounted to 268,000 tolas; the consumption of licit opium was about 30,000 seers, i.e., 2,400,000 tolas.

The President. Q.—You refer to Mr. Comber's report. What was the outcome of his enquiries?

A.—I was not referring to him. We made a subsequent enquiry and I think it was, like many other reports, simply filed in the Secretariat.

Q.—Would it not help you to have a permanent co-ordinating authority between the different Provincial Governments in regard to opium?

A.—I think the problem here is very different from what it is in India. The main source of supply of Indian opium is from Calcutta.

Q.—But what we are told, for instance, in the United Provinces, where it is grown, is that they are not concerned with its being smuggled. Some provinces even benefit by smuggling. Would it help you to have a staff operating on the railways?

A.—We have asked them to prevent Indian opium from coming over here and to give us every assistance; and it is obvious that some such scheme involving co-operation and co-ordination would help very materially.

Q.—You don't actually send men to follow it up to the source?

A.—No; we sometimes send men to Calcutta to make enquiries.

Q.—As regards sale of opium, would you approve a scheme under which the opium is made up into pills at Ghazipur and issued in sealed bottles?

A.—Would not that increase the cost considerably?

Q.—It would be like ordinary medicines. It would be done on a manufacturing scale for the whole of India; and the cost of bottles would not come to very much.

A.—I cannot say anything on that at present. After all, a good deal of opium that is consumed here is purchased in three-tola packets.

Q.—It seems to be rather wasteful that every shopkeeper should make the packets. Moreover the method I suggest will prevent smuggling because it will be a sealed bottle.

A.—I do not see how it can be done. We here have Excise Officers in charge of every shop to prevent any illicit practices.

Dr. Paranjpye. Q.—How many shops are there in Burma?

A.—About 150 or 160

The President. Q.—You don't think it will do to have a regular salaried vendor?

A.—No. Our policy is one of protecting Burmans; hence these elaborate precautions. The Burman is susceptible to vices like that of opium, and it is in order to protect him that we have adopted these methods.

Q.—We were told that the result of the experiment in prohibition for 30 years is not very successful.

A.—Because the Government's policy is wrong. It has not realized that opium is the only medicine known in many places in this province. It is used for dysentery, diarrhoea and chronic complaints of various kinds. That has been the cause of the intense smuggling that has been going on here. And you have got Burmans who would admit that they are regular consumers of illicit opium and that they cannot do without it. It is no use to prohibit when you cannot keep the stuff out.

Sir Percy Thompson. Q.—Do you think that illicit consumption and smuggling of opium and liquor is the result of the high rate of duty?

A.—I do not think in the case of opium it is due to that; because the smuggling of opium is mainly due to the fact that there are restrictions—in fact the result of prohibition. In the case of liquor, I think it is probably partly due to the prohibitionist attitude which has abolished shops in places where there is a legitimate demand.

Q.—Is there any idea of reversing that policy and opening more shops?

A.—No, I do not think so,—not until they begin to find out that there is a large amount of illicit distillation going on. We have had to do that already in one or two places. You can never get control sufficiently tight in the present conditions of this country. You have no popular feeling against it. Secondly, you have got very few Excise officials. You have got facilities at every hand. Rice is grown at your door. The people are quite prepared to take the crudest form of liquor. The result is that you will always have it until education spreads and until the tightening of control becomes effective.

Q.—Can you have any control sufficiently tight?

A.—Not under the present conditions. Immediately you propose any increase of staff for excise, the idea would be that Government was out to increase its revenue.

Q.—By restricting the number of shops, it would not result in prohibition, but it would simply drive people from licit to illicit liquor.

A.—Exactly.

Q.—Where does the opposition come from?

A.—From the Burmans. It is laid down in their religion that liquor is abhorrent and they are prepared to wink at illicit distillation provided they see the abolition of a shop.

Q.—Is not the idea that the State should not take the money?

A.—Yes, from that source. They are quite prepared to accept that position with equanimity.

Dr. Hyder. Q.—Do the Burmese women take to opium?

A.—No; very little. Burmans very rarely smoke opium. There has been a good deal of discussion on the subject in the Imperial Assembly, and no one made that point clear. Sir Basil Blackett referred to the smoking of opium by the Burmans. But practically very few Burmans ever smoke opium. It is only the Chinese that smoke opium.

Mr. E. G. ROBERTSON, Chief Superintendent of Salt, Burma,
was next examined.

Written memorandum of Mr. Robertson.

Q. 51.—The general policy outlined is, as far as it goes, appropriate in India and Burma where the consumption of luxuries is confined to a very small minority of races and castes. In addition to the fact that the annual incidence of duty is exceptionally low, the tax-payer is put to no periodical inconvenience as his contributions consist of infinitesimal instalments paid each time salt is purchased. In Burma, for instance, the incidence of duty in 1923-24 amounted to 7.407 annas (with the salt tax at Rs. 2-8-0 per maund), or less than a quarter of a pie per day. The policy does not, however, go far enough and could, I believe, be improved by levying the tax on a *quid pro quo* basis. If the State desires to obtain a public revenue from a necessary article of human consumption, it is the duty of the State

to protect the consumer from the machinations of "combines" and "syndicates" formed for the purpose of unduly keeping up the price of salt. It is also a moral duty of the State to provide as pure and wholesome an article as possible. This argument implies the complete State monopolization of salt, but it has unfortunately been found in all countries in which the State has undertaken the manufacture of salt, that the prime cost is usually high under official management. I would, therefore, leave manufacture to private enterprise and concentrate on State distribution. In India and Burma where a very large portion of the railways and communications are under Government control, it should not be impossible for the Government to assume ownership of all salt produced, or imported, and distribute it to certain fixed zones for sale at a standard price. In Burma the machinery required already exists to a considerable extent in the Excise warehouses and opium shops established throughout the province.

Assuming that the cost of transport and distribution will not exceed the cost to free traders, the profit now earned by various stages of middlemen and brokers may be passed on to the consumer or, if the State allow for a very small percentage of profit on its transactions, it should be possible to set this aside for the purpose of meeting the cost of free distribution of salt to the poor in case of necessity.

Q. 52.—It would be most difficult, if not impossible, to find a less oppressive tax suitable, for an agricultural country such as Burma is, as well as complying with the dictum that "A tax should be levied at the time and in the way most convenient to the tax-payer".

I can suggest no substitute, but believe that if the *distribution* of salt be controlled by Government the cost of collection could be reduced considerably if the administrative machinery employed for this purpose also be utilized to develop a system for the taxation and control of tobacco.

Q. 53.—The incidence of duty per head of the population of Burma has been as follows during the past 5 years:—

Year.	Annas.	Duty rate per maund.	
		RS.	A. P.
1919-20	4-545	1	4 0
1920-21	4-152	"	"
1921-22	4-507	"	"
1922-23	3-681	"	"
1923-24	7-407	2	8 0

Even at the enhanced rate of Rs. 2-8-0 per maund, the incidence compares very favourably with that of other countries. It is, however, of little value to consider the incidence of this isolated source of taxation without being in a position to quote the incidence of other sources and analyse the whole.

Under the present free-trade system of distribution, it is usually the case that an increase in the duty rate is taken advantage of by retailers to raise their prices a trifle more than the enhanced duty "to round off" in the case of purchasers who take relatively large quantities at a time. A very large number of consumers, however, purchase their requirements daily, for one or two pice, and as it is not practicable to increase the price in their case, the middle class and wealthy consumer usually bear the brunt of duty enhancement. There is, however, a limit to this process and when it is reached the daily purchaser is given less salt for his one or two pice and a falling off in consumption should be noticed. When the duty rate was doubled in 1923-24 from Rs. 1-4-0 to Rs. 2-8-0 per maund, the total consumption of salt in Burma for the year actually increased by 2.25 per cent and the average consumption per head of the population rose from 17.97 to 18.37 lb. and no complaints by retailers or consumers came to my notice. As a result of extensive enquiries made during the period the enhanced rate was in force, I am of opinion that the rate of Rs. 2-8-0 was not too high.

I do not believe that the increase in expenditure per head of the population from 3.6 to 7.4 annas per annum was noticed sufficiently by the consumer to rouse any interest in the matter. The increase in duty *per se* aroused very little comment but the manner in which the increase was imposed was little short of disastrous to the manufacturer, middlemen and petty traders. The long drawn out controversy and atmosphere of doubt

paralysed the market, put an end to advance orders and stocks were considerably reduced. Although buyers and sellers of salt are legally protected and provided for in cases of this nature, in practice, the protection only extends to capitalists and large wholesale credit merchants. The up-country buyer pays cash and usually takes his chance. It, therefore, seems to me that if Government distribution is not accepted, it is essential that changes in duty rates should be clear cut and final and not subject to lengthy controversy which reduces the transactions of petty traders to the level of gambling.

I would venture to suggest that there are apparently good reasons for the rate of salt duty being fixed on a higher scale in Burma than in other Indian provinces. The standard of living is very much superior in Burma to that of the average Indian province. Extreme poverty is rare, and the cost of administration is relatively higher in consequence of this as well as of the abnormal incidence of crime. This has resulted in the maintenance of two forms of taxation unusual elsewhere, i.e., the capitation and the *thathamedu* taxes levied in Lower and Upper Burma respectively. The sum of these two taxes realized in 1923-24, amounted to Rs. 98,15,477. The average total salt revenue in recent years has been approximately Rs. 33 lakhs, levied at the rate of Rs. 1-4-0 per maund. If, therefore, the capitation and *thathamedu* taxes were to be abolished and the salt tax rate increased to Rs. 5 per maund, a total sum of Rs. 132 lakhs may be realized conveniently at the source, from salt alone, and the incidence of duty at 14.4 annas per head of the population would still compare favourably with that of highly developed countries, in which expenditure in the nature of capital costs incurred in developing the resources of the country have been replaced by a steady expenditure more in the nature of recurring charges. I have no knowledge of the working of the capitation and *thathamedu* taxes, but make this suggestion as the idea of reducing three systems to one and collecting the revenue at the sources seems decidedly attractive.

Q. 54.—All salt sold in Burma is sold by importers or licensed manufacturers at a competitive price.

As I have explained in the preceding answers, I would suggest that this system be substituted by one of direct sale by Government at cost price plus a slight profit to be set aside as a reserve for the purpose of providing free salt to the very poor.

Q. 55.—I would not recommend the manufacture of salt by Government as I believe the cost of production would be higher than if this be left to private enterprise. Large scale manufacture in Burma, where the methods employed would be practically identical with European methods, should produce a cheaper and purer salt, and I am of opinion that if any proposal to establish a large scale factory is forthcoming, the Government would be justifying in compensating existing uneconomical petty holding workers and licensing the large scale factory on lines similar to those imposed in the case of distilleries and breweries, subject to the condition that the whole of the factory output be sold to Government.

Q. 56.—I would prefer to subsidise sufficient large scale factories to meet the requirements of Burma, until they are firmly established. I believe that a Cheshire open-pan system factory using brine concentrated to 25° B by solar heat, should be able to produce in Burma salt of Liverpool standard at practically the same cost of production. If I am correct in my belief a protective tariff should not be necessary, as against high grade salt from the United Kingdom, but the local industry should most decidedly be protected against dumping operations of companies dealing in foreign salt. By "dumping" I mean the unloading of unnecessarily large consignments of salt in Burma to be sold at a loss in order to kill the local industry and maintain "ring" prices after it is defunct. This would not be possible if salt were to be imported only in accordance with the requirements of Government. It would be open to the Government to obtain its requirements from the best and cheapest source but it is also essential that the local industry should be maintained on a sufficiently efficient basis to enable the complete requirements of the country to be locally manufactured should this course be necessary. In other words, I would recommend that the local industry be allotted a minimum of one-third of the total salt trade of the province.

Q. 57.—No sifting is practised in Burma. All salt manufactured in the country is crystallized at a high temperature which produces a uniform small grain. Large grain solar salt of foreign origin is crushed and sifted at the source before it finds a place on the Burma market.

Q. 58.—I do not think any action to enforce the sale of salt by weight instead of by measure is necessary in Burma as no very wide difference in grain (i.e., size of crystal) exists. The quantity of very large grain solar salt consumed is negligible, and prices of the fine grain salt consumed by the people of the country are usually adjusted equitably in the Shan States and other outlying areas in which salt is sold by measure.

On the whole, if any choice were necessary, I should prefer to adopt the measure system as affording less opportunity to sell unsuspecting purchasers a damp or sodden salt which loses weight considerably on drying.

In the event of Government distribution being accepted, there is no reason why the existing system of sale in each definite area should not be continued.

Q. 59.—The preceding replies have been based on my belief that the cost of transport can be minimized and prices standardized by the Government establishing depots. It does not seem to me equitable that an article of food already taxed by the State should also have to provide dividends for merchants and profits for middlemen.

Q. 60.—I have no definite fault to find with the existing system of allowing duty free salt out of bond to be used for industrial purposes, but must confess to a feeling of insecurity. This feeling has probably been felt by others, and it is quite possible that agriculture and industries have been deprived of concessions which might under other conditions have been granted. This applies particularly to petty and struggling industries and farmers who may not be in a position to comply with the rules now imposed. The scientific denaturation of salt should enable salt to be issued more freely under less stringent conditions. With Government distribution, denaturation at Government depots would be a simple matter.

Under the present system of taxation, I would prefer the manufacturer to purchase his requirements in the open market and obtain a refund of duty on producing a certificate of denaturation by a duly qualified excise officer who has actually witnessed the process of denaturation.

Mr. Robertson gave oral evidence as follows:—

The President. Q.—You say that when the duty was doubled the consumption actually increased.

A.—Yes.

Dr. Hyder. Q.—Do you mean to say that when the prices were lower, people were consuming less salt?

A.—Yes.

Q.—That cuts clean against all economic laws: that when the price of an article is low, people consume less and when the price rises people consume more.

A.—That is what has actually happened. It shows that the one did not in this case depend upon the other. It seems to me that the average person does not realize when the duty goes up. It is so insignificant that it never comes home to him. It amounts to a quarter of a pie a day and it is so insignificant that he does not feel it.

The President. Q.—You say, "If the State desires to obtain a public revenue from a necessary article of human consumption, it is the duty of the State to protect the consumer from the machinations of combines and syndicates formed for the purpose of unduly keeping up the price of salt". Do you find that such combines operate in Burma?

A.—I believe that the consumer pays considerably more for the salt than he should.

Q.—Can you illustrate that from the price of salt in your report? There are variations in prices.

A.—They are due to transport difficulties, I think.

Q.—When Burma salt cannot get into Rangoon, prices go high?

A.—It is very noticeable that when boats with Burma salt are in harbour, there is a distinct drop in prices and as soon as they have exhausted their salt, the prices go up. The price fluctuates in accordance with the arrival of boats laden with Burma salt.

Q.—Then you say: "It is also a moral duty of the State to provide as pure and wholesome an article as possible. This argument implies the complete State monopolization of salt, but it has unfortunately been found in

all countries in which the State has undertaken the manufacture of salt, that the prime cost is usually high under official management". Is that so in Japan or Italy?

A.—In France it was found to be unusually high.

Q.—It was not a monopoly there?

A.—I am probably going very far back. I understood it was a State monopoly in the past and that is what has given the salt tax its bad name. In our own experience, we found it high in the Government salt factory in Burma. We found we had to pay more than the licensed factories working side by side with us.

Q.—Have you studied the prices at the Sambhar lake?

A.—I have; but I find it very difficult to arrive at any definite figures, because the overhead charges are not included. I find in Bengal, as far back as 1856, the cost of production was approximately As. 8 a maund.

Q.—Bengal is badly situated. I remember that in the Sambhar lake it was 5 pies a maund.

A.—The salt produced in Burma represents salt which has been purified and crushed. That is, it is reduced to table salt quality. And if these charges, including the overhead charges, are taken into account, I think the Sambhar lake would give very different figures.

Q.—It is perfectly clean salt.

A.—But is different. We produced solar salt in Burma on the Madras system and we still have some of it in stock. We purified it until we reached 98 per cent purity and we washed it. Even then the Burmese public would not consume it.

Q.—Why don't you crush it?

A.—We did and found that the cost was considerably more than our cost of manufacture by boiling.

Q.—Why did you not boil it up again?

A.—We hope to get rid of it by selling it to industrial people. We found that it would be cheaper to produce salt from fresh brine than to boil the old salt.

Q.—You advocate a system of Government distribution?

A.—Yes.

Dr. Hyder. Q.—Do you know any case where Government distributes and leaves the manufacture entirely to private enterprise?

A.—I know of no precedent.

Q.—You would like to leave the manufacture of salt to a combination and would be in charge of only the distribution?

A.—I would eliminate the possibility of combines putting up the price of salt. I would help the producer by a subsidy.

Q.—Later on, you say you would encourage the growth of large concerns in Burma. Then the people will be exposed to two monopolists—Government selling the salt and the few firms manufacturing the salt?

A.—The firms would be under Government control. The produce will be sold to Government only.

Q.—Government would buy; but what is there to prevent these firms manufacturing on a very large scale and asking the Government to purchase the whole?

A.—Government would obviously not pay the manufacturer more than what they would have to pay in the open market.

Sir Percy Thompson. Q.—Surely the real difficulty is this: In England during the war a great number of articles were controlled. Very great difficulty was felt in determining what price the Government should pay. What eventually was done was to employ the costing system. It is the most wasteful system in the world. The tendency is to make your cost as heavy as possible, since the higher the cost, the more the manufacturer gets. Unless you have the costing system how are you going to determine the price?

A.—It would be determined by the world's market rates of salt. Government will have to purchase from the cheapest market and add the cost of transport. In the first few years there may have to be a small margin to put the industry on its feet. But Government need not pay more for salt produced in Burma than it would have to pay for foreign salt.

Q.—Supposing for some reason or another the world price of salt is low, is the manufacturer entitled to say, though the market rate is poor, you will have to pay his cost price?

A.—It will be within the discretion of the Government not to allow the salt manufacturer to suffer. But, on the other hand, the manufacturer would have a steady market and not a speculative one.

Q.—He will have a steady market at varying prices?

The President. Q.—At present, the price of salt is fixed, and it is for the licensee to do what he can within the prices determined.

A.—The prices could be fixed in Burma once a year.

Sir Percy Thompson. Q.—The difficulty is this: Supposing you fix 3½ annas per maund as the rate. The manufacturer may say "I am not producing any salt this year." When the price of salt next year is increased and he may say "because it is 7 annas now I will make as much as I can."

A.—There is not very much variation in the cost of production. It is fairly steady.

Q.—The price of imported salt varies because of the variations in freight?

A.—The prices of imported salt fluctuate considerably on account of many considerations. The manufacturer does not gain very much. It is the middleman.

Q.—Apart from the middleman, does not the cost of the salt fluctuate owing to manipulation and the variation in freight?

A.—Yes, but it should be quite possible for the Government to place orders with the manufacturer on contract for a number of years, say, three or five.

Sir Percy Thompson.—That might be possible.

Dr. Hyder. Q.—Is there any place where the manufacture of salt on a large scale could be located?

A.—Arakan, I think, used to supply Bengal with salt in 1856. It has in the past been a very important salt producing centre. I think the opening of the Suez Canal killed the trade.

The President. Q.—Now it is an important illicit salt producing tract?

A.—It is. There are also other tracts inland and over 1,200 miles of coast line which require attention.

Q.—You say the manner of charging the duty is disastrous to the manufacturer and the middleman. Is that because of the Provisional Collection of Duty Act?

A.—I had in mind Section 10 of the Act to amend the Customs Duties Law (Act VIII of 1894). This section provides for the refund or recovery of money paid in excess or rendered deficit in consequence of an alteration in the duty rate. To bring the section into operation would waste time. Moreover, our salt manufacturers and up-country dealers have not enough money to use the Act.

Q.—You have the credit system in force?

A.—It is not used very much in Burma. It has been only recently introduced and is not yet very well understood.

Q.—You say there are good reasons for the rate of salt duty being fixed on a higher scale in Burma than in other Indian provinces. Is it because you are better off?

A.—We are better off. India has borne its burden in the past. In 1856 the duty rate in Bengal was Rs. 2-8-0, and the cost of living according to the wages paid at salt factories and Government offices in those days was about one-sixth of what it is now. So that, in the past these people paid what really amounted to much more than even the double duty rate. It really amounted to Rs. 15 per maund. They provided the Government of India

with sufficient capital to open up the country. The state of development in Burma, especially on the salt fields, is deplorable. We have no roads and no communications to speak of. That is why it is difficult to stop illicit manufacture and control it.

Q.—You had a lower rate of duty quite recently.

A.—Until quite recently. If Burma was assessed at an increased rate I would apply it to the development of the resources of the country.

Q.—That means it will go to the Provincial Government.

A.—The Central Government will take a fair share, and the balance will go to the Provincial Government, adding to the capital of the business as it were.

Q.—You believe that a Cheshire open-pan system factory using brine concentrated to 25° B by solar heat, should be able to produce in Burma salt of Liverpool standard at practically the same cost of production?

A.—Yes.

Q.—What is the Cheshire open-pan system?

A.—We have recently introduced in the Government factories pans similar to the Cheshire pans. The other conditions are fairly equal. The cost of labour is lower here. In Cheshire brine has to be pumped to the surface and boiled; in our case we irrigate it over prepared fields, evaporate it to saturation point and then boil. The system is similar, and there is no reason why we should not produce it at a lower cost.

Q.—Have they not tube wells, and other methods? Has not the open-pan system been abandoned?

A.—Yes, and vacuum evaporators are also used. The open-pan system was used for very many years, and, as far I know, is still in use in some places.

Q.—You would limit import also to the requirements of the Government?

A.—Yes.

Q.—Crushing is expensive?

A.—It is far too expensive to be practicable in Burma.

Q.—What machines did you use?

A.—We were supplied with small mills. The experiment was on a small scale.

Sir Percy Thompson. Q.—Why should you compensate the existing small salt factories?

A.—Because they should be shown some consideration for the manner in which they came to the assistance of Government during the War. Burma was threatened with a salt famine, and the Government encouraged the local manufacturers to produce as much as they could. The result was that in 1919-20, 59.25 per cent of the consumption of Burma was produced in the country. In many cases they had to invest large capital. Quite a number of people who came in towards the end of the War were not able to recover that amount. As soon as shipping was released and freights dropped, the prices came down.

The President. Q.—You have a system of opening excise warehouses. Has it helped?

A.—It has helped considerably during the present season. We have allowed salt boats to be used as floating warehouses. It has helped these people very considerably. For instance, they have been brought on a level with foreign salt by not having to pay duty on salt wasted between their factories and the market.

Q.—Will the Government of India allow it?

A.—The system of transporting salt in bond was started during the War time. I do not know if initial sanction was obtained.

Q.—By this warehouse system salt is in bond. If it is lost in the ship while in bond, have you got bonding rules?

A.—We have. The rules are in the Salt Manual, Chapters VIII A and VIII C. In the case of German salt which is sent out to Burma, if it is lost at sea, the exporter or the importer suffers no loss on account of duty, as the question of payment does not arise until the salt arrives.

Q.—You consider the rates of composition duty will have to be revised. Is it a good deal lighter than the excise duty in practice?

A.—In some cases it is said to be even higher than the import duty rate. In other cases, in my opinion, it is rather too low.

Q.—Is it possible to get rid of that composition system?

A.—I do not think it would be advisable. These places exist all over Upper Burma, and unless a very strong preventive staff is employed, it would be inviting these people to manufacture salt illicitly. We would be in the same position as Bengal. Bengal sacrificed its salt factories in consideration of a grant of two lakhs a year to pay for the cost of establishment. We would have to ask for a very large grant to control these areas. They are at present under control; they produce something and are not costing very much. The consumption per head of the population of the province indicates that we are not losing very much on the salt duty.

Q.—Do you produce Glauber salt?

A.—It is being made locally by the local people. The product they obtain is about 60 to 70 per cent sodium sulphate and the balance is sodium chloride.

Q.—What happens to the sodium chloride?

A.—They don't separate it. It remains in the product.

Supplementary Note to the oral evidence of Mr. E. G. Robertson, Chief Superintendent of Salt, Burma.

1. The additional salt tax suggested in my written statement is in the nature of a provincial surcharge to be adjusted as follows:—

Rs. 1-4-0—Central.

Rs. 3-12-0—Burma.

2. I would emphasize the difficulty which will be experienced if a reversion to the policy of suppression is attempted. For many years before the War the Local Government tried to carry out this Government of India policy, but the industry refused to be killed. The policy was, however, persisted with, and in 1913 orders were issued to discontinue the issue of licenses in several districts after 1916. If these orders had been carried out, the effect would have been almost total suppression of licit manufacture. The War intervened, and a reversal of policy was necessary to save the province from a salt famine. The point for consideration now is, whether the Government should again revert to its original policy, or endeavour to place the industry on a firm footing?

3. It may for reasons of policy be expedient to refuse to reissue salt manufacturers' licenses and thus put an end to licit manufacture, but this course is bound to lead to illicit manufacture all along the littoral as well as throughout the interior. Under existing conditions, a vast number of revenue officials ranging from village headmen to the Financial Commissioner, as well as police and administrative officers of other departments and members of the public interested in the licit salt trade, make it their business to suppress illicit manufacture, but if the matter is reduced to a simple question of central revenue in which no local interests are involved, it seems to me a matter of grave doubt whether the co-operation of these officials will be available to the same extent as it is now, and no members of the general public are likely to take an interest in the matter, unless it is to earn a reward. The cost of suppression in Bengal amounts to Rs. 2 lakhs per annum. In Burma where natural facilities for illicit manufacture abound, it will cost considerably more.

Moreover, the manufacturing centres now provide local requirements within certain remote zones which foreign salt is unable to reach without incurring prohibitive transport charges. Consequently, if local supplies are cut off, the resultant high prices will merely tend to stimulate illicit manufacture and the present cadre of—

- 1 Chief Superintendent,
- 1 Assistant Superintendent,
- 8 Inspectors,
- 41 Sub-Inspectors, and
- 57 Peons

would be totally inadequate to deal with the situation.

9th April 1925.

RANGOON.

Present:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President*.
 Sir BIJAY CHAND MAHAR, G.C.I.E., K.C.S.I., I.O.M., Maharajahdiraja
 Bahadur of Burdwan.
 Sir PERCY THOMPSON, K.B.E., C.B.,
 The Hon'ble SARDAR JOGENDRA SINGH.
 Dr. R. P. PARANJPE.
 Dr. L. K. HYDER, M.L.A.

Mr. TAW SEIN KO, C.I.E., I.S.O., M.R.A.S., M.L.C., Mandalay,
 Burma, was examined.

Written memorandum of Mr. Taw Sein Ko.

In Europe, each individual is looked upon as a citizen of a State, while, in India and Burma, he is regarded as a member of a family, the idea of the State being in an undeveloped and nascent condition. Hence, the system of taxation in Europe is uniform, rigid, impartial, precise, and scientific within the boundaries of a State, whose forceful and legal resources are at the disposal of the taxing authorities. In India, where the joint-family system of possessing property prevails, and, where, in the absence of Poor Laws, the maintenance of indigent members of a family devolves upon that family, the system of taxation is vague, inchoate, and elastic, and is made to vary according to circumstances. In Burma, where democratic and socialistic ideas prevail, the chief tax, under the native *regime*, was the *thathameda* or graduated income-tax levied on property. If there was a village of 10 houses or families, it was expected to give Rs. 100, i.e., to say, each household or family was expected to pay Rs. 10, by striking a general average. The assessment was made by the headman, who was assisted by a committee of villagers, who inhabited the village to be taxed. Some households paid Rs. 20, or Rs. 30 each, according to their taxable capacity, while others were exempted, the principle being that the village, in its corporate capacity, must pay the total sum of Rs. 100, the assessment being left to the villagers themselves. Here, the main burden of taxation fell on the "Haves," and much relief was afforded to the "Have-Nots." So far as Upper Burma was concerned, the British Government retained the *thathameda* system of taxation, which is still in force. This system possesses the following merits: (i) it is equitable in its incidence; (ii) the tax is levied according to the taxable capacity of the assessee; (iii) an assessee is not an individual but a family, which has better means of meeting the imposition; (iv) the assessment is made with the assistance of one's fellow-villagers; (v) the levy is made with the full consent of the assessee. When the British annexed the Province of Lower Burma, after the Wars of 1824 and 1852, they did not find the *thathameda* tax there, but the capitation tax, and they inherited it from the Burmese Government, which they had supplanted. Lower Burma was a conquered country mainly inhabited by the Talaings, the Arakanese and the Karens, and the Burmese conquerors endeavoured to keep a nominal roll of its fighting strength by levying a capitation or poll-tax of Rs. 2-8-0 per head on each male, who had reached the adult age of 18 years, and Rs. 5 on each married couple, all unmarried women being exempted. The objections to this system of taxation are: (i) it is a badge of conquest and servitude and is designed to prevent a conspiracy or rebellion; (ii) it is not equitable in its incidence because many Talaing, Arakanese, and Karen youths, who have reached the age of 18, cannot pay the tax, the burden falling upon their parents; (iii) it is too uniform and rigid in its incidence; (iv) the taxable capacity of an assessee is not taken into consideration. Of the two systems, the *thathameda* is the more equitable and is in accordance with the tradition and custom of the Burmese people, and should replace the system of capitation tax in Lower Burma. Already popular objections were raised in October

1924, as part of the programme of civil disobedience, which had migrated from India, and the payment of the tax was withheld in the districts of Tavoy, Tharrawaddy, Henzada, Prome, and Thayetmyo. Whatever system of taxation may be finally formulated by the Indian Taxation Enquiry Committee, on the completion of its labours, whether it be based on the indigenous system, the European system, or on a combination of the best elements of the two systems, it would be both wise, politic, and expedient to bear in mind the following considerations: (a) that the taxation should be in strict accordance with the taxable capacity of the people; (b) that it should be equitable in its incidence and that its main burden should fall on those who are capable of bearing it, without appreciably shrinking their resources; (c) that a suitable surplus of money should be left to the assesseses for professional purposes or to seek the means of their livelihood; (d) that a sufficient margin should be left to the assesseses to meet occasions of rejoicing, like marriage, or of sorrow, like death; (e) if possible, provision should also be made for accidents, disease, or old age; (f) a suitable allowance may be made in order to enable the assesseses to readjust themselves to the comforts, conveniences, sanitary requirements, and the amenities of Western civilization, which have been introduced by British rule.

2. British rule, like any other good blessing in this world, has its advantages as well as its disadvantages. The patent advantages are: *Pax Britannica* has imposed a profound peace throughout the length and breadth of the land, life and property are safe; the frequency of wars, conspiracies, rebellions, and bloodshed has been reduced considerably; there is justice in the law courts, and irrigation for the peasantry; education, mostly of a literary nature, is promoted; and human lives are saved from famine and pestilence. The latent disadvantages are: economic prosperity or materialism has been promoted at the expense of religion and true education; palulium has been afforded to the head and not to the heart, and the means of livelihood have become restricted; this restriction is felt specially by the people of Bengal, the United Provinces, and the Punjab, where there is much disaffection and sedition against the British Government; the true and primary cause of this sedition is economic distress and not political grievances; early marriage, the principle that every boy or girl must be married, the practical abolition of all famine and epidemics by sanitation and western science, and the stoppage of all wars, feuds, conspiracies and rebellions by a strong and united Government—have all combined to produce a disproportionately large increase of population, for which means of sustenance is required; such an economic pressure has caused much hardship to the *Bhadralok* of Bengal, who are now devising means to find appropriate remedies. The point I wish to emphasize is, that a State, whose system of taxation aims at materialistic progress at the expense of religion and true education, is bound to have unrest or collapse in the course of years. Rome fell because materialism was in the ascendant, and because hedonism superseded stoicism. In recent times, Mexico fell after 40 years' unprecedented economic progress under President Diaz. China fell in 1911 through materialism under the Manchu Emperors, whose main object was to prevent an upheaval by maintaining an equilibrium of forces. Russia fell in 1917, because Tsardom was too repressive and tyrannical, and because it aspired to be covered with a thin veneer of civilization according to the standards of Western Europe. Japan is now menaced by a cataclysm because, during the last sixty years, her policy has been based upon the materialism and science of Europe. In India, the health of the body politic is not sound, because imperial, provincial and local taxation has increased, because the abnormal increase of population has caused a pressure upon the soil and restricted the means of livelihood, and because economic progress has been promoted at the expense of moral and religious culture.

3. The sceptre of India was transferred by the Moghuls to the British together with the system of taxation. This system is fully described in the "Ain-i-Akbari" or the "Institutes of Akbar," of which an authoritative edition has been issued by Blochmann. Niccolao Manucci, a Venetian physician, was in India in the XVIIth century, and at pages 46-49, Vol. III of his "Storia do Mogor," 1653-1708 (John Murray, London, 1908), are given interesting side-lights on the mode of Hindu Government and taxation in Southern India. This system of taxation inherited by the British Government from the Moghuls was imbued with the ideal of splendour and magnificence, and of ostentation and display, which were necessary to make an impression of Moghul might and power on the alien Hindu masses, and this ideal was further affected by the commercialism of the East India Company, which was transformed into

the Government of India after the Indian Mutiny of 1857. This ideal of ostentation and commercialism savours somewhat of egoism and exploitation, and the Time Spirit insists on its modification. The balance sheet showing profit and loss should no longer be regarded as the predominating or deciding factor in every large public undertaking, and more sympathy and altruism should be shown in accordance with Queen Victoria's Proclamation of 1858, whereby the governing authorities are enjoined upon to identify the joys and sorrows of the masses with their own. Taxation is the ultimate basis of contentment, economic prosperity and happiness, and in order to obviate unrest, sedition, and revolt, its primary object should be the amelioration of the condition of the people and their gradual uplift to a higher social and moral status.

4. An extensive literature exists on the subject of Indian taxation under British rule. An account of the system, for the official years 1860-61 to 1873-74, is given at pages 321-330 of Vol. II of Keene's "History of India" (W. H. Allen, London, 1893). A most comprehensive survey is given by Sir John Strachey, who was Finance Member to the Government of India under Lord Mayo and Lord Lytton, in Chapters VII to XII of his work entitled "India: its administration and progress." (Macmillan & Co., London, 1911.)

5. There are indications that additional revenue is required by the Government of India to meet the following deficits:—

(1) £6,536,000 derived from excise or the traffic in liquor, in 1909-10, because public opinion has a tendency to make India a 'dry country' like the United States of America.

(2) £5,532,000 derived from opium in 1909-10, because of the regulations made by the League of Nations to control and regulate its production, transportation and supply, and because of the restrictions placed upon its importation to China by the Chinese Government.

(3) £890,000 in order to give effect to the recommendations of the Lee Commission.

An increase of taxation will be necessary to supplement the deficit in the coming years. There are two sources of revenue: direct and indirect. The two direct sources are the income-tax and the salt duties. The former may be left alone, but the latter, which is generally looked upon as a financial reserve, may be increased without imposing a heavy burden on the masses. Again, indirect taxation is said to be preferable to direct, and the question of enhancing the export customs duty on the following commodities may be considered: cotton, wheat, rice, beans, gram, groundnuts, sesamum, hides, tobacco, earth-oil, silver, lead, tin, jute, timber, tea, coffee, and sugar.

6. Unlike China, the balance of trade is in favour of India, i.e., exports are in excess of imports. It is not, therefore, necessary to increase the customs duty on articles of foreign manufacture. A continuous flow of foreign imports should be fostered in order to dispose of Indian exports. Commerce is a mere exchange of surplus commodities, and this should be encouraged by all means because commerce is the life-blood of nations.

7. Hitherto, I have confined my remarks mainly to the Indian system of taxation. I shall now devote my attention to the Burmese system of taxation, which prevailed under the Alungpaya dynasty, which was established in 1752 and was subverted by the British in 1885. A succinct account of it is given at pages 198-200 of Harvey's "Outline of Burmese History" (Longmans, Green & Co., London, 1924). The country was divided into *myozaships* or *jirgahs* and the *myozas* or *Jagirahs* dispensed justice and exacted revenues and contributions according to their requirements within the limits of their domains. A comprehensive and interesting account is given by Father Sangermano, a Roman Catholic Missionary of scholarly attainments, at pages 91-96 of his "Burmese Empire" (edited by Sir John Jardine; Archibald Constable & Co., London, 1893). The Burmese King Bodawpaya (1782-1819) regarded all the property of his subjects, both movable and immovable, as his own; hence, as in India, the revenue derived from land was treated not as a tax, but as rent. His fixed revenues consisted of: (i) a ten per cent *ad valorem* import duty levied on all foreign merchandise at the sea-ports of entry; (ii) the produce of the mines of silver (and lead), amber and rubies; (iii) contributions of rice from royal domains; (iv) presents offered periodically on stated days by the Burmese officials and tributary Shan Chiefs. The mode of levy was oppressive and arbitrary, and

there was no limit or check on the extortionate demands of the officials. Under Bodawpaya, Burma was an extensive kingdom as it included Arakan as well as Pegu and Tenasserim, and it enjoyed a high degree of prosperity. The next authority I wish to quote is John Crawfurd, the Envoy sent by the Governor-General of India to the Court of Ava in 1827, i.e., on the conclusion of the first Anglo-Burmese War, which broke out in 1824. The Burmese King was Bagyidaw (1819—1837), the grandson and immediate successor of Bodawpaya. Crawfurd had resided at the Courts of Siam and Cochin China, was a trained observer and an experienced student of Indian and other Oriental affairs. His account of the Burmese system of taxation is set forth at pages 416—432 of his "Journal of an Embassy from the Governor-General of India to the Court of Ava in the year 1827" (Henry Colburn, London, 1829). Taking the exchange at 2s. 6d. to the tickal or rupee, he puts down the annual tribute received by Bagyidaw from the Shan Chiefs at £12,500, and the annual average approximate money revenue of Bodawpaya at £20,000. No tax was levied on land and land was given away to members of the Royal Family and to functionaries, civil and military, in lieu of pensions and salaries, the guarantees of such land being "myozas" or "eaters of towns." The "myozas" corresponded to the *jagirdars* or fief-holders of India, and they were expected to offer annually to the King one-tenth of the produce of their land. This was the traditional proportion of income payable by all Burmese subjects to their Sovereign. House-tax or *thathameda* was levied on both rural and urban areas, a distinction being made of the karens, on the one hand, from the Burmans and Talaings, who were more progressive and advanced, on the other. The King had a vested right in the labour and property of his subjects. He could demand pecuniary contributions, as occasion required, for the purpose of war, for building religious edifices, for constructing works of public utility, etc., and he could likewise requisition their labour for similar purposes. With forced contributions and *corvée* labour at his disposal, he could carry out his projects, in an autocratic manner, with a comparatively poor exchequer. His minute and exhaustive enquiry into the Burmese fiscal system finally landed Crawfurd on a comment, which is illuminating, but not stimulating. At page 416 of his "Journal," he says: "The fiscal system of the Burmese is characterised by the same rudeness and disorder as the rest of their institutions; indeed, I have little hesitation in saying that it is the most faulty and mischievous part of the whole administration, being replete throughout with uncertainty, rapacity and violence." Owing to the marked absence of efficient supervision and control, and the repeated delegation of authority to subordinates of successive lower ranks, there was much divergence between theory and practice in Asiatic systems of taxation and administration. The ideal of theory were imbued with justice, impartiality, sympathy, and humanity, but the methods of practice were based upon cruelty, rapacity and violence. It is England's noble mission to rescue these systems from the welter of chaos and confusion and tyranny and oppression.

8. I have yet to cite another authority, namely, Colonel Sir Henry Yule, who was then a Captain of the Bengal Engineers. He rose to be a member of the Council of India. His edition of "Marco Polo's Travels" shows that his knowledge of Asiatic lore was encyclopaedic. In 1855, i.e., to say, three years after the breaking out of the second Anglo-Burmese War, he was attached as Secretary to the Embassy headed by Major, afterwards Sir Arthur Phayre (who was a famous Burmese scholar), which was sent by the Governor-General of India to the Court of Ava. His Report, which has become a classic, is entitled "A narrative of the Mission sent by the Governor-General of India to the Court of Ava in 1858" (Smith, Elder & Co., London, 1858), contains, at pages 253—258, an account of the system of Burmese taxation, which confirms the statements of the previous writers on the subject. Under King Mindon (1852—1878) the country was divided into administrative and fiscal units, of which the village was the smallest. The *thathameda* , i.e., house or family tax is described at page 254 and its incidence, according to the taxable capacity of an assessee, is noted. A paddy tax amounting to about 12 or 15 per cent on the value of the outturn, or on the number of the plough cattle employed, is also mentioned.

The paddy lands, which were royal domains, had to give, in kind, about 50 per cent of their produce. A handsome revenue was derived from salt and fisheries. As the King had been deprived by the British of the rich maritime provinces of Arakan, Tenasserim, and Pegu, which produced a large amount of revenue, and as he was desirous of maintaining the traditional splendour and magnificence of his predecessors, he had to resort to the declaration, as royal monopolies, of the traffic in cotton, cutch, teak

timber, lead, rubies, and petroleum. This brought in a revenue of £227,500 (reckoning the tikal or rupee at 2s. 6d., and excluding the royalty on petroleum). There was a customs duty of 6 per cent levied on exports at the frontier station of Minhla on the Irrawaddy river, and this brought in about Rs. 60,000 a year. An import duty was levied at Amarapura, the Burmese capital, at 10 per cent on all foreign goods and about Rs. 1,44,000 a year, was realised. In a foot-note at page 257, Yule estimated that the royal revenue of the King did not exceed £400,000, which was drawn from merchandise, customs duties, offerings made by *myozas* or *tagjindhars*, and the rent derived from royal domains.

9. Under King Thibaw (1878—1885), the same system of taxation was continued, but through mal-administration and reckless expenditure, the country went to wrack and ruin till it was annexed by the British Government in 1885. The Burmese King realised an annual revenue of Rs. 90,54,000, which would amount to £905,400 (reckoning at 2s. the rupee). This was derived from the following sources:—

	£
(i) <i>Thathameda</i> revenue levied on Burma Proper, £395,000, on the Shan States, £47,000 ...	442,000
(ii) Bazaars, ferris, jade-stone, petroleum, rubies ...	299,700
(iii) Forests	50,200
(iv) Water-rate, fisheries, agricultural land, alluvial land, garden land	41,000
(v) Royal domains: levied on those in the Mandalay district, £18,000; on those in the Kyaukse district, £42,500; on those in the remaining districts, £12,000	72,500
Total ...	905,400

The figures quoted in this paragraph were derived from the archives of the Hluttaw or Burmese Supreme Council, which fell into the possession of the Local Government after the British annexation of Upper Burma and were subsequently deposited in the Secretariat at Rangoon. They were supplied to me by U Tin, K.S.M., A.T.M., who was placed in charge of these records and was instructed to compile a history of the Burmese administration of Upper Burma.

10. Bodawpaya's revenue of £25,000 a year was drawn from United Burma, i.e., to say, the whole of Burma, as it stands to-day under British rule, while Thibaw's annual revenue of £905,400 was derived from a shrunken kingdom, which was one-third of United Burma, in area, and one-fourth in taxable capacity. The royal monopolies of Minden, whereby profits amounting to over £227,500 a year were diverted to the State exchequer from the pockets of private individuals, aggravated the impoverishment of the people. At pages 423-424 of his Journal, Crawford mentions the collection, in 1798, under the orders of Bodawpaya, of 48,000,000 ticals, or £600,000 sterling. It took two years to make the whole contribution. The money was probably required to form an alliance with the Indian Rajas and to turn out of India the East India Company. The indemnity paid by Bagyidaw, the Burmese King, to the East India Company after the first Anglo-Burmese war of 1824, was a crore of rupees or £1,000,000 sterling. On each occasion, the collection of the money was accompanied by a considerable leakage, and the sum collected was probably about four times the amount actually paid into the royal exchequer. Burma affords a singular example of an intensified economic ruin due to cruelty, rapacity, and violence, being followed by a political collapse and the extinction of the native dynasty.

11. An exposition of the Burmese system of taxation, as compared with the system introduced by British rule, is set forth in chapter X, pages 268—302 of Vol. I of Nisbet's "Burma under British rule and before," in 2 volumes (Archibald Constable & Co., London, 1901). Apart from Crown lands and service tenure lands, and regulated by law the proprietorship were allodial, and Burmese kings laid no restrictions on the cultivation of waste land. After the annexation of the provinces of Lower Burma in 1826 and 1852, these two classes of land disappeared, and, after the annexation of Upper Burma in 1886, the British Government took possession of all Crown lands and service tenure lands, regulated by law the proprietorship and tenure of all State and non-State lands. Waste lands thereupon became

the property of the British Government. Under the late *regime*, the holders of allodial lands paid no land tax, but only *thathameda* or house tax as their direct contribution towards the support of the administration.

Under British rule, cadastral maps of cultivated lands were introduced, and the system of settlement for the assessment of land revenue was begun in 1879, and the rates remained unaltered for a term of 15 years. Thus the elements of caprice, uncertainty, and extortion which were rampant under the Burmese Government, were wiped out.

The *thathameda* tax and its assessment are described at pages 288—291. Under the Burmese Government, no revenue was demanded from non-State land. The British revenue law recognises this fact and concedes to the owners of such land exemption from, or reduction of, the *thathameda*. Owing to capricious and scanty rainfall, the standard of living in Upper Burma is lower than in Lower Burma. Self-denial and thrift find no place in the Burmese character, and improvidence is the hereditary and characteristic trait of the Burmans. Consequently, there is much indebtedness among agriculturists, but not in such an intensified form as in India. To relieve such indebtedness, a Land Mortgage Bank is necessary. (One is now in process of formation by the Burma Government out of the rice control profits.)

12. There should be co-ordination and readjustment between the imperial, provincial, and local systems of taxation; otherwise the masses will be ground down between three mill-stones. The excessive growth of departmentalism has tended to the encroachment of one department upon another, irrespective of the detriment of the interests of the department encroached upon.

The sources of imperial taxation should be mainly customs duties on imports and exports, income-tax, salt, and stamps, both judicial and commercial; those of provincial taxation should be land tax, forests, excise, and *thathameda* or capitation tax (in Burma); and those of the local taxation should be service taxes like those imposed on water-supply, lighting and conservancy, on landed property like houses, mills, and factories, and a cess on education. The assessment of these three kinds of taxes, namely, imperial, provincial and local, should be so co-ordinated and readjusted in accordance with the taxable capacity of the payees as to afford them appreciable relief. At present, there is a concatenation of circumstances: one thing leads on to another, and it is desirable to ascertain the *fontes et origo* and to reform it as far as possible. Thus, under the rules of the Burma Forest Act, a duty is levied on firewood, which has appreciated in value by about 100 per cent during the past 20 years. Much privation has been caused to the people of Upper Burma, where, in the absence of warm clothing, they were accustomed to keep fires in their houses, during the four months of the cold weather. If the duty was remitted, during these four months of each year, the people would be happier, healthier, and more contented. Again, under the Burma Fisheries Act, fisheries are sold annually by auction. Owing to competition, the bids offered have increased from year to year. Consequently, the price of fish has risen by over 100 per cent at Mandalay. The staple food of the people is fish, and its rise in price has caused much privation. Further, the prices of beef, mutton, pork, fruit, and vegetables have also risen in sympathy by from 50 to 100 per cent. It would be well if the price of each fishery was fixed for each triennium or quinquennium, so to bring down the fluctuating price of fish. The cost of living has risen enormously, but wages or profits have not increased in proportion, and the fiscal burden imposed upon the people, especially the *Bhadralok* or the middle classes, has become heavier, with the consequent increase in crime, disloyalty and sedition. There is corruption and leakage in Municipal administration, and, in order to meet deficits, the rents on bazars and stalls, and the *salami* payable are enhanced periodically. A separate and detailed enquiry into municipal taxation appears also to be necessary.

Mr. Taw Sein Ko gave oral evidence as follows :—

The President. Q.—You have been good enough to send us a most interesting note dealing with the historical and economic aspects of the question.

A.—Thank you, Sir. But I did not receive the recent questionnaire till yesterday.

Q.—So the best thing is to follow your original note and discuss the points of interest as they come up. You say in Burma, where democratic and socialistic ideas prevail, the chief tax under the native regime was the *thathameda* or graduated income-tax levied on property. Whereas in India you say the system of taxation is vague, inchoate and elastic, and is made to vary according to circumstances. Is the *thathameda* tax still graduated?

A.—Certainly it is. I think I have gone into this question in my note.

Q.—We are told in the Land Revenue Report that “In practice *thathameda* often remains a tax on property; the lowest rate is the highest which the poorest man can pay and in the assessment of the wealthier people the assessors take into consideration the fact that they pay land revenue.” In many cases, however, it is assessed at a flat rate.

A.—That is a nominal flat rate, but the assessment is made with the assistance of the committee of village elders. I am talking of the Burmese regime, but even now it is the same.

Q.—The committee goes on to say “it is difficult to defend the *thathameda* tax on the modern canons of taxation that the poor should be taxed leniently, or exempted from direct taxation.”

A.—Well, the theory is that the burden of the taxation should fall as lightly as possible on the poor, and as such I have explained it whether the burden is equally distributed or not.

Dr. Paranjpye. Q.—Is it so actually in practice or is it the case that the village elders probably treat their own class rather lightly and the others are taxed heavily?

A.—It is like this. In the case of certain villages, the headman may have a number of relatives or a large retinue; he might deal lightly with them with the assistance of the committee of elders, but the general impression is that the tax falls lightly on the poorer classes. There may be cases of that kind showing favouritism, but it is not generally so.

The Maharajahdiraja Bahadur of Burdwan. Q.—You say that the rate is fixed by a committee of elders?

A.—Yes.

Q.—The tax, as I take it, is a legacy of the old Burmese regime, and the present Government continues it. I ask you whether these committees are sanctioned by the Local Government by legislation or have they any legal sanction?

A.—They are practically nominated by the villagers. The custom is sanctioned, but I do not know whether the appointment or nomination of such committees has been put down in black and white.

Q.—My object in asking you is this. The President has just read you a portion from the Land Revenue Report wherein it is said that in some cases the *thathameda* tax is a flat rate, and you said it is not so. Supposing the committee of elders arbitrarily fix this *thathameda* tax at a particular rate, is the Government bound to follow it?

A.—So far it is followed, I think, because the Government's object is this. Supposing there is a village of ten houses and the Government's demand is to get only Rs. 100 out of this village, so long as it gets this amount it is quite satisfied. The committee decide how this sum of 100 rupees should be raised.

Q.—It has no right to reduce the sum?

A.—No.

Dr. Paranjpye. Q.—Is there any appeal?

A.—I do not think there is any appeal.

Sir Percy Thompson. Q.—Is not the position like this? A sum of 100 rupees is assessed on a village and the right of recovery is on the village as a whole, and it is left to the committee to fix the proportion in which this 100 rupees should be paid to Government. Government won't ask any question how it is paid, but it will simply ask where is the hundred rupees.

A.—Quite so. Under the Burmese regime, the corporate capacity of the village was recognized. The whole village was responsible in its corporate capacity.

Dr. Paranpype. Q.—Can you tell us, supposing there was a default of this sum assessed on the village; what would be the means of recovery? I mean what would be the process of law?

A.—It would be done by seizing the property of the people or of the defaulters. For instance, in the case of a village failing to show the traces of the dacoits beyond the village limits, it could be fined. So also, if the village could not pay the tax the property of the whole village may be seized.

Dr. Hyder. Q.—There is a provision in the Land Revenue Act, is it not so?

A.—I think so.

Dr. Paranpype. Q.—Has the man no right of appeal?

A.—I do not remember ever hearing of any appeal being made to the higher authorities.

Q.—What I say is this. Suppose there is an unpopular person who has no following in the village and has nobody to back him up, and he is assessed unfairly by the village elders; has he not got a right of appeal? In other words, if he has not a right of appeal, this unfortunate person will not have any redress.

A.—No. But I do not remember any case where an unpopular man was treated in this way arbitrarily.

Dr. Hyder. Q.—Is it not a fact that in the old days of the Burmese Kings, there was no *thathameda* tax in Mandalay?

A.—Yes, quite true.

Q.—Then the land revenue was levied only on lands which belonged to the Crown?

A.—Yes.

Q.—On lands which did not belong to the Crown, no land revenue was levied?

A.—No.

Q.—Now you have a position in Burma in which in addition to the land revenue, every Burman between certain ages and except for certain possibilities, has got to pay this *thathameda* tax and land revenue.

A.—Yes.

Q.—The position is different from the position as it was in the days of the Burmese Kings that every Burman, if he is a land owner, has to pay land revenue over and above this *thathameda* tax.

A.—May I offer an explanation? In the days of the Burmese Kings they levied no tax on the people living in the capital, because they wanted the capital to be populous.

Q.—Because all persons there were supposed to be in the service of the Kings?

A.—Not all of them, there were traders and others, though a good many of them were connected with the King.

Q.—The vital matter is this. The Burmese paid *thathameda* and land revenue only on lands which belonged to the State; and on lands which did not belong to the State, they paid no land revenue but paid *thathameda*. Now all Burmans in Upper Burma have to pay land revenue and *thathameda*. So the position is materially different.

A.—Yes. Let me analyse the position. I have travelled in Pagan subdivision and I found there that in the King's time before the British regime there was a flat rate of *thathameda* of Rs. 10 but when the British came in, it was reduced to Rs. 5 because the land tax was put on. I think there was a compensation.

Sir Percy Thompson. Q.—When the land tax was put on, was it put on at the same rates as on the Crown lands? When the land revenue was first imposed on lands not belonging to the Crown, was the rate of land revenue the same as already existed in the case of lands belonging to the Crown?

A.—No; not at the outset; it was very small. Now it has increased so that in Upper Burma near Mandalay there is a flat rate of about Rs. 9-8 per acre on both the Crown and private lands, that is, including the water-rate.

Dr. Hyder. Q.—Near Mandalay they have to pay the *thathameda* tax besides this Rs. 9-8-0?

A.—Yes.

Sir Percy Thompson. Q.—That is not in accordance with the instructions of the Government: they were to exempt from *thathameda* tax people who paid land revenue.

A.—I am not aware of those instructions. I am speaking of the present existing practice.

Q.—The practice is contrary to the instructions.

A.—It may be so.

Dr. Hyder. Q.—I ask you whether you think that this *thathameda* tax plus land revenue is fair.

A.—It is fair so long as the combined taxes do not mount up beyond Rs. 10 a household on an average.

Q.—Do they mount up to that figure now?

A.—Sometimes they do and sometimes they do not, but that depends upon the economic condition of the people.

Q.—You say that taxes should be in strict accordance with the canons of taxation. I thoroughly agree with you there. Then you make some suggestions—(a) that the taxation should be in strict accordance with the taxable capacity of the people; (b) that it should be equitable in its incidence and that its main burden should fall on those who are capable of bearing it, without appreciably shrinking their resources; and (c) that a suitable surplus of money should be left to the assesses for professional purposes or to seek the means of their livelihood.

Now I read to you from the report which the President has just read some extracts applying both to the capitation and the *thathameda* taxes. This is what the report on the land revenue system in Burma which was appointed in 1921 says: "Thus it is difficult to defend the *thathameda* tax on the modern canons of taxation that the poor should be taxed leniently or exempted from direct taxation. The same objection applies to the capitation tax of Lower Burma. It operates without discrimination; the man with an income of nine hundred rupees pays no more than the labourer with ninety. Similarly, the incidence as between different localities is unequal; in parts of Kyaukpyu where a ploughman is paid a daily wage of five annas, it takes sixteen days' work to pay the tax; whereas in Hanthawaddy five days are sufficient. Again, the collection of capitation tax in August at a time when beyond all others the cultivator is in need of money for working expenses, affects agriculture prejudicially. Not only are forty to fifty lakhs taken from the cultivator himself, but the payment of twenty to thirty lakhs which non-agriculturists have to meet raises the rate of interest on loans against the cultivator. Where the cultivator has small resources, collection in August leads to a reduction in the outturn of land as it lessens his available cash for the payment of labour at a time when it is specially required for transplanting and the prevention or repair of damage by floods. These taxes, which are peculiar to this province, can only be justified on the ground that the people are accustomed to them and that they bring in a useful amount of revenue which cannot conveniently be forgone. We have considered a suggestion that they might be assessed at rates on buildings. In some settlements the distribution of buildings has been examined as an indication of prosperity, and the classification of buildings formed a regular feature of the earliest censuses. We understand that the question of transferring the proceeds of these taxes to local bodies is under consideration. In 1874 the land rate in lieu of capitation tax was made over to certain municipal towns and the capitation tax collected in Henzada was made over for the benefit of that place. We regard with approval the proposal to convert these taxes into local rates and are of opinion that the opportunity of doing this might be taken to assess them as house taxes according to the quality of the building and the area covered, with possibly an exemption for the dwellings of the poorer classes."

Do you agree with what I have read?

A.—Not always. There is a confusion of issues in this case. Capitation tax is levied in Lower Burma and *thathameda* tax in Upper Burma and capitation tax is levied at a flat rate of Rs. 2-8-0 on every adult male who has reached the age of 18 years and Rs. 5 on each married couple. The

capitation tax was first instituted as a means of compiling a roll of a conquered race. Lower Burma was a conquered country mainly inhabited by the Talings, and the Burmans when they conquered it, wanted to know the fighting strength of the Taling race, and so this tax was imposed. The capitation tax affects the individual, but the *thathameda* affects the family as a group. The *thathameda* tax is payable by each household as a family, and so that is different.

Q.—There was this suggestion that this tax should be abolished, and land rate should be imposed, but now reading the proceedings of your Council in the debate on the Sea Passengers Tax Bill, this is what your Finance Member says:—

“It is my intention to discuss the proposal to abolish land rate and substitute for it capitation tax with the Finance Committee, and a Bill to this effect may be brought before this Council at the September session.” That is to say, the Government of Burma, on the one hand, said if the people do not like *thathameda* or capitation tax, it is open to them to impose a local rate; here in this discussion, the Finance Member says, he wants to abolish it.

A.—As far as I understood him he wanted to abolish capitation tax in Lower Burma and substitute *thathameda* tax.

Q.—He says “It is my intention to discuss the proposal to abolish land rate and substitute for it capitation tax with the Finance Committee and a Bill to this effect may be brought before this Council at the September session. For that reason among others, no provision was made in the Bill before us for the refund of the sea passengers tax to those immigrants who could prove that they had resided in Burma for a whole year in one of the towns in which capitation tax or *thathameda* is not levied.”

A.—He wants to abolish land rate.

The Hon'ble Sardar Jogendra Singh. Q.—The Committee is interested to find if the present taxation is not even, what alternative can be proposed and the Committee is particularly asked to go into the question and see what recommendation they can make. Can you enlighten us on this point?

A.—The tendency in modern times is to impose a burden on the land, but, in Burmese times, so far as private lands were concerned, the taxes were imposed upon the household and the lands went free.

Dr. Paranjpye. Q.—Do you advocate the substitution of *thathameda* for capitation tax?

A.—I do, for Lower Burma.

Q.—Would people agree to it?

A.—Certainly, because it is a traditional tax.

Dr. Hyder. Q.—You are for introducing *thathameda* tax in Lower Burma and also Rs. 10 a household if no capitation tax is levied?

A.—Yes.

The Maharajudhiraja Bahadur of Burdwan. Q.—You favour, I understand, the introduction of *thathameda* as a universal tax in Lower Burma in place of capitation tax now existing. Having done so, I take it, that you are not averse to land revenue continuing.

A.—Certainly not.

Q.—Do you still favour the idea that there should be a total demand, *thathameda* plus land revenue, provided it was not more than Rs. 10 a household?

A.—Yes.

Sir Percy Thompson. Q.—A point has been made about double tax. I think you said that land revenue was only paid by the tenants of land belonging to the Crown: then that demand, for land belonging to the Crown, becomes a rent. It is just like English tenants cultivating land paying rent to the landlord. It is not a tax if they are paying it for the use of the land and therefore not a double payment.

A.—If you have land rent plus land tax, the burden would be made heavier.

Q.—Take any country in the world where land is in private ownership, the tenant who cultivates the land always pays rent and because he pays rent it is no use to claim exemption from land revenue.

A.—It is quite true, but your remark applies to countries where the teachings of economics have been studied more deeply, I think.

The Hon'ble Sardar Jogendra Singh. Q.—Do you admit that the ownership is vested in the State?

A.—Not in Burma, except for the Crown lands.

Sir Percy Thompson. Q.—Which were the only ones which paid land revenue, which was a rent for the use of the land.

A.—Certainly.

The President. Q.—May I refer to page 67 of your note? You say "The 'myozas' corresponded to the *jangthars* of fief-holders of India and they were expected to offer annually to the King one-tenth of the produce of their land. This was the traditional proportion of income payable by all Burmese subjects to their Sovereign." Does that mean every man cultivating his land was expected to give one-tenth of the produce to the Sovereign?

A.—Yes; in the case of private lands, they paid in money, i.e., the *thathameda* tax.

Q.—Coming to the question of *thathameda* tax, you say that it is varied between families, but under the Act is it not a flat rate? The Regulation says "Subject to the provision of this regulation it should be levied on such a flat rate as the Local Government directs," and as such the flat rate cannot be varied?

A.—In practice it varies according to the assessment of the village assessors.

Q.—The flat rate may vary from district to district, but not between individual families in the village.

A.—The average rate sometimes differs according to the economic condition of the locality; and the rate varies between individual families in the village.

Q.—One of the reasons for varying the rate was the rate of land revenue?

A.—Yes.

Q.—If the land revenue is high, the *thathameda* would go down?

A.—Yes.

Q.—As regards substitution for it, under the Burma Local Self-Government Act power is given to the District Councils to substitute for it a circumstances and property tax so that the District Council can, on their own part, secure the abolition of the *thathameda* or capitation tax.

A.—Yes. They have got power to abolish the *thathameda* or capitation tax and levy a new tax.

Q.—Under the District Cesses and Rural Police Act, there is a cess of 10 per cent on all lands?

A.—I believe so.

Q.—And there is a house-tax?

A.—Yes.

Q.—May it come about like this that the same person will pay land revenue, *thathameda* cess and house-tax?

A.—Quite possible, but conditions vary in Upper and Lower Burma. The house-tax, I believe, is assessed by measurement, by area, etc.

Sir Percy Thompson. Q.—Is house-tax payable outside the towns?

A.—It is generally paid within municipal limits, but under the new Act, it is payable outside municipal limits too.

The President. Q.—It may be levied in any specified town, village or hamlet?

A.—Yes.

Dr. Hyder. Q.—You do not mean to say that land revenue was paid on land which did not belong to the Burmese Kings?

A.—Under the Burmese regime, private lands did not pay land revenue.

Q.—It is stated here in the report of the Land Revenue Committee that in Upper Burma certain lands were recognized as lands paying rent and that on the remainder nothing in the shape of rent, revenue or tax was levied, the only general tax being *thathameda*. Do you abide by that?

A.—Yes.

The Maharajahdiraja Bahadur of Burdwan. Q.—I believe that, so far as land revenue is concerned, it also varies from village to village or from plot to plot.

A.—Yes, it does.

Q.—Does the average Burman accept that as a necessary evil? In other words, would the Burman be more satisfied if he had a sort of fixed rate for a certain class of land than a varying rate?

A.—The land revenue varies according to the classification of the soil in the same locality; but in different localities it varies according to the climate, the amount of rainfall or the fertility of the soil.

Q.—The Burman does not mind this varying rate; he thinks it is to his advantage.

The Hon'ble Sardar Jogendra Singh. Q.—According to the principle you enunciate, would you like taxation in Burma to be on a more equitable basis?

A.—Certainly.

Q.—Have you any recommendation to make?

A.—I am concerned with general principles; and as I am not engaged in executive work, I do not think I can make any useful specific recommendations.

Dr. Hyder. Q.—Are you prepared to give evidence on the sea passengers tax recently passed by the local Council?

A.—Certainly, it is one of the burning topics of the day.

Q.—The Bill has been passed by the Burma Council and I see from the proceedings that you made a speech and voted for the Bill.

A.—Yes.

Q.—You object to the capitation tax?

A.—Yes.

Q.—If you take a tax of Rs. 5 from every passenger who enters Burma by sea, it comes to this: irrespective of his ability to pay, you are charging every person a sum which it might not be in his power to pay and the levy of such a tax would be against these excellent principles of taxation you enunciate, that taxation should be restricted in accordance with the taxable capacity of the people, that it should be equitable in its incidence and so forth.

A.—Taxation ought to be equitable and it ought to be limited to the taxable capacity of the assessee. But in the case of Indian labourers who come to Burma from India, they have their future earning capacity to mortgage. A *mistry* comes along and collects all the labourers, sometimes he makes advances to them and pays their steamer fare. If a tax is levied on such labourer, the *mistry* also would pay this tax in addition to the steamer fare, but all these sums of money are debited to the Indian labourer for future adjustment.

Q.—He mortgages his future earning capacity before he starts and over and above this, the Government of Burma have now passed an Act which puts a tax of Rs. 5 on every person. I understand that the tax would be imposed upon every Indian who enters Burma, whether a woman or an adult or an old man or one suffering from physical disability with no earning capacity whatever. Further, you levy no capitation tax in nine towns in Burma, but you would levy this impost on Indians who would go and reside in these nine towns in which no capitation tax is levied. Does it strike you as fair and equitable that poor people who have no means to pay should be subject to this tax?

Sir Percy Thompson. Q.—Isn't the answer to this that the Burmans do not want these maimed and blind persons?

A.—Not exactly. These are imported by Indian settlers as recipients of charity.

Dr. Hyder. Q.—The position comes to this: that we are resorting to an instrument of realisation which is a double-edged weapon; the Burmans and the Indians have to see which edge is the sharper.

A.—In public life we have to avoid two things: selfishness and vindictiveness. You are talking about the maimed and the blind, but it is the

look-out of the *mistries* to choose their coolies to whom they advance money and from whom it is likely that they would get back their money *plus* interest. My other point is this: we receive about 300,000 Indian immigrants into Burma a year, of whom about 250,000 go back and about 50,000 remain here. As a rule, these Indians do not pay any tax.

Q.—When they settle in a village, the village headman makes them pay two, three and four times over.

A.—It may be in a few isolated cases, not as a general rule. Those who remain in large towns like Rangoon do not pay anything in the shape of municipal tax, conservancy tax or water tax.

Q.—Neither does the Burman pay?

A.—He pays municipal taxes.

Dr. Paranjpye. Q.—The outsider would also pay these municipal taxes?

A.—No; he only pays Rs. 2 a month for lodging. The capitation tax is only a euphemistic name for the imposition placed upon the Indian immigrants, so that they may be placed in a position to bear their own share of the responsibilities of British citizenship.

Dr. Hyder. Q.—So far as it lies within their means, they pay by way of customs duty, etc.

A.—They are to bear their own burden of citizenship. In Rangoon itself about 120,000 labourers come along, about 40,000 are spread over the districts and the remaining 80,000, who remain in the mills and factories of Rangoon, do not contribute anything to municipal revenues.

Q.—Are there *no* house-taxes?

A.—They live in barracks and pay about Rs. 2 a month.

Q.—Is not there something included for the municipal services in the house rent?

A.—It is only Rs. 2 a head that they pay, whereas municipalities have to undertake a lot of duties on their behalf, e.g., vaccination, segregation in times of epidemic, conservancy arrangements, etc. I was talking to a Municipal Commissioner some time ago who told me that it was the intention of the municipality to ask the Local Government to contribute part of the proceeds of the tax to the municipality for their expenses on the Indian labourers.

The President. Q.—Is there any expenditure on account of labourers who cannot be repatriated, they having broken down in health?

A.—I do not think there is any provision for that.

Q.—But that does involve expenditure?

A.—The labourers go to the hospital and are treated there.

Q.—What happens to a man who is unable to continue his work and has no money to pay his passage back?

A.—We hadn't any instances of this kind.

Dr. Hyder. Q.—You don't repatriate Indians?

A.—Not as a rule. It is the look-out of the *mistries*.

The President. Q.—Does the *mistry* keep in touch with the cooly for the whole time?

A.—Yes.

Q.—What is the law by which a *mistry* can recover the amount he advances?

A.—I do not think there is any process of law except the Workmen's Breach of Contract Act.

Q.—Is that enforced by the *mistry* against the workmen?

A.—I have not heard of enforcement, but the *mistries* hold it over the coolies' heads as a kind of Damocles' sword.

Q.—Is there imprisonment for debt?

A.—There is, but I do not think the *mistries* would go in for that. Somehow or other, they have some sort of moral influence over the coolies and they try to get back the money advanced to them.

Q.—Are not these advances a means of promoting slavery?

A.—The indenture system is a sort of slavery, but, in any human institution, there must be some sort of slavery. Even in Government service, the element of restraint is not absent.

Sir Percy Thompson. Q.—Has the *mistry* a real hold over the labourer and does he make it very hard for his family left behind?

A.—There is a sort of social pressure exercised on the families of the coolies in Madras.

Dr. Hyder. Q.—When the *mistry* advances Rs. 5 to the cooly, I think the cooly would have to repay double that amount?

A.—May be.

The President. Q.—Practically, I suppose the *mistry* takes a share of the wages.

A.—Yes.

Q.—Does the *mistry* contract for a gang of coolies? Does he keep his gang together and really contract for the work of the gang and not let them go out as individuals?

A.—He does. At one time, a sort of direct system of recruitment was attempted by the Public Works Department who wanted to do away with *mistries*, but that failed.

Q.—Really, what he deals with is the unit?

A.—Yes, not with the individual.

Burma cannot do without Indian labour, because the population is so very small. I was talking to a Muhammadan gentleman the other day who is a large employer of labour. He told me that, when the Sea Passengers Bill was introduced and passed by the Legislative Council, all his Indian workmen wanted their wages to be raised from Rs. 20 to Rs. 24 a month; otherwise they would strike. He had to give them what they asked for, because there was no other form of labour to take the place of the Indian labour. In Rangoon itself, the rickshaw pullers, the *gariwallas* and cartmen have all raised their wages.

Dr. Paranjpye. Q.—Practically, the levying of this tax of Rs. 5 per labourer has resulted in the Burmans, who make use of the rickshaws and *garis*, paying a good deal more?

A.—Yes, the consumer pays.

Q.—On page 64 of your note, you say that the capitation tax is not equitable in its incidence because many Talaing, Arakanese, and Karen youths, who have reached the age of 18, cannot pay the tax, the burden falling upon their parents. According to the argument used by you in the case of Indian labourers, haven't these adult youths their earning capacity to draw upon?

A.—There is a difference. The Indian labourers are immigrants, while these youths are indigenous people living in the land. Those who come over from India come here as aliens to make their money. They look upon Burma as their *El Dorado*.

Q.—That practically means that you do not want Indians?

A.—No; we want Indians, but we want them to bear their own share of the burden of taxation.

Q.—You do not want the adult Burmans to bear their share?

A.—They already do so.

Q.—You make a great grievance against the capitation tax; I should consider that the same grievance holds good with even greater force in the case of Indians whom you are going to subject to the sea passengers tax.

A.—The analogy is not quite parallel. We are treating the Indian immigrants as foreigners who come over to Burma to make money, but in the other case, we are dealing with people who live in the country as permanent inhabitants.

Q.—Therefore, you do not want them to pay their fair share, but you want the foreigners to pay more than their fair share?

A.—The latter have not paid anything hitherto.

Q.—What are the Talaing, Arkanese, and Karen youths paying?

A.—They pay capitation tax.

Q.—But you are opposed to the capitation tax which they pay.

A.—I am opposed to that, because I am in favour of introducing the *thathameda* tax in lieu of the capitation tax. The analogy is not quite parallel.

Q.—The logical sequence is that you want to treat Indians in a different way from Burmans. You want that Indians should pay more and that Burmans should be exempted from taxation?

A.—I want them to bear their own fair share of the burden.

Q.—It won't be a fair share if only some pay and the others don't.

A.—The Burmans pay other taxes, such as conservancy, water and lighting taxes.

Q.—All who live within municipal limits pay certain taxes either directly or indirectly?

A.—So far as I know, the Indian labourers pay only Rs. 2 per head a month in the form of house rent.

The President. Q.—Isn't it the case that in the nine towns referred to, the Local Government may, from time to time, by notification, levy in lieu of capitation tax an annual rate on land? The municipal taxation is substituted for provincial taxation; that is what it comes to.

A.—Yes.

Dr. Paranjpye. Q.—You would charge the sea passengers tax on all people who come into Burma, male, female and children?

A.—That is so.

Q.—That would mean that if an adult comes here singly without his family he would have to pay less. Do you consider it advantageous from the Burmese point of view that you should get only adult labourers without their families into this province?

A.—The position seems to me to be the reverse. At present, the great majority of Indian labourers who come to Burma come without their families; if they are made to pay this Rs. 5, they might as well bring their families.

Q.—If they bring their families, you are going to make every member of the family pay Rs. 5. By so doing, you are discouraging them from bringing their families. If the Burmans want to encourage the Indians to bring their families, your tax will have a tendency to stop that.

A.—The Act follows the line of existing practice. A very great majority come here without their family.

Q.—The best way would be to exempt the labourers who bring their families from the tax and tax those who do not bring their families.

A.—That is fair. I look at it from the Chinese point of view. If a man comes to Burma from China, he may leave his wife there and marry another in Burma. His first wife lives there in his village to look after his father, mother and children. It is in rare instances that a Chinaman or an Indian labourer brings his wife to Burma.

Q.—The main grievance was that the Indians did not take their families to Fiji and other places. Now by means of your taxation you are accentuating that evil.

A.—It is very rarely that the Indian labourer takes his family to outside countries. His social customs would not allow that, and, with his restricted means, he would not be able to bear the additional expenditure involved.

The President. Q.—But the Indian Emigration Law only allows emigration to certain countries if there is a certain percentage of women to men.

A.—That is from the European point of view; not from the Asiatic point of view. There are a lot of Asiatics who travel about without their wives. When the Amir of Afghanistan came to India, I do not think he brought his wife along with him.

Q.—But he did not come to settle.

Dr. Hyder. Q.—The European commercial opinion headed by Sir Adam Richie was against this tax on passengers.

A.—Sir Adam Richie is the head of the Burma Oil Company and he employs about 6,000 or 7,000 coolies in the oil fields alone. If this capitation tax levied on Indian labourers the wages would rise.

Q.—And these Indian coolies are engaged in the task of developing the resources of Burma and they are made to pay Rs. 5 extra while they are engage in this task.

A.—A man generally looks at his pocket first. It is fine phraseology to say that we develop the resources of Burma. First of all, we look to our pockets. And these Indian coolies are mere instruments for the employer to make money.

Sir Percy Thompson. Q.—Is there not provision that if any of these immigrants pay capitation or *thathameda*, this tax would be refunded? So that what happens is this: that it is merely a method of ensuring the collection of the capitation or the *thathameda* whenever he is liable to it.

A.—Certainly.

Dr. Hyder. Q.—There was a discussion about this in the Council, where it is stated that there are difficulties in collection.

A.—These are all details and minor evils attached to every system of administration.

The President. Q.—In paragraph 2 of your note you say, "The point I wish to emphasize is, that a State, whose system of taxation aims at materialistic progress at the expense of religion and true education, is bound to have unrest or collapse in the course of years;" and you attribute that to the fact that early marriages, abolition of families and the stoppage of wars, feuds, conspiracies and rebellions lead to a large increase of population. I don't quite see how religion and education will make food go round?

A.—The well-being of a man depends upon his psychology, his mentality, and that again depends upon his religion and education. The complaint among the Burmans is this: that the young Burmans having studied English in their schools and colleges are losing respect for their elders and are losing touch with their religion. In fact, their character has been modified for the worse.

Dr. Paranipye. Q.—Will you do away with your Universities?

A.—That is not it. If you can't end a thing you must mend it. If your University is to go on, you must try to mend the system by having a larger place for your vernacular and Buddhist education, Buddhist philosophy and so on.

The President. Q.—You say, "Japan is now menaced by a cataclysm" by the same causes?

A.—Yes; China and Japan are countries which started with an agricultural system. Then they adopted an industrial system. There is more industry than agriculture in Japan and the people have gone in more for material prosperity and for apeing European manners and customs.

Q.—That is hardly a matter for adjusting the system of taxation.

A.—It is an example of what takes place in other countries.

Q.—You say, "The system of taxation aims at materialistic progress at the expense of religion and true education." In what respects?

A.—Not exactly the system of taxation; but the objective of the whole system of administration. For instance, the British Government is established in India; it finds so many religions and so many peculiarities; and says "Let us not take notice of any of them."

The Hon'ble Sardar Jogendra Singh. Q.—So your idea is that the tax is misapplied so far as education goes? If the tax were applied for the proper education of the people, the difficulties won't arise?

A.—What I say is this: that the British system of Government is entirely divorced from the native system of religion and culture.

The President. Q.—In paragraph 5 of your note you anticipate a deficit of the revenue derived from opium. Do you anticipate that prohibition will be introduced into Burma?

A.—The tendency of public opinion in Burma is to do away with the revenue derived from excise and opium. But that is only an idealistic goal. We may or may not attain it.

Dr. Paranjpye. Q.—Do away with the revenue or do away with the drink?

A.—Both.

The President. Q.—You tried to do away with hemp drugs and opium. Have you met with any considerable success?

A.—I do not think so. The Burmans do not favour *ganja*. They favour intoxicating liquor and opium more.

Q.—Have you prevented Indians from getting *ganja*?

A.—No.

Q.—So you have lost a lot of revenue without any good?

A.—Certainly.

Q.—In the case of opium?

A.—There is a lot of smuggling. On the Indian frontier, we get a lot of opium from Chittagong and from the Shan States and from China. It is impossible to entertain a very large preventive staff to prevent smuggling.

Q.—The Burmans who were originally registered when the system of registration was introduced are nearly all dying out?

A.—Yes.

Q.—You refer to the salt duty as a direct tax. It is surely an indirect tax.

A.—It may be.

Q.—You say, "The former may be left alone, but the latter, which is generally looked upon as a financial reserve, may be increased without imposing a heavy burden on the masses." Don't you think that the present tax imposes a heavy burden?

A.—I do not think so. Because the salt tax is the only tax since the days of the Moghul Emperors which touches the masses. And, in this connexion, I wish to say something about the salt industry in Burma. The salt industry in Burma revived in the days of the European war. But it is practically dead now, and the reason seems to be this. During the days of the European war, there was a differential tax put at the rate of Rs. 2 on 100 viss on indigenous salt and Rs. 3 per 100 viss on imported salt, and the price of indigenous salt was Rs. 8 and that of imported salt Rs. 9. But now there is no such differentiation, and the rate has been raised to Rs. 3, and the indigenous salt can no longer compete with the imported salt.

Q.—Are you sure whether it was a differential rate?

A.—I was told so by a salt manufacturer.

Sir Percy Thompson. Q.—Would you recommend the imposition of a differential tariff on salt to develop the salt industry here and use it as a substitute for raising revenue otherwise?

A.—I am not in favour of that. I was going to say that the salt industry ought to be revived, because in Burma 70 per cent of the population is engaged in agriculture. We want to relieve the pressure on the soil and create or revive industries. Salt is an important ingredient in the food of the Burmans.

Q.—How do you propose to revive the industry?

A.—I really do not know.

Q.—Do you advocate putting a differential rate on the imported stuff?

A.—Yes.

Q.—You suggest that salt is used by every Burman. Would not that increase the price of salt?

A.—What I was thinking about was to revert to the old system; that is, to levy a higher duty on imported salt and a lower rate on the indigenous salt.

Dr. Hyder. Q.—I suppose the imported salt is subject to a duty of Rs. 1-4-0 and your salt manufacturer in Burma is also subject to Rs. 1-4-0. And your point is that the excise duty on salt should be reduced here to Re. 0-8-0, keeping the rate on imported salt at Rs. 1-4-0?

A.—Yes.

Sir Percy Thompson. Q.—The result would be that the Central Government would be losing a certain amount of revenue.

A.—The proposal is to convert salt into a provincial subject.

Q.—If you have it provincial, you must have various duties in the various provinces. Then will not there be smuggling from the province where the rate is low into provinces where the rate is high?

A.—Yes; there is a risk.

Dr. Paranipye. Q.—If the Government of India were to make salt a provincial transferred subject, so far as Burma is concerned, would Burma pay the Central Government for its loss of revenue to that extent?

A.—I cannot give any opinion on that. I would rather like that the rate should be kept at Rs. 1-4-0 and the rate on imported salt raised.

Sir Percy Thompson. Q.—Then you will increase the cost of salt to the Burmans?

A.—They will be prepared for it. The profits of production will then remain with the Burmans and it will revive the industry.

Q.—Then you recommend export customs duty on certain articles; on rice, for instance?

A.—On rice, one of the Lieutenant-Governors made a proposal to put a cess of As. 3 per maund and it was thought that it would bring in a revenue of about 60 or 70 lakhs a year.

Q.—But are you not making it difficult for the man who grows rice to compete in the world market, if there is an export duty on it?

A.—There is already an export duty.

Q.—But if you put on an additional duty, to that extent it does cripple the growers in their power of competing in the world's markets.

A.—But the position is this: out of the three rice producing centres, Burma, Siam, and Cochin-China, Burma grows and exports the largest quantity of rice.

Q.—Then take cotton and wheat. There you have no monopoly; you are competing against world prices.

A.—As regards cotton, a lot of Burma cotton is taken to China and is not exported by sea. So there is scarcely any competition there.

Q.—How can you put an export duty on Burmese cotton and not put it on Indian cotton? You cannot tax part of the produce which is exported from one part of the Empire.

A.—The other day there was a piece of legislation relating to the import of cigarettes over the Siamese frontier. That applies only to Burma.

Q.—Surely that only related to the application of certain provisions of the Sea Customs Act to the land frontier. If you put a duty on wheat, would not that result in less export?

A.—Wheat is not yet a very big industry in Burma.

Q.—You say "Unlike China, the balance of trade is in favour of India, i.e., to say, exports are in excess of imports". Are they in excess of imports when you take into account the payments that India has to pay on her external debt? Her exports must be larger than the imports in order to pay her interest on the debt. Do the exports exceed the imports by more than that amount?

A.—In China the imports exceed exports. So financiers say that the country is getting poorer and poorer. But in India, looking at the trade statistics, leaving aside the official payments, the exports exceed the imports.

Dr. Paranipye. Q.—In the case of China, do you think that the excess of imports is due to the fact that the Chinese in other parts are sending money back to their country in the form of goods?

A.—The Chinese, who settle in foreign countries, belong only to a few provinces, namely, Kuangtung and Fukkien. The whole of China does not send out emigrants to foreign countries.

Q.—Are they sending the surplus money back to China in the form of money or in the form of goods?

A.—Mostly in the form of money and seldom in the form of goods. But still these goods must pass through the customs and there must be statistics kept. I am talking about the imports of goods from foreign countries—not sent by settlers. The settlers are comparatively few compared with the general population of China.

The President. Q.—In paragraph 8 of your note you say “The paddy lands, which were Royal domains, had to give in kind about 50 per cent of their produce”. And there were several Royal monopolies?

A.—Yes.

Q.—All minerals were complete monopolies?

A.—Yes.

Q.—You say under the late regime the holders of allodial lands paid no land tax. What is meant by allodial lands?

A.—They are distinguished from feudal lands.

Q.—Then under paragraph 12, you refer to co-ordination and re-adjustment between the imperial, provincial and local systems of taxation and you suggest that stamps, both judicial and commercial, should be imperial. Why do you make judicial stamps imperial?

A.—Because they relate to the whole empire.

Q.—Is it not the case that the judicial stamps should be so regulated as to meet the cost of the courts?

A.—I do not accept that theory. The litigant must be taxed for litigation and for troubling Government officials. Your theory is only a commercial theory. Probably, it may apply to the Irrigation Department. If we get just the interest and the work is paying its way we need not get any profit.

Q.—The basis of the theory is that justice should be free and not taxed.

A.—Between litigant and litigant that is all right. Between the State and the litigant there is no such thing. I remember Lord Milner saying that the British supplied Egypt with justice and water.

Q.—But does it sell justice for profit?

A.—In theory it sounds very well. But we ought to make some sort of revenue out of justice and ought not to cut it very fine.

Q.—You would levy at a uniform rate and give it to the Government of India?

A.—Yes.

Q.—You say that the sources of provincial taxation are land tax, forest tax, and capitation tax. Don't you anticipate that local bodies would introduce the circumstances and property tax?

A.—Yes, in lieu of capitation tax.

Q.—Then there will be no capitation tax left for the Provincial Government.

A.—But I believe the Provincial Government wants a share of the new tax levied by the local bodies. I am not quite sure of that.

Q.—Surely that is to be a local tax, is it not?

A.—May be.

Q.—Is the land tax in the nine towns you mention credited to the towns?

A.—I think it is credited to the province. I am not quite sure.

Q.—Is it in addition to land revenue?

A.—I am not quite sure of that.

Q.—Would you confine local taxes to service-taxes?

A.—That is municipal taxation, yes.

Q.—Don't you need some general tax also in your municipal towns? You cannot keep separate accounts for every service.

A.—We want a general tax for general administration too.

Q.—That would normally be a tax on circumstances and property.

A.—Yes. But sometimes municipalities make a profit out of service taxes.

Q.—Do they?

A.—They do.

Q.—Then you object to a tax on fisheries on the ground that it increases the cost of fish.

A.—Not that I object to the taxation. I say licenses should be sold for a definite period of years, say three or five.

Q.—You say auctions should be held for a term of years and in that period people would learn more economic methods.

A.—Yes.

Q.—To avoid corruption and leakage of municipal revenue, would you prefer to have the assessment and collection of taxes of local bodies made by an official agency, as it is in a good many democratic countries?

A.—At any rate, at the outset, it will be all right. Before local bodies acquire experience, this may be done.

Q.—You want a separate enquiry regarding municipal administration. Was not an enquiry made under the chairmanship of Mr. Houldey? We received a very able report on the subject.

A.—Has any action been taken upon that?

Q.—The enquiry has been made.

A.—I think there ought to be some sort of uniformity in different places.

**Prof. H. STANLEY JEVONS, M.A., F.S.S., F.G.S., I.E.S.,
University College, Rangoon, was next examined.**

Written memorandum of Prof. Stanley Jevons.

As regards the incidence of land revenue, it has occurred to me that if you are able to obtain the co-operation of Local Governments, it might be possible to get figures regarding the total income from the land and the revenue from the records of land acquisition, for which this information must be obtained. Unfortunately, there have been few new railways built in recent years; but acquisitions must be going on for new irrigation canals in Oudh and the Punjab. It might also be possible to get useful figures regarding estates recently taken over by the Court of Wards, as to the ratio of revenue to gross rents at the time of, or a year before taking over. In these and by the advertisements, you might obtain sufficient cases to be regarded as a fair sample of the whole.

As regards the unearned increment where land is improved by Government irrigation works, this does not escape taxation for more than a brief period in most provinces. At the next settlement, the revenue assessment is increased on account of the water; and an extra assessment is levied prior to the next settlement. Land revenue increment due to irrigation works is accounted separately and usually credited to receipts of the Irrigation Department. The increased assessment might be considerably larger, especially in the Punjab, I think.

I would like to call attention to the particularly low ratio of land revenue to annual value of the agricultural land which seems to prevail in the Punjab canal colonies, parts of Madras (not permanently settled) and in the Delta Districts of Lower Burma.

As regards land tax on site values in towns, I have written a tentative note, which I enclose herewith. I have not had time to go into all aspects of the problem; and if any member of the Committee likes to send me criticisms of my note, or ask further questions, I shall be pleased to go into the matter further.

I have started to answer some questions in your questionnaire, and am sending herewith the first few pages, as I may be delayed in completing them.

Q. 9.—I think the real incidence of taxation in the true economic sense cannot possibly be calculated, because the effects of protective customs duties, and of export duties would have to be estimated very roughly. Estimates of incidence based on an extensive collection of family budgets of all classes might, however, yield suggestive and fairly reliable results.

Q. 13.—The answer depends on the nature of the undertaking. The element of tax does not appear if Government makes a profit in producing and selling in competition with private producers, e.g., Government timber and saw-milling, as in Burma. An element of tax enters when Government makes a profit from a legal monopoly, and from a railway when the net earnings exceed the commercial rate of interest on capital outlay, not the Government rate of interest. Government is entitled to regard as profit the benefit of being able to borrow at a lower rate than a railway company.

Q. 14.—As regards (a) to (d), see previous answer. The profits on coinage cannot, I think, be rightly held to contain any element of taxation so long as the coinage is not in excess of the requirements of the country, and I cannot regard the present issue as excessive. The same applies to paper currency. The profits of exchange, in so far as they are not mere book-keeping entries, are of the nature of an indirect tax on trade and consumers of foreign goods; but the amount seems to me negligible, and this form of tax justifiable, even if it were larger. Cinchona ought to be sold at or below cost, but if a profit is made there is no element of taxation as it is not a monopoly.

The Taxation of Site values in Indian towns.

1. *Nature of the tax.*—Whilst agricultural land is nowhere exempt from more or less heavy taxation by land revenue, excepting lands specifically exempted, or for which the tax was at some time compounded, urban land bears either no tax or one which is usually very small in comparison with its value. Some urban lands which were formerly agricultural still pay land revenue. In Rangoon there is a town lands tax levied in lieu of capita-tion tax, but the rate is low. It is suggested that all existing land taxes and revenue derived by the State or public bodies from urban lands be treated as if they were ground rents, excepting only a betterment tax imposed under a Town Improvement Act, which stands on a different footing. That is the only logical course to follow if existing owners or lessees are to be treated on an equal footing.

The principle should be to take the capitalized value of that portion of income attributable to unimproved site value which each person enjoys. It is more convenient to tax the capital value than the annual value of urban land, because a hypothetical annual value of undeveloped, or under-developed, urban land, is not, in most places, easily imagined by the people who would be taxed, and the assessments would be constantly contested. The capital value of undeveloped land is, on the other hand, generally known. By 'capital value' I mean the market value, in the sense of the price which it may be expected would be obtained by a willing seller from a willing buyer, the offer having been widely made known.

In some cities much land has had to be improved before it could be built upon. The improvements take the form of drainage filling, raising, levelling, or simply constructing an access road. Allowance must be made for the expenditure incurred. In regard to lands which are leased, perhaps to two or three successive lessees, each holding from the last, the principle must be to capitalize the share of the total rent attributable to site value enjoyed by each, making allowance to each for improvements according to his expenditure. The capitalization of annual value should be done by a factor

*See next page.

(so many years' purchase) which may be ascertained to be the average relation of rent to market value during the preceding three years. This factor would be subject to change at intervals of a few years; but public notification should be made immediately of any change.

2. *Provincial or Municipal Tax.*—Experience shows that municipalities in India, except perhaps the Presidency towns, are unwilling to impose a house tax beyond a very low rate. This is a tax on houses plus their sites. If no more were done than simply to give municipalities power to impose a tax on site values on certain lines, not one municipal body in twenty would do so. The idea of the tax and its method of assessment is too complicated for the average member of a municipal board to grasp; and, if imposed, the assessments would probably be as frequently wrong as right.

In my opinion, a tax on urban site value is only practicable as a provincial tax levied on uniform lines, and at a uniform rate in all towns of the province. A permanent expert provincial staff would be formed for assessment and perhaps also for collection of the tax, though the collection might be done by the agency of the municipal staff or the income-tax office. The question what proportion of the proceeds of the tax should be handed over to the municipality is not important, but I think that some portion of the tax, say one-fifth or one-fourth, should go to the municipal fund.

3. *Assessment.*—The method of assessment would be by dividing the town into blocks, usually of less than 100 houses, and assigning a "block" rate of land value throughout each block. Thus, the house-sites on both sides of a main street for a distance of a few hundred yards, would constitute a block. Specially advantageous sites, like corners, would have special assessment.

The assessment officer would compile a complete record of sales of land, and of buildings and land, also of lettings or registered leases, for the past three years. He would also make enquiries as to current rents. From these data he would be able to fix the ratio of market value of the land to net rental for the land assumed denuded of improvements (not necessarily the same as a ground rent actually paid). Using this ratio he could calculate the block rate for each block from the rents.

As indicated above, an allowance for the cost of improvement of the land, if any, made by the owner prior to building, would have to be made, if claimed. The owner should be required to prove that he or his predecessor did have to improve the land before building; and in default of his being able to give evidence of how much was so spent, an expert engineer would be called in to certify the probable cost of the improvement described at the date stated. The cost of the improvement having been settled, the owner should be allowed to add 30 per cent to it to allow for interest prior to the completion of buildings on the land and for remuneration of the owner for his trouble in planning and superintending the improvement.

Assessment officers should be permanent Government servants of gazetted rank; and probably it would be found better to have a permanent department, undertaking the assessment of all towns throughout a province. The assessment ought, in my opinion, to be liable to revision after short intervals. The interval between land revenue settlements, 20 or 30 years, is too long, so that an enhancement of revenue may very likely be from 30 to 50 per cent in individual cases. This creates a sense of insecurity towards the end of a term of settlement; and lending on mortgage even for improvements is discouraged. In the English rating practice, assessments may be revised, I believe, at any time; and increased assessments are frequently made after an interval of five years has elapsed since the last revision. That is the system I would recommend, because in the absence of fraud or error in the preceding assessment no great increase would be likely in five years. If that were the system adopted, portions of any town could be revised from time to time as the growth of the town, or spreading of the business centre, or extension of a tramway, seemed to call for it. A general re-assessment of all sites in the town simultaneously need never be undertaken. The wards might be taken successively in a 5 or 6 years rotation, thus keeping a small local staff constantly at work, except in small towns, which would be simultaneously re-assessed throughout.

4. *Incidence.*—The question of the final incidence of the tax is of the greatest importance. A flat rate of tax at so much per acre would be almost entirely shifted to the occupier. A tax imposed only within municipal limits would have a tendency to make people shift for residence and some kinds

of business outside municipal limits, unless corresponding advantages were provided within the municipal area, such as improved roads and water supply.

The tax I am proposing is one of which the final incidence is on the owner, including all persons, such as lessees and mortgagees, having an interest in the net annual value of the site. It is to be a kind of income-tax on the unearned income arising from the increased annual value of the site due to the growth of the town or neighbourhood. A new railway or other public improvement, or increased trade, or merely a decline of the purchasing power of money (general rise of prices) may be the cause. In all advanced countries it is widely recognised that this is a source which may justly be taxed, even at a heavy rate; though it would hardly be equitable to impose a heavy rate immediately. It should be gradually increased at intervals of a few years. Starting at half per cent per annum on the capital value, it could be increased to 1 per cent after 5 years.

A tax strictly proportional to the value of land cannot be shifted to the occupier, assuming he is paying a full market rate of rent, and assuming there is no combination of all owners affected to act jointly. Usually such joint action would be impossible, because the interest of suburban owners would be largely opposed to those of central owners.

In practice, the tax might be collected most conveniently from the leasehold occupier, who would be entitled to deduct the whole or a portion from his rent. Suppose there are three successive lease-holders, the second and third each holding from the preceding one. Let A be the owner, and B, C, D the successive lessees; and let the estimated annual value of the site be Rs. 600 per annum. Suppose B pays Rs. 120 under an old lease; C pays Rs. 320 to B, and D pays Rs. 500 to C. Then D enjoys Rs. 100 of the annual value, C Rs. 180, B Rs. 200, and A Rs. 120. The whole tax will be collected from D, but the share of the tax each can collect from the next must be fixed by the assessor in proportion to their interests.

As indicated in section 1, all rents and land taxes payable to Government or any public authority should be treated as ground-rents on the above principle. If Government, or an Improvement Trust, already collects the full annual value of the unimproved site as ground-rent, there will obviously be no tax payable. I think all cases can be met on this principle. If the owner or lessee can pay, mortgage interest should be left free of the tax.

Q. 15.—The charges for irrigation water have in most cases not been raised by an amount corresponding with the rise of the prices of agricultural produce, owing to strong public feeling against raising the water-rates. The charges are much lower than they might be on most of the large canals. There seems to me to be no objection to making a reasonable profit above working expenses and interest; but in reality there is not much margin on most canals, or would not be, if a sinking fund were being accumulated as it ought to be. The idea that the canals will last for ever is erroneous. Considerable reconstructions will be necessary within fifty years on some canals to get over difficulties caused by the deposit of silt.

The land revenue is increased for lands watered by a canal; and the increase is regarded as indirect revenue of the Irrigation Department. I think it is preferable to charge a water rate to cover expenses, interest and sinking fund, and to take the profit as the increased land revenue which should help to cover the increased cost of other public services—improved communications, especially roads, and higher cost of administration and education, owing to denser population and higher standard of living.

Q. 16.—The increase of land revenue already taken is a kind of betterment tax. Whether it is sufficient is a question needing investigation. I think perhaps not. In the Lower Chenab and other Punjab Colonies the land revenue is still much too low. The Government of India's rule about enhancement not exceeding 33 per cent on the average of a district ought not to apply in the Canal Colonies. The maximum for the settlement period should be 100 per cent, with 10 per cent as the maximum from year to year.

Q. 17.—The rent of any occupancy or fixed-rate tenant should be raised by the addition of the whole increase of land revenue to his rent. This would leave the landlord in the same position as before. A slightly larger increase of rent, not exceeding an increase in the same proportion as the land revenue is increased, would seem to be not unfair at least in cases where the increase of land revenue is justified by an increased annual value of the land due either to general public improvement of the district or to a rise of agricultural prices.

Q. 19.—If the said taxes be imposed on the general public or a large class of them, they should be included with the general taxes in calculating the general incidence. A case in point is the tax on outgoing passengers from Rangoon by sea who pay Rs. 2 each which goes to the Rangoon Development Trust.

Q. 21.—The distinction of certain taxes as optional or voluntary is a matter of definition. Obviously if every kind of food be taxed, the tax is not voluntary. On the other hand, taxes on the consumption of luxuries clearly are voluntary. Between these there is every stage of voluntaries.

Q. 96.—(1) Like so many controversies in economics, the question whether land revenue is a tax or a rent is a matter of definition of terms. The characteristics of a tax are: (1) The Government, with, or without legislative authority, declares the rate of the tax, which is levied on all persons, or other basis, in similar circumstances at the same rate. (2) The rate has reference to an assessment according to value or measure. For instance, in customs duties, the tariff valuation is the assessment, or the weight or number of articles in the consignment: for income-tax the total income is assessed. A rent, on the other hand, is a simple contract to pay a certain sum per mensem or per annum in respect of certain piece of land, or land and buildings. In the settlement of land revenue there is no rate of tax declared by Government, to be based on an assessment made by the Settlement Officer. That procedure is followed by municipalities for house tax; but the Settlement Officer proceeds directly to fix the land revenue payable in respect of a certain holding or of each field. His enquiries into the rental value of the land are undertaken merely as a guide in fixing the revenue. The circle rates are not assessments of annual value, but the actual rates of revenue payable. The Settlement Officer follows, therefore, the practice of a good landlord, who fixes his rents, not at the maximum he can screw out of his tenants, but according to the relative fertility and other advantages of his various fields.

I can see no distinction between temporary settlements and leases from Government for 30 years. The only distinction of Government from a private landlord is, that Government purposely keeps the rents far below the economic rent, with a view to benefiting the cultivators, or, in the United Provinces, partly to support the landlord class. Administratively, therefore, land revenue is a rent; and from the point of view of economic theory it may be said to be either rent or tax. There is no economic difference between a land tax and a system of Government rents, when both are settled in the same manner. Both are payable out of the economic rent, and cannot for long exceed it.

(2) *Standard of living of the agricultural population.*—It is vital to have a correct appreciation of the role played by the standard of living of the cultivating population in all questions of rural economics, including land revenue. The standard of living of a class of people means the manner of life to which they have become habituated, involving a certain rate of consumption of goods and services per head. The standard of living does not rapidly change. It is raised mainly by education and travel. Once the standard of living has become fairly high, great resistance is offered to its reduction; and people combine into unions, endure long strikes, or migrate, rather than suffer a diminution of their standard of living. A high standard of living tends to postpone the age of marriage, and may lead to the practice of birth control. Carr Saunders has shown how very many tribes of primitive people have for ages protected their standard of living by infanticide and various customs tending to restrict the growth of population. On the other hand, the populations of the great plains do not restrict the growth of population. I would suggest that possibly the reason is that great fertile plains can support an empire on the economic rent; but a dense population is necessary to supply the military power necessary to retain it against aggressors. Hence from the earliest ages the priestly caste depending on royal favour have placed their ban on all practices leading to restrict growth of population, and have even encouraged exercise of the procreative instinct. Hence the low standard of living in the most fertile parts of India. It can only be raised by rapid economic development. So long as the standard of living remains low, population will always increase as fast as the means of subsistence; and this vicious circle prevents the standard of living from being raised.

Q. 97.—(3) *Prosperity of the cultivator.*—The connection between the economic position of the cultivator and the land revenue demand is a subject full of pitfalls, and on which many popular misconceptions are current.

Apart from archaic forms of village tenure, there are two principal types of land tenure to which Government has committed itself—zamindari and raiyatwari. The theory of raiyatwari is that every cultivator (i.e., actual farmer) holds directly from Government, so that every payer of land revenue should be a cultivator. Obviously in this case, so long as this remains true, all the land revenue which Government foregoes will be enjoyed by the cultivators as a class, if the gross money value of their outturn is unchanged. In reality two things would happen—the gross outturn would decrease, and the population would increase, distributing the advantage foregone by Government between additional leisure to the cultivator and the survival (in the district) of an increased proportion of his children. This requires further elucidation.

Let us suppose the land revenue were to be reduced to half. The cultivators having a low standard of living, the majority of them would slacken their efforts at cultivation, because the foregoing of some labour gives them more satisfaction than an increase of income. The area under commercial crops especially would decline somewhat, and the cultivators would enjoy more leisure. On the other hand, the raising of the revenue demand would force people to work harder, and produce a larger gross outturn, if they were to live. The prosperity of the country as a whole is largely dependent on the outturn of its primary industries, of which agriculture is the greatest. Hence it has been held that a high land revenue demand (or a high level of rents) is good for a country as a whole, by forcing more from the land, and putting more wealth into circulation and increasing trade. In reality, bearing in mind that I am speaking of pure raiyatwari tenure, other classes would benefit at the expense of agriculturalists, whose standard of living would be slightly reduced, unless at the same time the methods of agriculture were improved, and more capital invested. It is true, however, that an increase of land revenue would benefit the country by putting more wealth into circulation.

• On the other hand if all tenure were zamindari, the increase or decrease of land revenue would theoretically have no effect whatever on the cultivator. Theoretically, the landlord always takes the full economic rent from his tenants, out of which he pays the land revenues. If the latter be increased, he has so much the less left for himself, and vice versa; for he cannot get more than the economic rent from the cultivators. So runs the theory; but in practice the last statement is not quite true, in at least three conditions. (1) Assuming all the tenants to be tenants at will, there are some landlords who do not rackrent their tenants, actual rents being distinctly below economic rents. In this case an increase of the land revenue would be an incentive to landlords to raise rents by at least the same amount, or to the full economic rent, if less. At times, especially during a period of rising prices, actual rents may be decidedly below economic rents. (2) It is possible for actual rents to be above economic rents *temporarily* (a) when prices of agricultural produce are falling, (b) in a congested district where the population is still growing rapidly, and where a tacit combination of landlords has led them all to force up rents, thus gradually using up the capital of their tenants and deteriorating their physique, and disintegrating the agricultural and social system. (3) Actual rents may be *permanently* above economic rents in the case of individual holders who have a sentimental attachment to their land and village, and, rather than migrate pay an impossibly high rent, largely out of remittances from their sons working in industrial centres or abroad. Whilst in particular tracts or at particular times these cases may be of importance it may be said generally that the incidence of the land revenue is on the landlord and that changes in it will have no effect on tenants at will. In the case of occupancy and leasehold tenants (as in Oudh), the amount of any increase of land revenue which is transferred to the tenant is decided either by the Settlement Officer or by the revenue court.

So far, I have discussed only pure raiyatwari and pure zamindari tenures; and the actual state of affairs is that these do not prevail to the extent which is usually supposed. Pure raiyatwari is only to be found (a) in fertile tracts, mainly hill countries, or areas of precarious rainfall, (b) in newly settled areas, where the present holders or their fathers took up waste land direct from Government (or in Burma "squatted") and brought it under cultivation. In all fertile tracts raiyatwari is in various stages of passing into zamindari. This happens (a) by a few thrifty cultivators saving up and buying out their poor neighbours after a bad season, and so gradually amassing enough land, first to let some to a tenant, and finally to live entirely on rents; (b) when money-lenders foreclose, and, in spite of laws

about landholders being required to be cultivators, acquire and keep considerable landed property; (c) by merchants and lawyers buying up holdings as an investment. In the last two cases, in order to comply with the letter of the law, the owner perhaps works a small portion of his estate on his own account by hired labour, visiting it once a year or so.

It appears to me that in course of time all land in fertile areas is likely to fall into the hands of landlords. I do not mean literally "all", but 80 or 90 per cent of it. Legislation cannot entirely stop this tendency. The only thing which can stop this is the growth of thrifty habits and a knowledge of improved methods of cultivation amongst the peasants turned to advantage by co-operative organization by credit societies combined with purchase and sales societies, insurance societies, and so forth—a movement of the people to help themselves, as in Denmark.

On the other hand, pure zamindari tenure, which is characterized by there being only one intermediary between the Government and the cultivators, often tends to degenerate through letting to *thikadars*, who are usually lessees of the whole or of large portions of the estate, and themselves sublet to the cultivators, subject of course to the landlord's obligations. There may, indeed, be several of such intermediaries, each holding from the last. The system is one which should be discontinued, if not altogether prohibited. I would suggest that a perfectly fair method of discouraging this practice of farming out a zamindari would be to enact that a lessee shall pay a special cess to Government of 10 per cent on the land revenue in respect of all land which he holds on lease, but does not actually cultivate himself.

Q. 100.—(4) *Exemption or abatement for small holdings.*—What would be the results if land revenue were to be graduated like income-tax, small holders receiving an abatement, and the smallest perhaps total exemption? It is easy to see that at least four undesirable results would follow. Moreover, the advantage would accrue only to true raiyats (cultivators holding direct from Government), for we can scarcely contemplate occupancy or leasehold tenants obtaining a refund of part of the land revenue paid in respect of their holdings. To the true raiyats the advantage would, in most cases, be illusory or temporary (not lasting beyond one generation).

The undesirable results would probably be as follows: (1) Many of those getting abatement or exemption would do less work, and the value of the gross outturn would be somewhat reduced. (2) There would be an incentive to subletting, or if that were prohibited, to taking in a working partner, who in fact would be supposed to do practically all the work. A man of 45 years, having two or three sons working as labourers in industrial towns, could retire and live on his rent plus his sons' remittances. (3) There would be an incentive to subdivision of holdings by sale as well as by inheritance. By selling half of his holding a man could claim an abatement of the revenue on the remainder, and the purchaser would be willing, and probably able, to pay a higher price than now. He could mortgage the land, however, only in the present basis. (4) The most serious objection is that abatement or exemption of poor raiyats from revenue would merely encourage the growth of population, whilst the standard of living remains so low. A larger number of children and relatives could be supported on the income of the holding, and in many cases doubtless the disagreeable necessity of one or other members of the family migrating, whether to agricultural or industrial work elsewhere, would no longer operate.

The question turns largely on the standard of living. Whilst this is so low, only a few thrifty and enterprising cultivators would take advantage of the abatement to spend the extra income thus available wisely, or to save it for repaying debt or use as capital. I think the main result of the policy would be that in certain areas there would be in the course of ten or fifteen years a perceptible increase of the density of population. This could only be avoided by a policy of rapid economic development and general compulsory education of the right kind; but any province adopting the policy of abatement would quickly land itself in financial difficulties, and would have no money for economic and educational progress. The true policy is to go ahead with the economical and educational development, and particularly the improvement of agriculture, thus making the small holders able to pay the present revenue much more easily than they can now. The administrative difficulties, too, would be almost insurmountable.

Prof. Stanley Jevons gave oral evidence as follows :—

Dr. Hyder. Q.—You say the incidence of taxation in the true economic sense cannot be calculated because of the effects of protective customs duties.

A.—I was referring to the difficulties of incidence that arise largely from a portion of the tax being shifted. The amount that is shifted depends upon the elasticity of the demand.

Q.—In any country which puts on import duties the price level becomes higher. Would that cause a difficulty?

A.—That would create a further difficulty.

Q.—You say there is an element of tax when Government makes a profit from a legal monopoly and from a railway when the net earnings exceed the commercial rate of interest on capital outlay. I suppose you calculate the net earnings this way, gross earnings *minus* expenditure.

A.—Yes.

Q.—The dispute in the central legislature as regards commercial undertakings has always been with regard to this item of the working expenses. They say that a Government undertaking is much more expensive than a private undertaking and even calculating the profit as the gross earnings *minus* the working expenses much taxation is hidden in the working expenses.

A.—It depends upon the definition. I should not say that there is an element of taxation simply because the working expenses of a public undertaking are high.

Q.—I am putting the point of view put forward in the central legislature. Whenever the railway budget comes up we know the gross earnings and we know the gross working expenses also and on the face of it a very small sum is left and that is your return. But they say the real difficulty lies in the working expenses. Although there is a very small commercial return that is left, the extra charges the people of the country have to pay are hidden in the working expenses. This is the point of these people when they discuss the question in the central legislature.

A.—I see the point. It is a matter of definition of what you call taxation. I admit the burden is on the people; but it is not an intentional means of raising money.

The President. Q.—You would approve of the arrangement entered into under which 1 per cent over and above the normal interest on Government paper should be credited to the Government?

A.—Up to about 1 per cent I would.

Q.—It is exactly on the lines of your suggestion.

A.—Yes, I approve of that.

Q.—You say the profits of exchange in so far as they are not mere book-keeping entries, are of the nature of an indirect tax on trade and consumers of foreign goods. What do you mean by consumers of foreign goods?

A.—I mean people in India who buy goods that are imported.

Q.—The profits of exchange arise when exchange goes up?

A.—Mainly that.

Q.—If exchange goes down, Government must raise more rupees to meet the Home charges?

A.—Yes.

Q.—When the exchange goes up to a certain figure then it is that the Government of India would remit whatever it has to remit by paying a smaller number of rupees. It is then that the profits of exchange arise.

A.—Yes.

Q.—That being granted, there is a very important argument which has to be answered and it is this. When exchange is pushed up from 1s. 4d. to 1s. 6d., commercial people say that it is a penalty on Indian exports and a bounty on imports into India.

A.—Yes.

Q.—We shall come to that argument later. But if you grant this that the effect of high exchange is to discourage exports from India to foreign countries and to encourage imports, this is rather difficult to reconcile with the statement that you have made.

A.—I doubt if we are thinking of the same thing. By profits of exchange, I mean profits which Government makes from time to time by remitting at favourable moments

Q.—The benefit would arise if it is able to remit money at 1s. 6d. instead of 1s 4d.

A.—Yes.

Q.—Therefore the further argument is that when exchange goes up to 1s. 6d. the state of affairs is injurious to the Indian exporter and benefits the importer.

A.—I had in mind a different matter, not the question of the effect of exchange as a whole. It does not seem to me there is a profit to Government in the true sense of the word. I mean the sort of profit made by an exchange bank. It is only one aspect of the larger question of exchange.

Q.—Before I proceed further I should like to know how it is that the profit on exchange is in the nature of an indirect tax on trade and consumers of foreign goods.

A.—In making remittances Government always tries to buy at the most favourable rate. In that way it makes from time to time small profits over what it might have made or the rate it would have got if it had bought at other times not quite so favourable. It is always on the look out to get just the most favourable rate, as the exchange banks are. That is what I consider to be the profits on exchange. That is, as a business enterprise Government have been making some profits. The saving to Government when exchange rises from 1s. 4d. to 1s. 6d., I should speak of as a gain by exchange and not as a profit. India undoubtedly gains by exchange when it raises and therefore the burden of Home charges is reduced.

The Hon'ble Sardar Jogendra Singh. Q.—Does it gain in real value?

A.—Temporarily it does.

The President. Q.—You think cinchona ought to be sold at or below cost price?

A.—I thought it was sold below cost price.

Q.—It is sold at market rates.

A.—That which is sold for the trade?

Q.—It is not sold for the trade very much. It is sold chiefly for Government and municipal hospitals.

A.—I am sorry I was ignorant of its being sold at market rates.

Q.—If you sell it at cost price it would upset the private market.

A.—I thought it was intended to prevent monopoly or undue profit; and in the interests of public health I would advocate it.

Q.—Do you advocate a complete Government monopoly?

A.—Not for cinchona. Government should produce it on a large scale and sell it at a small price.

The Hon'ble Sardar Jogendra Singh. Q.—When exchange is high, is there not an item to be written off—loss on customs duties?

A.—Yes, to some extent.

Dr. Hyder. Q.—You say that the water-rates in most cases have not been raised corresponding to the rise in the value of the agricultural produce. Are you thinking of any particular province or of all provinces?

A.—I was thinking mainly of the Punjab and the United Provinces. As far as I remember, I think they have recently raised the rates in the Punjab.

Q.—Would you base the water-rates on prices?

A.—No, I would not. If you mean by that a frequent fluctuation of rates, I certainly would not. But I think the great rise of prices which has taken place in the last 30 years justifies a considerable increase in rates.

The Hon'ble Sardar Jogendra Singh. Q.—Could you give a definite figure as to the reasonable profit and the amount of sinking fund to be provided out of this? Would you say 12 per cent?

A.—I had in mind 1 or 2 per cent, taking the average. There must be some exceptionally profitable canals and undoubtedly others which do not pay the interest.

Q.—With an additional one per cent for a sinking fund?

A.—Yes.

Dr. Hyder. Q.—Should we base water-rates on the cost of service or the value of service principle?

A.—You have to base them on both. I take it that the principle at present adopted in differentiating between different crops is an application of the value of service principle.

Q.—You have got to satisfy the people as regards the necessity. They say Government ought not to charge more than what it costs the Government.

A.—It is quite fair to make a small profit in addition to the cost of service. But in fixing the rates for particular crops you must have regard to the value.

The President.—If you take the cost of service as the guiding principle, it means that the best situated land pays the least which is a *reductio ad absurdum*.

Q.—Would you treat each canal separately?

A.—I would not take different canals separately. I would take the canals of a province as a whole and have uniform rates.

Q.—They would have to pay a profit even in the most unfavourable situation?

A.—We must first of all set aside the unproductive canals which are not intended to pay. After that take the average return of the whole of the productive works and rates should be fixed to give a small profit, say, of 2 per cent. If you include the unproductive works in the calculation, then I should say the profit should be less, say $\frac{1}{2}$ per cent; but as a matter of convenience in accounting it is better to keep protective works separate.

Q.—If you make the less favourably situated works pay their way, then the most favourably situated works will be paying most substantial profits?

A.—Yes. I think that the Irrigation Department is too cautious about new schemes. If they barely yield 6 per cent, they will not take up the canal. The estimate might show 5 to $5\frac{1}{2}$ per cent. If they took the system of averaging they would be able to extend the canal system as a whole. That is rather an important point. I was once told by an irrigation officer that the schemes were turned down if the estimates did not show 6 per cent return.

The President. Q.—You would have to have periodical revision of assessments as a whole, say, quinquennially, with reference to prices.

A.—Yes, if there were a considerable change of prices, or a serious error in the estimates. Not otherwise. I think irrigation engineers can make very correct estimates. They are generally conservative in their estimates. I think they would not commit any serious mistake. A general change of prices is the basis I have indicated for revising the rates, as the working expenses go up.

Q.—You don't want to revise the rates to balance your budget, so you would require to re-examine them periodically?

A.—I think rates might be re-examined periodically, say, at an interval of not less than five years and not more than ten years. A short period of revision has the advantage that the change involved is less.

The Hon'ble Sardar Jogendra Singh.—The Irrigation Commission appointed by Lord Curzon went into the question and they distinguished between productive and protective works of irrigation. Protective works are not supposed to earn anything. Would you like to observe the distinction then introduced?

A.—Certainly, by making this distinction you will be able to put your financial calculations on a proper basis. Protective works may be debited to the Famine Insurance Fund to meet a proportion of the loss.

Dr. Hyder. Q.—To sum up, I understand you base water-rate on both principles, cost of service and the value of service and then you would have for the productive works uniformity of rates.

A.—Yes.

Q.—Then you would have a periodical revision of rates at short periods but in no case less than five years, because the change that would thus be effected would mean a smaller readjustment.

A.—Yes. That amounts to saying generally that I am in favour of the present system with the modification of bringing the rates into conformity with prices, and into uniformity as regards different canals.

The President. Q.—The increase of land revenue already taken is a kind of betterment tax?

A.—Yes, with regard to irrigation it is so.

Q.—Supposing you introduce an irrigation scheme in the middle of a settlement?

A.—I understand the provinces have provided for that and that an extra rate is levied, I mean extra land revenue. They do not revise land revenue, but they do impose a kind of cess on land revenue, the technical name of which I forget at this moment. I think it is owner's rate, or water-advantage rate.

Q.—Take the Madras plan; you treat it as dry rate plus water-rates.

A.—Yes. So they lose for the time being.

Q.—In any case in making new irrigation works, if you ask the raiyats to pay a water-rate of Rs. 10, they won't have it. On the other hand, they would be ready to pay down a lump sum plus Rs. 5 water-rate.

The Hon'ble Sardar Jogendra Singh. Q.—You would favour a combined water-rate and land revenue absorbing a definite proportion?

A.—No, I think the present system is on the whole better.

Q.—That is the present system in some parts.

A.—In saying "present system" I am thinking of the present system in the Punjab and United Provinces.

Sir Percy Thompson. Q.—You say that you think that the State ought to limit its charge of water-rate to such an amount as would enable it to get a commercial rate on the money invested. Do you think that is fair? After all, the benefits of water-rate are given to certain selected people. It is not like railway tickets. The benefits are given to selected people who happen to be within the purview of the particular canal. Supposing by putting water on such lands you increase the value of land which was previously 50 rupees to 150 rupees or more an acre, and now suppose 10 rupees is a sufficient charge to enable you to pay the commercial interest on your capital expended, surely you are selecting given individuals for an increase of 90 rupees. Are they entitled to it? Why should they have that increase? At the moment, subject to the increase of land revenue, you are giving to certain selected individuals solely by your water scheme an increment of 90 rupees. Are you not really in the position of a trustee, and if you have such a trust, are you not bound to charge a full commercial price for the water?

A.—The object of the plan I suggested, i.e., rates to be on a uniform basis for all productive canals so as to bring not more than 2 per cent profit above the interest charge on the capital of all the canals was to secure an extension of the area irrigated. I admit that, owing to the physical nature of the country, Government has to select certain areas for irrigation, and leave certain areas unirrigated. In the United Provinces and the Punjab, there is a considerable proportion of the total cultivable area capable of being watered, and it seems to me that the aim of Government should be to go on watering as many tracts as possible even though there may not be a commercial return ensured on every project. Therefore, I suggest that the profit to be made upon the canal system as a whole should not be more than 2 per cent after paying interest. At the outset, it may be necessary to estimate even for only 1 per cent profit on

the whole system, the reason being that the new canals which may be estimated only to pay 5, or even 4 per cent, should be taken up. If that could be taken and the inhabitants get the benefit of the water in this new area, any commercial loss of that scheme can be paid out of the profits of the other schemes.

Q.—I don't dissent from this policy. But certain lands do lend themselves to irrigation. If you limit your charge to a sum which provides a bare commercial return . . . ?

A.—I do not say bare commercial return on the good canals or on the more profitable ones, but I am asking for a bare commercial return on the canal system as a whole.

Q.—You say uniform rates?

A.—Yes, uniform rates charged for the use of water. That service is provided more cheaply in the case of certain canals than is possible in the other canals.

Q.—Let us take it as one whole system. You provide by your charge a sum to bring in 6 per cent. In point of fact, there are a large number of people who are willing to pay a far larger sum than you ask them to pay because they get a handsome income; why should you give water at a cheaper rate? Is it not a fact that you are not treating your fund as a trust for the whole of the inhabitants properly? But you ask the selected inhabitants who have not had their lands in a favourable position before for getting water to pay at a rate which makes them realize a greatly increased income. In this case, are you entitled to give it to them at a cheaper rate?

A.—Undoubtedly. Might I say that I am taking into account the fact that the rates in very large areas are settled and it is not practicable to raise them much except in proportion to prices? If I were laying out a complete new irrigation scheme for the whole province *de novo*, I would certainly say that the policy should be to start at a higher level of rates.

Q.—In fact in the Punjab where land belongs to the State, you put water on the land and increase its value and then sell by auction and realize the full value.

A.—Yes.

The Hon'ble Sardar Jogendra Singh. Q.—If you take the profit and loss on the favoured lands which are irrigated and the less favoured ones, the benefit is equalized. Where there is less rainfall, the cultivation is less, there you bring water and put the lands on the same level as the other favourable ones. Take the case of the Punjab and the Central Provinces. Both have got the same benefits. You put both on equal footing. There is no inequality or betrayal of trust. The community as a whole contributed a certain amount of money on which it gets a certain amount of interest. Is it entitled to get more than that?

Sir Percy Thompson. Q.—What you say is perfectly true, that some lands are less favoured naturally than others. That is no reason why you should bring that land to the same level as the other ones. No man has a right to say that my land shall be made up to a certain standard at the expense of the State. The question is whether the benefit from the value given to the lands, should not be the property of the general taxpayer. The whole question is whether the individual is favoured more than the general tax-payer.

A.—Don't you think that this difference would be largely met by the increase of land revenue, which should be increased? If water-rates are uniform in different areas and meet the cost, I would assume that the benefit to the State arising from irrigation would be by increase of land revenue.

Q.—I admit it is a palliative. But you will have to remember, roughly speaking, that the land revenue is 25 per cent of the rental value. So the State gets only 25 per cent of the increment.

A.—I see your point.

Dr. Paranjpye. Q.—You construct the irrigation canals in parts and you would construct the most favourable schemes first, and when you have made a few of the most favourable schemes at that time you may charge rates to bring in 2 per cent more than the cost. Now when you are thinking of the more difficult schemes, then they will not bring you this amount.

Consequently, you will have to raise the rates on the old schemes. Therefore, public opinion so far as it is interested in the old schemes will be against the making of new schemes. If you charge the public as much as you can, there will be no public opinion against the new schemes.

A.—You must remember that in the early days of irrigation it was not so easy to get the land taken up. Now it is very successful. I have seen an area in Bundelkhand where they built a canal and only the cultivators of about 20 per cent of the commanded area took water.

Sir Percy Thompson. Q.—On the question of uniformity of rates. You start your canal schemes on the basis of getting your 2 per cent. With regard to the old schemes it may be that a rate of Rs. 5 an acre will give you this return. Now you are going to extend it to another area and decide you must charge Rs. 15 an acre, it being less than the commercial value of the water. Now you have lands which have been bought and sold subject to the rate of Rs. 5 and you launch out on your 15 rupees scheme. Is it really fair for the sake of uniformity that this five rupees' man should be disturbed and should have to pay 8½ or 9 rupees, just because you have embarked on another scheme?

A.—I am not suggesting that he should be disturbed. It must remain the same except that it must be raised on account of the revision of prices. I do not propose that there should be revision of rates in the older canals to finance new projects.

Q.—Your five rupees scheme may be perfectly paying and your fifteen rupees scheme may be perfectly paying and still you levy a rate of Rs. 5 in one and Rs. 15 in another.

A.—I do not think cultivators would take water at Rs. 15 unless it was in a very favourable situation.

Q.—My figures might be wrong. Supposing it was Rs. 2½, then they might be quite willing to pay Rs. 8.

A.—Yes, as prices go up. Rs. 2½ will be a very low rate.

Q.—I do not mean that these are actual figures.

A.—It is rather difficult to deal with hypothetical cases. Taking the rates, generally speaking, I do not think there can be much increase. There might be to some extent, and certainly I would not advocate increasing the present rates in order to finance the schemes which get less than 6 per cent at the existing rates. I should not be in favour of setting out to build a canal proposing higher rates, unless there was a proved demand from the cultivators of the area. If they by some means could be induced to enter into contracts to pay higher rates, it is all right.

Q.—It has happened in several provinces.

A.—Then, of course, it becomes a business proposition.

Q.—What it comes to is this. You have uniform rates except where the cost of construction demands and the benefit conferred admits of a higher rate.

A.—I certainly think that there should be uniformity of rates over the main system. If there are certain areas where all the cultivators are anxious to have water and agree to pay higher rates, let the canals be constructed under those circumstances. For instance, there are pumping operations from the rivers. It is very desirable that they should be undertaken and Rs. 15 might be charged for these. The question is whether all the rates are to be uniform or whether they are to vary with the cost of construction.

I am thinking of the same sort of principle on which we regulate railway rates. There is some sort of uniformity. There are some special projects which require special rates. For example, there is a railway in the Shan States where they charge double the ordinary rates, because they are hilly tracts and the railway was very costly.

Q.—The difference is that anyone can go by train, but it is not anyone can have land on an irrigation system.

A.—We are arguing to some extent on different assumptions. I have in mind the existing situation in India and what has been adopted in the past, and not what might be adopted in future or in any European country. The conditions here are not like the colonies.

Dr. Hyder. Q.—When the landlords surrender three-fourths of their lands to Government, and over and above this they have to pay land revenue, water-rate, etc., which can be varied every five years, according to the rise in prices, do you think it is a fair and equitable scheme?

A.—I should like to make it clear that it seems to me that for administrative convenience and to avoid constant grumblings between the cultivators on different canals, it is more feasible to have uniform rates over the main canal system, and that the differences due to the fertility of the land, etc., can, properly speaking, be made up by charges in the nature of additional revenue. If it appears that there is going to be a loss rather than profit and the landlords can be induced to make a capital payment in advance for inclusion, I would try to keep the water-rate the same as in other areas.

The President. Q.—Can you tell us something about the capitation tax?

A.—On the whole, I approve of the principles laid down by the Committee of the American National Tax Association which are printed at the end of your annexure. I consider that the American idea of making every citizen pay something directly to the State is not at all a bad plan. If it is administratively possible, I think it is a good plan. I see difficulties in parts of India at any rate; but I certainly would like to say that if there is to be a capitation tax, in my opinion it should be levied on every male inhabitant over a certain age and there should be no exemptions. At present it seems to me wholly illogical that the inhabitants of some six towns in Burma should go free of capitation tax, there being levied a land rate which is supposed to be in lieu of it, but as a matter of fact, is paid by different people in quite a different way, and not by everybody making a direct payment to Government. Further, it seems to me somewhat curious that whilst an unmarried man in Burma only pays Rs. 2-8-0, a married man has to pay double that rate, though not for the first year.

Dr. Hyder. Q.—I was going to ask you whether you do not think it is an anomaly in Burma that if a Burman goes into Government service as, say, a military policeman or chowkidar, he is exempt from the capitation tax, but if he takes service in a commercial firm he has to pay it. There is discrimination between those classes of labour.

A.—Yes, I think it is most unfair. I should say that if a capitation tax is levied at all, it should be paid by every male inhabitant, whether he is paying income-tax or not, including a priest.

May I draw your attention to the very interesting table I find in the "Digest of State Laws relating to taxation and revenue, 1922," indicating how very widely the capitation tax is used in the American States and the interesting provision they have that persons who cannot pay the tax may do a certain number of days' labour for the State in place of paying the tax?

Q.—But that exists, I believe, in Burma. People are called upon to undertake labour without receiving any payment.

A.—I think that is quite separate from the capitation tax. It is an alternative in America. It is rather a primitive condition of things that it should be made compulsory in addition. I would like to say that it would be very useful if the proceeds of the capitation tax could be assigned for local purposes, e.g., improving the roads, building new roads, etc.

The President. Q.—Don't you approve the provision made in the Local Self-Government Act under which any local body can cancel the capitation tax by imposing a tax on circumstances and property?

A.—I do not approve of that. If the capitation tax is adopted at all, I think it should exist as a perfectly uniform tax throughout a whole province for all persons.

Dr. Hyder. Q.—You say the rate should be the same for all persons, rich or poor?

A.—Yes; the rich should pay it although they also pay income-tax.

Sir Percy Thompson. Q.—Would you give your views generally on the Indian income-tax system and make any suggestions you can to improve the system or alter it?

A.—I do not think I have any suggestions for the improvement of the existing system with its present scope.

Q.—Do you think that the present system of graduation is right or would you prefer a system of graduation based on the English model?

A.—On the whole, I think the present system is simpler to understand.

Q.—The English system is very simple.

A.—I doubt if it would be easily understood here.

Q.—It is simple in this way: the first £225 are exempt, the next £250 pays half rate, and the rest pays at full rate. The argument has been used that under the Indian system you do not have any part of your income free.

A.—Different countries have adopted different methods; the method of graduation adopted in India has been adopted in several other countries.

Q.—It is this system which was in force in England up to 1920. Do you think that there ought to be any differentiation in favour of earned incomes against unearned incomes?

A.—I think the time is hardly ripe for it yet in India. Certainly, if any increase in the rate of income-tax is necessary, I think it should be only on unearned income; but the present rates are quite high enough.

Q.—Is it not also broadly true that there is not very much unearned income which is liable to tax, save in the case of very rich people whom you can get at by an augmentation of the rate, if necessary?

A.—It is nothing like so large as in highly developed countries.

Q.—Isn't another reason that it would be an anomaly to put a differential rate on unearned income when the largest item of unearned income, viz., rent from land, is not taxed at all?

A.—Yes, I agree with you.

Q.—You would favour the English system of giving allowances for wives and children?

A.—I am rather in favour of it, but I think it is administratively difficult at present. I think the main object should be to facilitate the working of the Act as far as possible. It is a difficult tax to work.

Q.—Isn't it true that in a country like England you have quite a large number of single men earning incomes?

A.—Yes; in India it is mainly a question of the number of dependants.

Q.—I think it would be impossible to make allowances for dependants that would be opening up a very big avenue for fraud.

A.—Yes.

Q.—Do you think on general principles there is any case for the exemption of agricultural incomes from income-tax?

A.—It is rather difficult to say. The exemption is traditional in India. It is possible that incomes of some magnitude derived from agricultural lands or town lands should be subject to income-tax. I think it would be administratively very difficult to apply income-tax to small landlords, but it is well worth considering whether income-tax should not be imposed on all landlords who get profits exceeding Rs. 20,000 per annum.

Q.—Wouldn't it be very difficult to have one exemption limit for agriculturists and another for the others?

A.—It seems unfair in a sense, but it is not more unfair than the present system, and it might turn out to be a first step in the direction of bringing a more logical system into force.

Q.—As regards bringing it fully into force, I take it that in your view the game is worth the candle.

A.—We have to consider whether it is administratively possible, what the cost of collection would be and what the yield from the tax is likely to be.

Q.—We were told that in the Punjab, where there are 3½ million cultivators, only about 2,300 pay land revenue in excess of Rs. 500 a year, and taking it that anybody paying a land revenue of less than Rs. 500 would not earn a taxable income, you only have 2,300 people there who would pay income-tax.

A.—I think the estimate of revenue given by Shah and Khambata quoted in Q. 39 is grossly excessive. I do not think you would get more than 2 or 3 crores at the outside for the whole of India. Obviously, the United Provinces, Bihar and Orissa and Bengal would contribute most, and Madras a little. I am not enthusiastic about it at present; I consider it is a little premature to take up this question, but unless some other system is found for raising more revenue from agricultural areas, it ought seriously to be considered. I have thought over the question whether a kind of surtax on land revenue, say, $\frac{1}{2}$ anna or 1 anna in the rupee, cannot be levied on landlords possessing very large estates and paying a large amount of land revenue. That would be easy to assess, but the main objection to it is that the actual proportion of the land revenue to the gross rental *plus* any other receipts varies so much, and it would not be fair to base it on the land revenue actually paid at the present time.

The President. Q.—In your article "the Finance of Economic Development" which you contributed to the Indian Journal of Economics in November 1919, you have suggested four ways of raising more revenue:

(1) In Bengal, Bihar and Orissa, and Madras, revision of the permanent settlement by direct or indirect means with the consent of a popularly elected Legislative Council in each province; and taxation of mineral royalties.

(2) In Bombay, Agra and Oudh, and temporarily-settled parts of Madras, by a cess of 30 per cent on the land revenue, but subject to reduction if the total of land revenue *plus* cesses exceeds 50 per cent of the assets at the time.

(3) In the Punjab by the sale of colony lands to settlers on deferred payment system at the approximate market value (Rs. 100 to Rs. 400 per acre) instead of at the nominal figure of Rs. 12-8-0 per acre. If in the past land had been sold at a figure more nearly corresponding with its market value, a very large amount of capital would have been available for developing the colonies with metalled roads and light railways. The communications are at present quite inadequate.

(4) In all growing cities and urban areas throughout India, land values are rising rapidly, and either the income from urban land, or the increment of market value, should be taxed.

Do you still adhere to these four methods?

A.—On the whole, I would still adhere to these, except that the revision of the permanent settlement proposed in (1) is not practicable for some 20 or 30 years more, and that I would modify the figure in (2). A cess of 30 per cent on land revenue is rather high, but I certainly have in view the possibility of somehow obtaining more revenue from agricultural districts. Whether it be by surtax or income-tax, it must be credited to provincial funds, because more money is very badly needed for purposes of development in the rural areas. Any more money raised in the rural areas should undoubtedly be spent in the rural areas themselves. I would raise money for local needs, but I do not mean that it should necessarily be done through District Boards.

Q.—You mention that 400 crores of rupees could well be spent on irrigation.

A.—Yes, enormous sums are required to thoroughly develop the country. It does seem to me that throughout India, and particularly Burma, more roads are a pressing necessity. It might be that you could get this additional revenue for the provinces by evening up the land revenue. There is no doubt that there are considerable variations in the incidence of land revenue as compared with the total receipts from land, either the cultivators' net assets or the landlords' rents; and I am inclined to think that the question should be considered as to whether temporary settlements should continue to be so definite as they are (as excluding an increase of revenue within the period of 20 or 30 years) or whether power ought not to be taken for reconsidering all cases after five years, so as to make limited increases in cases of specially low assessment.

The Hon'ble Sardar Jogendra Singh. Q.—Can you give us a rough general idea as to how the burden of taxes is distributed among the different classes of the population between rural and urban areas?

A.—That is a question I should like to have notice about.

Q.—In your note you have defined land revenue as rent. Is it rent or a tax?

A.—They amount to the same thing.

Q.—What does revenue mean; does it include all kinds of direct and indirect taxes?

A.—By land revenue, I mean only what is assessed by the settlement officer.

Q.—In ancient times, did revenue mean a tax?

A.—The term is applied to all receipts of Government.

Q.—As such it was used by the people loosely.

A.—Yes, but we now distinguish it by saying that land revenue refers definitely to receipts from land.

Q.—Was not the principle of Moghul taxation accepted by Warren Hastings, Sir Thomas Munro and others when they spoke of land revenue as a tax?

A.—I think the ideas at those times were in the direction of regarding land revenue as being preferably a tax to be administered somewhat similarly to the English land tax. If I may make my meaning clearer, I think we might divide all revenue under three heads. Leaving out the profits of commercial services, we have taxes on personal incomes (e.g., income-tax and capitation tax), consumption taxes (customs duty and excise), and finally receipts from lands. I particularly say receipts from lands, so that I may include Government rentals as well as land revenue. To my mind they are the same thing in an economic sense. If you like to turn the present land revenue into a tax, that can be done administratively. It is only necessary to determine the annual value of the land and the Legislative Council would, from time to time, declare a rate at which land revenue (or land tax as it would then be) would be collected on assessments made by the settlement officer; and that rate might be varied from year to year.

Q.—In what respect do the canons of land revenue and modern taxation differ? Do you recognize any canons of land revenue?

A.—It seems to me that some of the canons of taxation apply, but they would apply equally to landlords administering their estates.

Q.—In the case of land revenue, the income of the landlord is definite and there is a fixed rent paid as a tax, viz., 50 per cent.

A.—I think, if I remember rightly, that the Government of India Resolution of 1902 laid it down that it does not ordinarily exceed 45 per cent. In practice, the amount is somewhere about 33 per cent on the average.

The President.—There is a considerable distinction between the Legislature declaring a rate which is to be applied to a valuation and an assessment by a Settlement Officer of a figure which is limited to a maximum.

The Hon'ble Sardar Jogendra Singh. Q.—In what respects are the canons of taxation applied in the matter of land revenue? Is 'ability to pay' taken into account?

A.—Yes, it is taken into account.

The President. Q.—Is 'ability to pay' taken into account?

A.—With normal cultivation, the ability should be proportioned to the fertility of the soil and the area cultivated.

Q.—Hasn't the richer man a larger ability?

A.—Yes; if you are considering large incomes, there is the principle of the surtax.

Q.—Is 'proportion of the income enjoyed' taken into account?

A.—We go back a little on Adam Smith to Manu's law in recognizing that it should be a bit more than proportional.

Q.—Land revenue has always been regarded as a land tax. Supposing you alter it now and say land revenue is something different and not a tax, how would you alter the system of land tax?

Sir Percy Thompson.—You constat that you have to alter it. You think you would alter it because you consider it a tax; I do not think I would alter it, because I do not consider it to be a tax.

The Hon'ble Sardar Jogendra Singh. Q.—I do not want to know what others consider about it, but I want your opinion.

A.—I have stated definitely in my written statement that I regard it as administratively a rent and not as a tax.

Q.—Now, is not the income of the landlord composite? It represents interest on capital, wages of services rendered, etc. Even the taxes he pays, won't he classify into land revenue, local cess, customs duty and other indirect taxes?

A.—Certainly; the ordinary landlord pays these.

Q.—Having established the system—taking into consideration that the land revenue system has worked so well so long—do you think that the wholesale application of western ideas, theories, rates and methods, without a clear appreciation of the local conditions, that is, a study of effects of innumerable unobservable causes, expedient or wise?

A.—No; I do not. Personally, I should never suggest it.

Q.—Do you think this Committee would be justified in considering certain aspects of the land revenue question without considering the whole question, without considering others no less important, singling out a single aspect—nor the most important—among a thousand and then proclaiming this aspect as the whole problem?

A.—I am afraid I cannot answer that question.

Q.—It is also said that land revenue is no more a tax, because people buying land take the payment into account. A man buying land takes into consideration that he has got to pay land revenue and pays a certain price accordingly. Then what about Dalton's verdict that a tax is not in this way killed?

A.—If you want my opinion, I will furnish you with it after seeing his book.

The Maharajahdiraja Bahadur of Burdwan. Q.—I take it that you consider that a man who does not cultivate himself has no business to be on the land.

A.—I would not go so far as that. I think that the landlord exercises a very useful function in society, provided he does exercise the proper functions of a landlord. I regard, for example, the position which the English landlords have occupied in the agricultural system as very important.

Q.—Reading your note I came to the conclusion—perhaps erroneously—that because he does not cultivate the land himself therefore he should be penalised.

A.—I refer to the middlemen landlords, that is, those who intervene between the cultivator and the Government.

Q.—Very often the big zamindar is practically in the position of a collecting agent. Is it what you mean? Whatever he gets, he pays a certain percentage to the Government and himself takes the rest. But his interest in the land is that he collects this money, pays land revenue and keeps the rest as his income. If that be your view regarding the middlemen, would it not apply also to the bigger landlords?

A.—Not where the landlord collects rents direct from the cultivators.

Q.—The majority of the bigger landlords in Bengal in the permanently-settled area, hold a position something like that of the middlemen. Therefore, I take it that from your point of view, the men holding that position should also be penalised.

A.—I do not suggest that.

Q.—Coming to practical politics, it is impossible when you have so many permanent tenures created by law. It would mean breaking up the whole permanent settlement.

A.—I was not speaking of the permanently-settled areas. There you obviously have a special case.

Dr. Hyder. Q.—I should like to understand your argument with regard to the remission of land revenue and the consequences that will follow such a remission. You say that the people might probably prefer leisure to work. I should like to know why that would come about.

A.—That is my judgment of what I call the average cultivator. It applies perhaps to the majority, though not to all. Some may be enterprising.

The President. Q.—It has been the case in different parts of India that when a man finds he can live on the proceeds of rent, he ceases to cultivate.

A.—Undoubtedly, it is a common occurrence. When he gets rent, the average man does not do so much work.

Dr. Hyder. Q.—If I understand you correctly, you incline to the view that the gross agricultural production would be reduced because people would, in general, prefer leisure to work.

A.—Somewhat slightly reduced—not very much.

Q.—Would that result come about in European countries?

A.—Probably it would in Russia and Spain but not in northern countries where the standard of living is higher.

Q.—And that is due chiefly to the fact that the standard of living is high—not on account of the psychology of the southern countries.

A.—Partly that and partly climatic reasons.

Q.—But that would not apply to India, for instance, the Punjab. There will not be any tendency to a reduction in the total gross produce. Now there are two points: one is that he becomes a rent-receiver and the other is that there may be a tendency for the gross produce to diminish. You think that comes about because we are southern people?

A.—I say that that is the tendency with all populations which have not been educated or educated themselves to desire progress and to practise thrift and co-operation. Take the case of Denmark. The condition of the peasants in the middle of the 19th century was one of complete apathy. Now there has been a remarkable transformation as a result of education, and the introduction of democratic Government.

Q.—If you introduce those factors which have been in operation for sometime in Denmark, would you think that the same consequences would result here?

A.—Undoubtedly. I think I indicated that somewhere in my answer. But it is going to be difficult, and the immediate effect of the changes would be as I suggested here.

The President. Q.—You think that the raising of the land revenue would be good for the country?

A.—Yes, for the country as a whole but not necessarily for the good of the individual cultivator.

Q.—Raising it out of the land?

A.—Yes; I still think that is the biggest source of taxation—urban lands and agricultural lands is where the majority of the increased revenue must come from.

Q.—May I take the last portion of your note dealing with the taxation of urban lands? Your scheme is that whatever Government burdens there are, should be converted straightaway into ground rent. Then you would introduce a scheme of taxation on the increment.

A.—No; it is not exactly that. It is a taxation of all value of sites less the improvements, not only the increments.

Sir Percy Thompson. Q.—Do you think it is really possible in a country like India to get at the unimproved value of the land? Because we made an attempt in 1909—12 in England and we failed.

A.—It may be that the failure was due to the fact that it was rather a complicated matter in England. They tried there to fix the basis in a certain year and measure the increment value in a certain number of years.

Q.—The greatest difficulty was to find the unimproved value of all the land in England. You will have to do that here in regard to town land. We failed dismally in England with regard to town land in spite of the fact that we had a large staff of valuers whose business it was to deal with the value of the land and the difficulty was not in finding the

market value of the land but in finding the value of the improvements which ought to be stripped from the land. That was found to be a complicated task there and I should think, *prima facie* that in India where you have no chartered surveyors' profession as you have in England, this ascertaining of the site value of the land stripped of improvements, would be a very difficult task.

A.—A certain number of towns have got either Development Trusts or Improvement Trusts; and they have been constantly dealing with land within the last few years. I have seen something of their work; and I think, on the whole, that the tax would be practicable.

Q.—With regard to these Development Trusts and Improvement Trusts, they are dealing with built-on land or undeveloped land. I do not think with regard to undeveloped land, there is any great amount of difficulty in getting at the capital value. The difficulty is getting at the site value of the lands which have been covered by buildings.

A.—I take it that the site value that would be assessed would be, in the case of old buildings, the value of the land stripped of buildings, assuming it were waste land and about to be developed by a new road.

Q.—Take, for instance, a shop in Oxford street—what is the value of the site, if there is no Oxford street there?

A.—I deduct the cost of building that house now.

Q.—What about the street itself?

A.—As far as the landlord contributed to the cost of the street, I would deduct that. The value of the land has gone up because there is the street.

Q.—It was he that provided the land for the street.

Dr. Paranjpye. Q.—Would you take into account only the improvements made in recent years—say, within the last 30 or 40 years?

A.—I should have a limit. I have not quite decided what it should be. It might be 40 years; that would reduce the difficulties.

The President. Q.—Are you acquainted with the report of the Committee of the National Tax Association?

A.—I have seen the land value maps of several cities in which they give values according to groups—say Rs. 10,000 to Rs. 15,000 per acre; Rs. 15,000 to Rs. 20,000; Rs. 20,000 to Rs. 30,000 and so on. I should think that the lands may be classified into groups in that way. The group rates would be a convenient way of doing it. I do not think it is possible to make very accurate assessments; that is what was attempted in England. But if you have a low rate of tax, not exceeding 1 per cent on the capital value, it does not seem that great accuracy is required.

Q.—If you have a low rate of tax, is it necessary to distinguish between land and buildings at all?

A.—In the suburbs it is. When you come to the central part of a great city, I agree that the value of the improvements is comparatively small.

Q.—You are going to hand over part of the tax to the local body?

A.—Not necessarily. At any rate, it should be a provincial tax.

Q.—You could not merge with the local body's tax?

A.—No; I propose they be allowed to continue the house-tax.

Q.—They also tax on the site?

A.—Yes.

Q.—You get the site tax twice and the building tax once?

A.—Yes; they take usually not exceeding 12 per cent of the rental of the house *plus* the site at present. I propose to take something like 20 per cent more on the annual value of the site.

Q.—This would need legislation throughout India.

A.—Yes; it would.

Sir Percy Thompson. Q.—Assuming you have got over the difficulties of valuation, take the case of A letting to B for Rs. 120; B to C for Rs. 350; and C to D for Rs. 500; and the annual value is Rs. 600. You say you take your proportion according to the rent that each man enjoys. How are you going to do that if you make this supposition? A lets to B

a piece of bare land; B builds a house on it; C adds another storey and D inhabits it. How can you split up the land value when part of the rent is not land value at all but is building value?

A.—It would require that the nature of the improvements made by each person should be investigated. It would no doubt be difficult, but such cases would not be very common.

Q.—They would occur whenever there has been a long lease.

A.—In such a case it is up to the man assessed to make a claim. If his claim is reasonable, it may be allowed.

Q.—It will be a complication; because it will be necessary to adjudicate on competing claims of intermediate holders.

A.—There may be some other system which may be simpler.

Q.—The other system is to make the owner in possession of the rents and profits liable for the whole without power of recovery.

A.—I do not think you could then have more than an infinitesimal rate.

The President. Q.—What have you to say about salt?

A.—All I would say on the subject is that it seems to me to be desirable that salt should be freed from taxation as soon as practicable, if further revenue can possibly be found. But I don't like excise duties on what I call industrial production. There is always a tendency for a considerable waste to occur in the production of articles which are taxed with heavy excise duty; and salt at the present rate, is comparatively heavily taxed. My feeling is that if the tax were taken off and the restrictions on the production of salt which now exist were removed, the price of salt would, in the course of a few years, be reduced by more than the amount of the duty which is taken off. I think the industry is one which is subject to increasing returns by organisation on a large scale, and in the course of some years India might become an exporting country and might export salt to other countries rather than import.

Q.—Do you think India has any natural advantages in the matter of making salt as compared with Aden, Port Said, etc.?

A.—Aden and Port Said have slight advantages over India. But India is nearer to the eastern markets, and I think that if the salt industry is freed from the tax, capitalists might come in and work it.

Q.—But what about the advantages in freight which more than counter-balance any proximity that India has?

A.—That is true, particularly in certain times of the year. That is a factor we have to take into account.

Q.—Was not this matter considered in Japan? Then they decided it was cheaper to continue it as a Government monopoly.

A.—It might be so in India.

Q.—In India you have got large-scale manufacture.

A.—I imagine that it might be carried on, on a much larger scale and especially the Salt Range mines might be developed.

Q.—They have been developed as far as they can be subject to the conditions of railway freight.

A.—Production might conceivably be increased.

Q.—A number of people tried and gave it up.

A.—They have not done it on a really large scale.

Q.—What do you think of Sir Ganga Ram's proposal?

A.—You mean to capitalize the land revenue and to invest the proceeds in the development of industries? Well, that particular scheme seemed to me not feasible for two reasons. Firstly, there was the political aspect of it. Secondly, there was the difficulty of the type of investments that Sir Ganga Ram proposed being far less secure than the kind Government usually invest their money in. It was only by bringing in industrial investment that he made the proposition look so profitable as it looked. The idea was fundamentally sound. Government would be able to obtain in this way very large amounts of capital that are needed for the development of roads and works. If Government borrowings go to 25 crores per annum the rate of interest will be high. The people are so anxious to

redeem their lands, that they will pay at least 25 years' purchase of the revenue redeemed, which would mean that the rate of interest would be something like 4 per cent.

Q.—Is there a large number of raiyats who would fall in with the idea?

A.—I should think so in the Punjab as also in scattered parts of the United Provinces.

Dr. Paranjpye. Q.—Will whole villages be redeemed?

A.—Yes. A certain number of zamindars of the United Provinces have saved money and locked it up in their boxes. They will bring it out when they have the opportunity of being freed from land revenue.

Q.—Would it not lead to administrative difficulties?

A.—I do not think so. As a matter of fact, redemption of land revenue was a rule in the United Provinces in the 60's of last century. There was some rule made that persons might redeem and it was to be permitted to one-tenth of the total area of each district. A good number of holdings were redeemed. The rule was cancelled after five years or seven years.

Q.—Do you think it right for the Government to pledge the future?

A.—I think it is right provided the money so raised goes to the proper development of the rural areas with permanent works.

Q.—What happened to the money paid in the United Provinces?

A.—I do not know.

Q.—The province is poorer year by year.

A.—Yes. The principle is to obtain capital funds and it would be cheap borrowing under ordinary conditions. Money can be safely invested in the development of canals and roads wherever it is needed. It is an indirect increase of the taxable capacity of the people. There is another possible suggestion, that is, that the Government should sell the right to permanent settlement of holdings; i.e., a sort of freedom from enhancement of revenue in future. In that they will lose no revenue at present. But in many cases they will get a substantial sum. I know the zamindars are pretty keen about it.

Q.—Would it not be possible to redeem it provided we would undertake not to impose income-tax?

A.—We could not make such a condition.

Q.—Government might levy a general tax on all incomes?

A.—Government always has that power.

Q.—Does not that power interfere with the permanent settlements?

A.—Yes; but I do not suggest that.

14th April 1925.

RANGOON.*Present:*SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

SIR BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

SIR PERCY THOMPSON, K.B.E., C.B.

The Hon'ble SAHDAR JOGENDRA SINGH....

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Mr. J. S. FURNIVALL, I.C.S. (on leave), late Commissioner of Settlements and Land Records, Burma, was examined.

Written memorandum of Mr. Furnivall.

Q. 1.—The references to Burma in the last sentence of paragraph 3 and in paragraph 5 of the annexure to question 1 are, I believe, inaccurate.

Q. 10.—The scope of the term "land revenue" is explained in general terms in the Report on the Revenue System of Burma, 1922, Vol. 1, p. 12. The details are given, I believe, in the recent annual tables ordinarily known in Burma as General Agricultural Statistics.

I feel unable without further consideration to distinguish the "items that clearly do not fall within the definition of a tax". I should, however, differentiate between a tax and a payment for particular services rendered such as a payment for drainage or irrigation. The revenue accounts fail to distinguish satisfactorily between revenue and water-rate, so that, in that respect it is impossible to estimate quantitatively the extent to which land revenue includes elements other than taxation.

Q. 11.—I do not fully appreciate the intention of this question, but so far as I have any material information it will probably transpire in other answers.

Q. 13.—It is perhaps doubtful whether there is any distinction between a commercial return and a monopoly profit, such as the form of this question implies, and I do not clearly apprehend the nature of a "semi-commercial" undertaking, or what kind of a commercial undertaking it is that is not expected to yield a commercial return to the person who undertakes it.

I take it that the Committee wishes by this question to ascertain public opinion on the question how far Government should expect particular activities to be remunerative. It is easiest to deal with this question by applying it to particular cases. Few, if any, would expect the administration of civil and criminal justice to be remunerative, and no business firm would undertake this as a commercial undertaking if bound by legal codes. The carriage of letters or parcels and the drainage or irrigation of land might or might not be remunerative; most people would, I think, hold that activities of this kind should be self-supporting. The making of bricks and the cultivation of rubber ought to be remunerative. From a collection of similar instances it might be possible to establish a principle, but the application of the principle would depend on circumstances. Speaking in the most general terms, and with reference solely to the problem of irrigation as it ordinarily presents itself in Burma, I am in favour of making irrigation works self-supporting.

Q. 15.—The Revenue Committee mentioned above endeavoured to ascertain the principles adopted for fixing the charge for water supplied for irrigation. The result is summarised on page 26 of their report. From time to time various principles have been announced, mostly in Indian terminology, by authorities acquainted with Indian conditions, and have been interpreted by Secretaries and others, who did not understand them, to officers acting in circumstances to which the principles, if intelligible, would have been inapplicable. In effect, there have been no principles.

All the alternative plans suggested either minimise or overlook one difficulty that in Burma is fundamental. The water is supplied to areas, but the cost must be recovered from individuals. You cannot easily supply water to individuals, or recover the cost from the general body of recipients.

Allowing for that difficulty I prefer the first alternative. I do not understand the second. The third leads to bankruptcy. (Say that rain-fed rice land in Lower Burma yields a ton of paddy per acre, it can and probably does pay land revenue at a rate taken to represent the value of 2 cwt. of paddy; but if dry land in Upper Burma is made to yield a ton of paddy per acre by irrigation costing Rs. 10 per acre, the State drops money unless the land pay more than 2 cwt. in revenue.) The fourth method has not yet been found practicable in Burma. The fifth alternative I disapprove.

Whatever plan be adopted the distinction between revenue and rate should be carefully observed, and accounts should be kept with a view to showing clearly the financial result of irrigation.

Qs. 38-39.—I am not clear whether these questions contemplate that an agriculturist who has already paid land revenue should also pay income-tax. In any case, I am opposed to the suggestion.

It should, I think, be made clear that Burma is not in quite the same position as are other parts of India in respect of this proposal. In Madras and Bombay there is a strong tendency to regard classification and assessment as fixed and to treat the revenue as a fixed charge on the land. That I regard as unfortunate and unnecessary for reasons given in my answers to Q. 96 *et seq.*

Qs. 96-97.—I regard land revenue as a tax on rent. In rich and secure tracts the effect of land revenue on the prosperity of the cultivator is negligible. In poor and insecure areas the effect of land revenue on the prosperity of the cultivator is negligible in comparison with the general distress occasioned by poverty and insecurity. Land revenue, poverty and insecurity combined are far less prejudicial to the welfare of the cultivator than the competitive system which includes the money-lender (and I feel tempted to add as prejudicial factors, the Registration Act and the Civil and Criminal Courts but recognise that one sees and hears more of the harm they do than of the good).

In agricultural economics the Committee should distinguish very critically between conditions in India and Burma, especially Lower Burma.

Q. 99.—See also Qs. 38 to 40. The inequality could be reduced and other advantages would accrue from the adoption of the following principle of revenue settlement, which has other and greater advantages, financially and politically. It is not strictly relevant to this question, but it bears on taxation generally and is less irrelevant here than elsewhere.

The Revenue Committee mentioned above recommended on page 83 of their report that the assessment should be based on the rental produce. Everywhere in India, I believe, the rental produce in some form or other, as rent or as net produce, forms the basis of assessment. The Settlement Officer then proceeds to fix a definite rate, as one quarter of the value of his rental produce to be paid for the period of settlement. Thus, land yielding a rental produce of Rs. 20 may be assessed at Rs. 5.

My suggestion is that the Settlement Officer should stop at the stage of calculating the rental produce. He would do the work of a municipal assessor or valuer. The actual assessment would be fixed at so many annas in the rupee on the valuation of the Settlement Officer. (His valuation would of course, as at present, be subjected to scrutiny and revision where necessary.) This valuation would remain fixed for the period of settlement, but the actual assessment would vary from year to year according to the financial position of the province and the needs of the people. If they wanted to spend more on soldiers or education they could put so much on the land revenue. If they wanted an easy life they could retrench.

This system would pave the way for a sliding scale of assessments on individuals. If the normal rate were four annas in the rupee the wealthy could be assessed at a higher rate, and the poor man, if deemed expedient, exempted.

Q. 101.—Fractionisation is not an urgent question in Burma except perhaps in Kyaukpyu. In a few other localities individual plots run very small. In parts of the Shan States rice land seems to be excessively subdivided.

Mr. Furnivall gave oral evidence as follows :--

The President. Q.—You are a Settlement Officer of long experience and you were the Chairman of the Committee appointed by the Burma Government to examine the land revenue system of Burma?

A.—Yes, Sir.

Q.—In which capacity you studied the land revenue system of other provinces of India?

A.—Yes.

Dr. Hyder. Q.—In Burma, don't you base estimates of outturn on crop cutting experiments?

A.—In paragraphs 3 and 5 of the annexure to question 1, it is stated "The figures are based on rough estimates prepared by the Directors of Agriculture". That is not the case. They are based on estimates prepared by the Settlement Commissioner.

The President. Q.—You say that "the revenue accounts fail to distinguish satisfactorily between revenue and water-rate, so that in that respect it is impossible to estimate quantitatively the extent to which land revenue includes elements other than taxation"?

A.—Yes.

Q.—Is it not possible to take your figures and distinguish between land revenue proper and the various other odd items?

A.—Here I was only speaking about water-rates. In that respect it is impossible to estimate. That is the only point I have mentioned.

Sir Percy Thompson. Q.—You do distinguish the portion of land revenue allocated to the irrigation revenue?

A.—There are figures purporting to distinguish between land revenue and water-rate but they do not pretend to be accurate.

Q.—I ask you because one of the witnesses gave a very complicated formula for determining the proportion of land revenue due to water-rate.

The President. Q.—That is for the purpose of calculating whether particular schemes are paying interest proportionate to the capital cost or not.

A.—I do not think this purports to differentiate satisfactorily between land revenue and water-rate. It gives you some figures. I do not think whoever put in this formula contended that these figures are right.

Sir Percy Thompson. Q.—In some places you have a combined revenue and water-rate?

A.—Yes. In others they are nominally distinct.

Q.—There you actually credit some part of the land revenue to the irrigation scheme?

A.—How far you credit it to the Irrigation Department in any sense either practically or merely theoretically I am not quite certain.

Q.—Are you not extending that idea of having a consolidated rate for land revenue and water-rate?

A.—It may be since my time. So far as I could, I always opposed that practice.

Dr. Hyder. Q.—You don't regard a combined land revenue and water-rate as sound?

A.—I think it is most unsound.

Q.—Mr. Rushton in his statement says: "In the case of Mandalay Canal, for instance, one-sixth of the gross outturn per acre was fixed as water-rate and one-sixth the net outturn as land revenue. Of the latter, however, one-third was allowed as a further credit to irrigation". He further goes on to say: "These separate rates involve great labour and, to simplify matters, in all recent settlements the assessment is based on a consolidated rate for both land and water, of which a percentage roughly based on the formula in the statement attached is credited as the water-rate". Then he shows different districts having different rates of land revenue in different new canals. It looks as if the idea of having a combined water-rate and land revenue has already made some progress.

A.—I am afraid it has.

Q.—If so, you will have to have a formula so as to get an approximate idea of what part of it is allocable to water-rate?

A.—I hope so.

The President. Q.—Did not your Committee recommend any such thing as a joint charge?

A.—Not in the sense of any joint charge.

Q.—In the report it is said: "On the method advocated in this report the Settlement Officer fixes the total amount of the assessment; it still remains to distribute this amount between the account heads of land revenue and irrigation".

A.—The Settlement Officer fixes the amount that the man can pay. For example, supposing the theoretical water-rate should be Rs. 4 and the theoretical land revenue should be Rs. 14 the man would theoretically be required to pay Rs. 14 land revenue, but the Settlement Officer should ascertain the amount that the man can actually afford to pay. We did not recommend in this report that he should be compelled to pay. We only said that the Settlement Officer should determine the amount that the man could pay.

Q.—You fix first of all a combined charge?

A.—No. For individual assessments we recommend the combined charge.

Dr. Hyder. Q.—You say you would lump together commercial undertakings and see if they are self-supporting, not only in irrigation, but roads, forests, etc.?

The President. Q.—I think before you expect an answer from Mr. Furnivall, you will have to explain what we mean. There is a list of them given in Q. 163. Our object is to determine what is taxation to start with before we can propose readjustment. Therefore, we ask you if there is any tax in a semi commercial service like the Post Office.

Dr. Hyder. Q.—(Repeating). The question is whether you would judge each commercial or semi-commercial service separately or you would lump them together. For instance, there is in Burma irrigation, roads, Post Office, etc., would you lump them together?

A.—I would not do so.

Q.—Even in the case of a new province like Burma, you would not do so?

A.—You mean because you are making a profit on the Post Office you might lose on irrigation. I have not considered the point previously, but my first impression is decidedly in the negative.

Q.—You say that "the drainage or irrigation of land might or might not be remunerative; most people would, I think, hold that activities of this kind should be self-supporting". What do you mean by it?

A.—I hold that, just as with capital invested in any commercial concern, expenditure in irrigation or drainage should pay an ordinary fair return on the amount of capital invested.

Q.—Would it include the redemption of debt or of the capital borrowed by way of sinking fund?

A.—That would depend upon whether the State wanted to borrow again or not.

Q.—Suppose there is one million rupees in irrigation works and the rate you are getting is 6 per cent after deducting all the expenses, I mean, the net return. The question is this: They cannot borrow because the interest they have paid comes to 6 per cent. Should they adjust their charges to get a net return which may be 7 or 8 per cent, so that the extra 1 or 2 per cent may include a portion for the redemption of the capital?

A.—I think probably they should, but I am not inclined to give a definite opinion on that point. Is it not a fact rather if they want to raise more capital for the future undertaking they have to clear off part of their debt? As long as that is not done and they are getting a satisfactory return on their money and it is secure, then, as regards that particular investment, I do not see there is any reason to put any redemption charge on it.

Sir Percy Thompson. Q.—Is it not a question whether the undertaking is a wasting asset?

A.—Where it is of depreciating value, that is one of the items to be considered.

Q.—You refer to the Revenue Committee which endeavoured to ascertain the principles adopted for fixing the charge for water supplied for irrigation. Will you please explain to us clearly, the land share, water share and soil share? I suppose the main conclusions of the Committee are that unirrigated land should pay land revenue at a certain rate, and if the land is of better quality or if soil is of better quality, it should pay more; this additional charge would be in accordance with the soil, and that would be soil charge.

A.—Yes.

Q.—Then you will have a further uniform charge on all lands of all kinds if irrigated. That is the water charge.

A.—Yes, that is the system advocated here.

Q.—Then the conclusions of your Committee are that your water-rate must be uniform, and that there should be no variation of water-rate?

A.—I am sorry my impression of the conclusions is a little bit faded, but will you please see page 137 of the report. It says: "The imposition of a flat rate for water is not arbitrary. If an irrigation work be constructed by a private company to supply water to a numerous body of cultivators, the company will look for the largest profit on their expenditure".

Q.—You say then they would have to deal with water in blocks, etc.?

A.—That is the passage I was referring to just now. One need not insist on a flat rate throughout the whole area. It is a matter of convenience. We endeavour to treat the Irrigation Department as a private firm with a monopoly to supply water to the area, and we consider that a private firm in that position would not be able to deal with each cultivator individually; at best, it would have to deal with them in comparatively large blocks.

Q.—You would have one uniform rate throughout these blocks?

A.—That is a matter of expediency. The private firm might decide to cut off a bit from a block and subject it to a little further consideration.

The President. Q.—Your charge for water advantage then would come under water-rate.

A.—You mean some people have better quality of water or get better water.

Q.—If the land is favourably situated with reference to water?

A.—I should endeavour to treat it in the same way as a private company approaching the Legislative Council for the grant of a monopoly to supply water. If the Legislative Council approves the project, the company would approach the public with a prospectus asking for the money. The company would first have to satisfy the Legislative Council as to the manner in which it proposed to deal with the concession, and would then have to satisfy the investing public as to the remunerative nature of the project. The company, within the conditions imposed by the State, would differentiate the charge for water so as to bring in the largest return for their expenditure. I would deal with a State irrigation project on the same principles.

Q.—You mentioned just now that the fact that some lands took up water better than others would be a circumstance justifying a higher rate.

A.—If they could get it.

Q.—According to your classification, I thought that would have been a matter of soil.

A.—Soil rate is rather a misleading term. I cannot think of any differential advantage that it cannot include; a better capacity with regard to water, better position with regard to railways, etc., would all be included in the term.

Q.—Would a private company take all these things into consideration in fixing the rate? They would only be concerned with what the consumer could pay.

A.—Yes; but they would have to get leave from the Council to charge such a rate.

Q.—I am asking you whether the company would not take all they could get and therefore get your soil rate incidentally into the water-rate.

A.—Even if they could get round the Council and the Finance Member, it still would not pay them to take all the theoretical rent. There would still be room for the private landlord. Where the company was dealing with a large area and where administrative difficulties prevented them from taking any further profit, then the private landlords could step in.

Q.—Your soil rate would be the differential value within the block?

A.—Yes.

Dr. Hyder. Q.—If these elements, the land share, the soil share and the water share, are so clearly differentiated, what fault have you to find with the consolidated rate?

A.—It does not follow, because they were clearly differentiated and recommended by this Committee, that they are differentiated in practice.

Q.—If the Government makes too many demands from the people, one by way of land revenue, one for water and one for, say, better situation, the cultivators would complain.

A.—There is no reason why Government should collect all those items separately. I hold that they should be collected at once, but it is equally important that we should show the cultivators exactly what they are paying for.

The Hon'ble Sardar Jogendra Singh. Q.—You have no other reason for objecting to a combined water and land revenue rate?

A.—As long as you differentiate them clearly in your own mind and explain them clearly to the cultivator, I have no objection to collecting them at once or combining them into a consolidated rate. But it seems to me very dangerous indeed not to make such a distinction.

Q.—What are your reasons?

A.—From the ordinary financial point of view, if you are going to spend lakhs of money on an irrigation project, you must know whether it is paying you or not; otherwise you will be bankrupt before you know where you are.

Sir Percy Thompson. Q.—Can you tell what the difference between land rate and soil rate is? The soil rate would include all differential advantages, such as proximity to a railway, etc.

A.—Ordinarily one would talk of soil rate only when there is irrigation. You talk of land rate on dry land, e.g., you might have land rate over the whole of this table at 8 annas a foot, and you being in a most advantageous position as nearer the Chairman might have to pay a bit extra.

Q.—What would you call that?

A.—It could be the soil rate, but as long as the land is unirrigated, one would not think of terming it soil rate. Such distinctions are ordinarily made in Burma and in most other places by "soil" classification.

Q.—Do you want to know any more than the value of the land as it stood before irrigation and the increased value added to it, for the purpose of taxation?

A.—What are you going to tax?

Q.—Here you charge water rate which, as far as I can understand, is not particularly related to anything; it does not purport to represent any fixed proportion of the benefit derived from water and then you get the rest by taking 25 per cent of the net assets as increased by the application of water. You get first of all a water-rate which is not, at any rate, directly related to the benefits conferred by the water and then you get another rate which relates to the water charge by taking 25 per cent of the increased value, viz., value after the water has been supplied.

A.—I do consider it essential to distinguish more than these two elements, because I do not see how you are going to arrive at any satisfactory settlement without distinguishing them. Suppose in Lower Burma you have a man getting 30 baskets of paddy an acre without irrigation on which he pays Rs. 5 an acre; that is to pay for police, education, justice, etc. It

is not simply taken from him for nothing; he gets something in return. In Upper Burma, he has the same piece of land; he does not get paddy at all but grows other products worth, let us say, Rs. 5. Government comes in and irrigates the land. Say the land revenue before irrigation was 8 annas. After irrigation the man produces 30 baskets of paddy; clearly as a citizen he can pay Rs. 5 an acre as land revenue. If the other man is being charged rightly for police, education, etc. (the advantages which he gets) *prima facie*, the man in Upper Burma should pay the same. He should be paying Rs. 5 as land revenue and also enough to repay the Government the cost of providing irrigation, i.e., water-rate. In other words, he should pay Rs. 5 plus water-rate.

Q.—I notice you refer to the gross produce. If the net revenue was 8 annas, one would be inclined to say that the rental value would be Rs. 2 if you take 25 per cent, and that other lands producing 30 baskets at a land revenue of Rs. 5 would have a rental value of Rs. 20.

A.—I was dealing with gross outturn for the sake of simplicity.

Q.—It amounts to the same thing. If you say that the net assets of the land was Rs. 2, you take 8 annas by way of land revenue. If you put water on the land and it produces 30 baskets, the rental value is now Rs. 20. One-fourth of that is Rs. 5. If Rs. 5 is really the full rental value subject to no water-rate, what you have simply done is to take one-fourth of the increased value. First of all you take Rs. 2 by way of water-rate straightaway, and then having done that, you say that the annual value is not 20, but 18, because you have already taken 2. One-fourth of that is 4½; so you take 4½ by way of land revenue and Rs. 2 by way of water-rate. If you do that, I cannot see why you need discriminate between soil rate and land rate.

A.—The discrimination between soil rate and land rate is merely for the satisfaction of the Irrigation Department. By distinguishing these components one can estimate the gross benefit conferred on the country by the activities of the Irrigation Department.

The President. Q.—I understand you recognize that land rate is the land revenue of the land unirrigated.

A.—No; land revenue would include land rate.

Q.—Land rate is equal to the amount collected prior to irrigation; you add to that water-rate which is based on commercial principles. Then you look over your block and find that some lands are getting more benefit out of the water which they get and the differential value is the soil rate?

A.—Yes, I think I can accept that all right, though it is not quite the way we go to work.

Sir Percy Thompson. Q.—May I try again? Suppose you have a piece of land which is unirrigated and its net assets are calculated at Rs. 20. You take Rs. 5 by way of land revenue. You put water on to the land and the net assets go up from Rs. 20 to Rs. 50 owing to the application of water. Now you do not merely take one-fourth of 50, but apply water-rate first and take water-rate of Rs. 10. The net assets go down from 50 to 40; then you apply the ordinary land revenue pitch which is said to be one-fourth of 40, i.e., 10. So you have 10 where previously you had 5. You took Rs. 10 by way of water-rate and the land revenue increased from Rs. 5 to Rs. 10. I think the differential advantage due to water is what you mean by soil rate.

A.—I entirely accept that except on one point. If a man is cultivating dry land, the cost of cultivation is, say, Re. 1 per acre; when it is irrigated and cultivation takes place, the cost of cultivation, apart from the water-rate, might rise, say, to Rs. 10 an acre, which would have to be deducted as well as the water-rate. The water-rate is only deducted like any other additional cost of cultivation would be deducted.

Q.—Do you deduct cost of cultivation in assessing land revenue?

A.—We recommended in this Committee that the revenue should be assessed on the rental produce, which we defined as the rent which a prudent tenant would pay. It includes not only the expenses of cultivation, but the necessary cost of living for that amount of labour which is necessary to cultivate that part of the land.

Q.—How far has that recommendation been carried out?

A.—I understand it has been accepted, but how far I do not know.

Q.—It seems to me that Burma is the one province which does not deduct the cost of cultivation.

The President. Q.—It always does on some scale or another. Do you propose to include the whole cost, including the maintenance of the family?

A.—We do not propose to deduct it as such, but we endeavour to ascertain the true rent of the land.

Sir Percy Thompson. Q.—What I suppose you ascertain is not the cost of maintenance of a family, but the wages which the labourers would get if the family did not do the work.

A.—Partly that. In one settlement this was done; in this case the Settlement Officer calculated what all the expenses came to and he compared them with the rents actually paid and he said the rents were too high. The idea at present is to work at it in two ways: if you could calculate your expenses correctly and if people pay fair rates, the two would agree, so that by working at it in both directions you get towards the fair rate.

The President. Q.—The present is the net profits basis. What you propose to deduct now the true and full cost of cultivation including an adequate allowance for all labour expended by the cultivator and his family on the land.

A.—It is said in the same paragraph of the report (paragraph 106) that the basis proposed corresponds with that understood as the net produce in India, but to call it net produce would tend to confusion with the basis now obtaining, and a distinctive term seems necessary. The balance which remains after deducting the cost of production is the amount which a prudent tenant could afford to pay in rent, and represents in fact the economic rent, the amount by which the land is better than land on the margin of cultivation.

Dr. Hyder. Q.—Suppose you had absolute dictatorial powers in Burma, how would you arrange land revenue and water-rate?

A.—I should say that as regards land revenue it should be based on the rental produce as defined here.

Q.—You would have a certain rate which you call the rate of land revenue. You would have on better soils a higher rate. The lands would be graded according to fertility. You would have on the poorest lands a low rate and the land rate would rise higher and higher according to the degree of fertility. When you introduce water-rates, there would be extra profits which would be a share of the water-rate.

A.—The whole improvement due to water can be called water share.

Q.—If you have a combined system for soil, for land and for water, then you would have a charge for water, whether the land was very good, very bad or medium?

A.—As regards water-rate, I should endeavour to put the officer of Government or whoever was managing it in the position of a private company, approaching Government with a view to obtaining a concession for working that land. I should impose generally the same restrictions as I would on a private company that would get the same concession.

The President. Q.—Is it the position in Burma that cultivators who benefit by Government irrigation should, apart from special considerations, pay a larger proportion of their produce than those who produce an equal amount without irrigation? I understand that, if you have two men with similar land growing similar crops, one of them cultivating with the aid of nature and the other with the aid of a Government irrigation scheme, you would make the man under the Government scheme pay more, including the water-rate.

A.—Yes.

Q.—You would not base the return on the proportion of the net in both cases?

A.—Ordinarily it would so work out that the man under the Government irrigation scheme would have to pay more. Supposing that the cost of cultivation with the water-rate was just enough to counter-balance a fraction of the amount you took for land revenue, then it would make no difference, but that man would be absolutely on the margin of irrigation and ordinarily, if your irrigation was satisfactory, the majority of the land would be above the margin of irrigation.

Q.—Supposing the irrigation scheme pays well, what is the logical ground for making the man who gets water from Government pay more than the man who gets water from nature? That is, if the irrigation scheme is paying the cost of maintenance *plus* the interest on capital cost, no question of charging more in the one case than in the other would arise?

A.—The cultivator would only pay more, because in addition to land revenue he is paying water-rate.

Q.—Suppose you have two fields, one in Upper Burma under an irrigation scheme and one in Lower Burma where there is no irrigation, producing exactly identical returns, how are you going to make the man under the irrigation scheme pay more than the other?

A.—If the man in Lower Burma pays, say Rs. 5, in land revenue, the other man would pay Rs. 4-8 land revenue plus Rs. 4 water-rate.

Q.—Why should he pay more?

A.—The Rs. 4 is the water-rate.

Sir Percy Thompson. Q.—Isn't the reason that he is enabled to get this income out of the land only by the enterprise and action of Government?

A.—That is one way of putting it. That is hardly the way I would like to put it. The man in Lower Burma is paying his fair share, i.e., on an income of Rs. 30 he pays Rs. 5. The man in Upper Burma is paying Rs. 4 to Government for water supplied to him. Beyond that, he is getting 30 baskets of paddy; there is no reason that I can see why he should not pay on these 30 baskets approximately the same amount as the man who is drawing exactly the same income in Lower Burma.

The President. Q.—Would not the same argument apply, supposing that the Government got one house for nothing, say by escheat, and built another for a large sum—an identically similar one, in the same street? Would you lease the one which the Government had paid for at a higher rate than the other?

A.—I should make the man who lived in the second house pay the cost that the Government had to pay. He should pay as much money as would compensate Government for the expenditure; and beyond that, he would ordinarily pay the same rate.

Q.—Why does not the same thing apply to two identical pieces of land under similar circumstances?

A.—Because Government has several million acres of land given it freely in Burma and it very rarely has a house or two escheated to it. It seems to me that where a person is enjoying an exceptional benefit at Government expense, in addition to his ordinary revenue he should pay for that extra benefit that he enjoys.

Q.—Then your water-rate ought to be higher, the more the Government spends on the irrigation works?

A.—No; because you treat it as a private company. The man produces his prospectus and says that he is going to spend, say 50 lakhs. Supposing that is a bad estimate; then it is on that 50 lakhs that you charge.

Q.—Take these two identical pieces of land; if one of them on which money has been spent could pay the higher rate, the other also could pay the higher rate?

A.—It *could*, if you had no principles of assessment. If you want to loot the cultivator, probably you would get double the land revenue, or even take four or five times the present amount.

Q.—He is not concerned with what you spend on it, but only with the return from the land.

A.—You ask why Government should not charge unirrigated land to the same extent as land on which a lot of money is spent; and my reply is that in the one case, it is a payment for services rendered and in the other, it is taxation assessed according to the ordinary principles of taxation.

Sir Percy Thompson. Q.—Suppose you have got a piece of land worth Rs. 20 and another worth Rs. 50; and you assess them to taxation. You take, say, Rs. 5 in the one case and Rs. 12½ in the other. Suppose you bring in irrigation and you increase the value of the first land from Rs. 20

to Rs. 50. In theory you are entitled to take the whole of the difference in value, because it is due to the activity of the State. But it may not be politic to do so. But as a matter of theory the State is entitled to have the whole of the benefit it has conferred. At any rate, it shows that you cannot charge on the same principles.

A.—The consideration is rather abstract. As an illustration of the principle, I accept it.

The President. Q.—Then you say that if you don't take a proportion of the combined output, it would lead to bankruptcy?

A.—Yes, if you do not keep accounts as I thought was the suggestion in your questionnaire.

Q.—No; what we had in mind was the assessment at wet rates such as you have in Madras.

A.—Perhaps I misunderstood the question. I understood that you proposed not to keep any separate accounts for your payments for water but mix them up with the general revenue of the country. I personally hold that this is far too much the practice now in Burma.

Sir Percy Thompson. Q.—I like your answer as it stands, for the simple reason that 25 per cent of the increased benefit, which is about what you get, does not amount to the cost of maintenance of the canals, whether you keep accounts or not.

A.—Yes.

The President. Q.—Is your land revenue definitely limited to 25 per cent?

A.—I do not think it is anything more than a statement of policy. There is certainly no legal limit. Fifty per cent in Upper Burma and 25 per cent in Lower Burma is the ordinary limit.

Q.—Before you undertake your irrigation work—where the combined system is in force—you calculate the return on it, so that it would not lead to bankruptcy?

A.—But in an estimate of this kind Government is apt to include the whole of the land revenue in your return.

Sir Percy Thompson. Q.—Does it not amount to this—that you cannot undertake the irrigation works which would pay, because you are tied to the same proportion with regard to the new output as you get with the old output?

A.—Yes, certainly.

Q.—Why do you say you are opposed to the removal of the agricultural exemption from income-tax? Do you regard land revenue as a tax or a rent?

A.—It is a tax on rent.

Q.—So you say that the agriculturist is already taxed and you do not propose to tax him anything more?

A.—Yes.

The Maharajahdiraja Bahadur of Burdwan. Q.—You say "my suggestion is that the Settlement Officer should stop at the stage of calculating the rental produce". What do you mean by that? Your system is that you assess according to the different kinds of crops. Your land revenue seems to differ from field to field, and your system is different from the system in other parts.

A.—I do not know if there is any great difference as regards the details in the assessment between Burma and other provinces. But what does happen in other provinces, generally speaking, is that the Settlement Officer fixes an assessment of, say Rs. 10, for a holding, while in Burma he fixes it on each individual unit of that holding. There is not much practical difference.

Q.—What do you mean by individual unit? Suppose a man has two acres and another three acres; then do you mean that the rate will be the same for the two acres as well as for the three acres. In Bengal, for instance, the rate will be the same, only the man holding 3 acres will have to pay more; that is, it will be proportionate.

A.—If it is the same class of land, it holds true even in Burma.

Q.—But your classification is a little difficult.

A.—No; our classification is infinitely simpler than in any part of India perhaps excepting the Punjab.

Q.—But what do you mean by saying that “the Settlement Officer should stop at the stage of calculating the rental produce”?

A.—That the Settlement Officer should value the land; that is, calculate the rental value of the land at, say, Rs. 10. I suggest that the actual assessment on that rental value should go up and down like the income-tax.

Dr. Paranjpye. Q.—Further on you say: “This system would pave the way for a sliding scale of assessments on individuals. If the normal rate were four annas in the rupee the wealthy could be assessed at a higher rate, and the poor man, if deemed expedient, exempted.” In that case don't you think that there are certain difficulties to be got over? You must, first of all, fix the holdings and not allow them to be subdivided.

A.—Why?

Q.—Because, otherwise in order to escape the higher rate, all that a man has to do is to subdivide the land.

A.—No; supposing a man pays Rs. 5,000 as revenue and his holdings are scattered all over 20 miles. All I suggest here is a super-tax and a reduction for the poor people.

Sir Percy Thompson. Q.—You say land revenue is a tax on rent; is there any necessity to graduate that at all according to the circumstances of the payers?

A.—If the State wants more money, it can get more money out of the rich.

Q.—That gives the land revenue the character of income-tax. The provinces would lose enormous sums of revenue.

A.—I only suggest that graduation can be adopted if thought expedient: this suggestion is not an essential part of the proposal.

The Hon'ble Sardar Jyendra Singh. Q.—The idea is to bring it in line with income-tax and make it progressive?

A.—Yes, if it is desirable.

Sir Percy Thompson. Q.—Do you advocate graduation?

A.—If the State wanted a lot of money, I should probably advocate it.

Q.—Then what is the difference between that and imposing income-tax on large agricultural incomes?

A.—There is the valuation. I do not pretend that valuation of land for assessment purposes is absolutely sound in every respect; but it is a good deal more satisfactory than the ordinary estimate of income for income-tax purposes.

Q.—Suppose you have a perfect system; what is the difference between your system of graduating the tax on the rental value and super-imposing a tax on large agricultural incomes? That is, what is the difference between graduating the land revenue on the values so found and leaving the land revenue ungraduated as at present and making large incomes subject to income-tax which is a graduated tax?

A.—With land revenue, you have a much better idea of the income than you have with income from other businesses.

Q.—That may be. I am assuming you have got a perfect system of getting at the rental value.

A.—Then it comes to the same thing.

The President. Q.—Even in that case, your rental value would remain whether the land is cultivated or not: whether the man made his income or not.

A.—Yes.

Q.—Your Committee recommended the abolition of crop rates?

A.—Yes.

Q.—Has that taken effect?

A.—I do not think so. It has probably taken effect to a certain extent for some minor crops. It could not take effect really until you got districts coming under settlement where crop rates were most numerous. There have been very few districts resettled since our report was submitted.

Q.—Can you tell us how the crop rate differs from the normal rate? Vide page 124 of the Report on the Land Revenue System of Burma. Is it the same crop rate for all those crops?

A.—No. In different parts of different districts you will have different rates on these various crops; so that along the river it may be Rs. 10 per acre and in other places it may be Rs. 3 or Rs. 4 or even Rs. 2 per acre on the same crop.

Sir Percy Thompson. Q.—Does the land revenue vary each year with the crop rates?

A.—So far as you have crop rates it varies with the crops. But the amount of revenue collected at crop rates is insignificant compared with the total amount of land revenue.

The President. Q.—Does it amount to this: that in the case of particular crops, you have a sort of indirect excise on them?

A.—That is rather a startling proposition.

Q.—Is it not a fact that a man who grows tobacco pays a higher rate per acre than he would if he grew rice on the same land?

A.—Normally, these crop rates are only imposed on lands where you cannot grow the ordinary crops. You could not grow rice on most of the tobacco land in this country. Crop rates are imposed on island land annually submerged. Often you do not know if the land will come up.

Q.—You can grow the ordinary garden crops on some of them?

A.—No.

Sir Percy Thompson. Q.—By having these crop rates, does it mean that you are really adopting a rough way of getting at the annual value by reference to the kind of crop?

A.—Yes; that is the idea.

The President. Q.—On page 24 of the Report on the Land Revenue System, it is stated "crop rates shall only be imposed on impermanent soil, or where especially valuable crops, such as betel-vine, onions, tobacco and sometimes plantations, occupy a limited but considerable area." So there are two cases; the case of the impermanent soil is one and the other is where these crops grow. So that I take it that in the latter case there is a difference between the normal assessment on the land and the assessment on the land cultivated by special crops.

A.—Yes.

Q.—It has been said that one way of taxing tobacco is to impose a crop rate.

A.—Yes.

The Hon'ble Sardar Jogendra Singh. Q.—That is only possible where revenue is fluctuating.

A.—Yes.

Sir Percy Thompson. Q.—Does this kind of thing happen? You have a settlement; you assess a man to land revenue of, say, Rs. 20, because he is growing rice. Suddenly one year the man grows tobacco; now do you increase the Rs. 20 within the settlement period?

A.—Yes; that would be done for the year he grows tobacco.

The Maharajadhiraja Bahadur of Burdwan. Q.—Suppose he went on growing tobacco; would you go on assessing him at the tobacco rate until the period of settlement is over?

A.—Yes.

Q.—Suppose during one settlement the land is settled for 20 years. In the first ten years he grows rice; suddenly he changes it to tobacco and grows tobacco for the next ten years. I take it that for the period during which he grows rice you charge him at the ordinary land rate and for the other period at the tobacco rate.

A.—Yes.

The Hon'ble Sardar Jogendra Singh. Q.—What is the difference between the two rates?

A.—Of course it is only hypothetical. These crop rates are applied to a comparatively insignificant portion of the country and many Settlement Officers avoid them as far as they can. It depends on the terms of the settlement. You classify the land according to the capacity for growing various kinds of crops and not with reference to the growing of a particular crop; you classify on a general valuation of the land.

Sir Percy Thompson. Q.—Still as regards tobacco the whole of the tobacco land in Burma is charged at the crop rates?

A.—No, certainly not the whole of it. The whole of the 106,000 acres (on page 124) is the area under tobacco; but the whole of that is not assessed to crop rate. These are only exceptional cases. The area under cultivation in Burma is 15 to 20 million acres. The occupied area is about 20 million acres. The area assessed to crop rates is a few hundred thousand acres.

The President. As regards the area under tobacco, the figure reported for 1921-22 is 81,000 acres.

Sir Percy Thompson. Q.—What is the extra rate for tobacco?

A.—When you say extra rate it depends upon the terms of the settlement for that particular area. Suppose you have got a big block in the midst of which a river is running. Tobacco is grown on the edges of the river. On that the Settlement Officer would probably levy a crop rate, though perhaps with the greatest reluctance. But there may be tobacco scattered here and there over the rest of the block. In such cases even though there might be in the aggregate an appreciable area under tobacco, compared with the whole area it would be too insignificant to justify a separate assessment. Thus it does not follow that because there is tobacco you will charge extra.

Q.—Supposing a man had been growing rice in a particular area for ten years and he suddenly changes it to tobacco, what will be the rate?

A.—Supposing that land lay in a tract for which the Settlement Officer had proposed and the Government had sanctioned crop rates on tobacco, he would then pay the rate that had been sanctioned in those circumstances.

Q.—It would depend upon the kind of land?

A.—The rate would be fixed over the whole irrespective of the small tract in which tobacco is grown.

Q.—Do you think as a matter of fact the extra rate does amount on an average to as much as five rupees?

A.—It is very difficult to say. For instance, one of the crop rates is an extra rupee charged on any second crop. So that it is difficult to estimate the average.

Q.—I just wanted to know from your own experience some impression of the amount of extra charge. One witness has given the figure as two rupees per acre.

A.—I could not attempt an estimate.

The President. Q.—Who imposes the fluctuating charges?

A.—They are recommended by the Settlement Officer and sanctioned by the Government.

Q.—Year by year who does it?

A.—When the rate is once imposed, the revenue surveyor who measures up the land rates the crops and it is automatically assessed.

Q.—What is the process followed to see that everything is brought right?

A.—Primarily the Land Records Department is responsible.

Q.—Did you form any opinion as to the details of the Madras *jama-bandi* system?

A.—We were only considering the other systems so far as they would apply to this province. It struck us as distinctly cumbersome. We don't think that it would be a useful precedent for Burma.

Q.—Did you form any opinion as to the details of the Indian systems? It is suggested that some of them are breaking down owing to the enormous mass of details.

A.—I should not like to say that.

Q.—You say for the adjustment of *thathamedu* no detailed enquiry by individuals should be attempted, but the rates should be framed on general considerations. What are the general considerations?

A.—If since the last settlement the district has become conspicuously more prosperous by the introduction of roads and railways, there is *prima facie* ground for raising the rate.

Q.—I thought you are referring to the adjustment between inhabitants.

A.—Oh, no.

Q.—Recommendation 14 says that no limitation of enhancement should be prescribed. That is to say, Government should not impose limitation of percentage upon Settlement Officers?

A.—Government ought not to impose them upon itself.

Q.—Such limitations tend to reduce your settlements to absurdity?

A.—Very much, Bombay struck us as the worst in that respect.

Q.—The result is that they are being fudged everywhere?

A.—How far there is fudging I am not able to say.

Q.—Your conclusion is that there is a great deal of fudging?

A.—Let us say adjustment.

Q.—Recommendation 103 says that the question of substituting fixed emoluments for payment by commission as the remuneration of headmen should be examined. You find that the charge for the collection of land revenue is too heavy. It is also felt that it is unnecessary to pay 10 per cent to the headman.

A.—It is not 10 per cent. Nowhere is it 10 per cent except possibly in some of the most remote tracts. I should think it may vary from 3 to 7 per cent. Four or five is the usual figure.

Q.—For the headman's commission?

A.—Yes.

Q.—But according to the evidence of Mr. Rees it is 10 per cent.

A.—He succeeded me as Commissioner of Settlement and ought to know. But I think he must have been speaking there without the book. I have not looked into the figures very lately but I should think that the figure may be put as 5 per cent. I quite agree that some headmen who get 3 or 4 per cent draw very much more than is necessary. In the Myaungmya district there is one man who pays half a lakh of rupees of land revenue. He simply pays so many thousand rupee notes into the treasury and no elaborate process of collection is necessary. But the headman of that village got 3 or 4 per cent on that amount. He is drawing that commission for doing nothing at all.

Q.—Is the headman always paid by commission?

A.—Yes, that is the traditional way of paying them.

Q.—Does the commission find a place in both sides of the account?

A.—I am almost certain that the whole revenue is credited.

Q.—Recommendation 110 says that the Inland Trade Registration Department should be made over to the Director of Industries, and the Commissioner of Settlements and Land Records should be appointed Inspector-General of Registration with an assistant to inspect registration offices and the record of rights. Is it with the intention of amalgamating both these departments that this is proposed?

A.—It is not for amalgamation; it is for co-ordination.

Q.—To maintain your revenue records properly, land records officers should be in close touch with the transactions in registration offices. At present there is no one whose function it is to see that the two departments work together, except the Deputy Commissioner, who has no time to attend to it. Has the Registration Department developed to a stage at which you can keep the record of rights in their charge?

A.—I do not see how they can do it. They don't pretend to register the titles. Registration officers could never keep up a record of rights.

Q.—At present the registration of transactions relating to land above Rs. 100 is compulsory and it is only below Rs. 100 that it is made optional.

A.—He may register something that has not taken place.

Q.—Why should they do that?

A.—There are all sorts of reasons for that. I am not prepared to be cross-examined as to the details of the process, but one of the ways in which a well-to-do man in the delta gets land that does not belong to him is that he either buys the land on behalf of somebody or sells the land on behalf of somebody and registers the fictitious transaction.

Mr. H. F. SEARLE, I.C.S., Settlement Officer, No. 3 Party, Mandalay, was next examined.

Written memorandum of Mr. Searle.

Q. 97.—I take it that by cultivator is meant revenue paying cultivator, and that the suggestion is that the property of such a one is affected adversely by the land tax. This suggestion is not new and has in my opinion been adequately dealt with in paragraphs 29 and 31 of the Resolution by the Governor-General of India in Council No. 1, dated 16th January 1902 (Land Revenue Policy of the Indian Government, pages 35 to 37).

Q. 98.—(1) I consider this criticism incorrect. Government goes to very great trouble and expense to ascertain profits to the cultivators from different kinds of cultivation and different crops before it fixes its demand; whether the results obtained are worth the outlay of so much labour and money, is open to question, but it cannot be said that the cultivator's ability to pay is ignored.

(2) The arguments for and against a fixed assessment have recently been examined by the Revenue Committee. The system of permanent settlement has disadvantages which outweigh the certainty of assessment (vide paragraphs 6 and 29 of the Resolution cited above).

(3) I do not think that this is so in Burma. The official who is directly in touch with the cultivator is the Revenue Surveyor or Settlement Clerk, and in my experience they do not do more than inconvenience, for a few hours once or twice a year, a few villagers to whom the rest of the cultivators make over their interests. It is noticeable that proposals to substitute other forms of taxation for the land tax are not popular with the cultivators.

(4) The figures are given in column 24 of Statement No. 21 of the Land Records Administration Report. The percentage is 15 or 16 for the whole province and is only about 4 in areas where cultivation is secure.

Q. 99.—If the assessment were based on rental value that value could be expressed as a fixed quantity of produce; the cash value of this could be readjusted simultaneously over more than one district.

Q. 100.—The gross income of a working agriculturist, from agriculture, in this district, is Rs. 350 on the assumptions made in the last Settlement Report (1923). The net income, after paying cultivation expenses including cost of living of the cultivator, is Rs. 125, out of which he has to pay Rs. 50 as land revenue (including water-rate). It would not be practicable for a taxing officer to ascertain with accuracy the income of every individual agriculturist, but he could frame an estimate for classes of agriculturists. I doubt whether the exemption of incomes below the subsistence level would induce the further fractionisation of holdings which is due primarily to the Buddhist Law of Inheritance.

Q. 101.—The existing law relating to transfers is a long way in advance of public opinion and is largely inoperative for that reason. I do not consider that further restrictions upon transfers would be more effective.

Q. 102.—The difficulty is that, unless Government is prepared to advance large sums to get waste land newly brought under an irrigation scheme cleared and prepared for cultivation, the pioneers will be slow to come

forward, and those who do appear will be ruined by having to borrow money from usurers who want large and immediate returns. The problem is being tackled by the Colonisation Department.

Q. 103.—A municipality is not a suitable body to control agricultural land, and agricultural land within a municipality should be assessed on principles similar to those applied to adjoining land outside the municipality, the proceeds less cost of cultivation and administration charges being credited to the municipality.

Q. 104.—The incidence should be arrived at by dividing land revenue by the total number of workers engaged in cultivation [Imperial Table XVII, Part II, Clause A, Sub-clause 1 (b), Order II-a, Groups 3-7] and by the net cultivated area.

The advantage of these is that the figures are based on actual enumeration. The objections to the methods suggested are—

(1) The proportion of agricultural to non-agricultural population varies in different provinces.

(2) The proportion of occupied area uncultivated varies from province to province.

(3) Soil units are not understood everywhere.

(4) The pitch of rent or annual value depends largely on the method and person employed to record them.

(5) The value assigned to gross and net produce are not uniform from province to province or even from district to district.

Mr. Searle gave oral evidence as follows :—

The President. Q.—You are the Settlement Officer, No. 3 Party, Mandalay?

A.—Yes, Sir.

The Maharajahdiraja Bahadur of Burdwan. Q.—In reply to Q. 98, you say that you consider the criticism incorrect. You say also, "Government goes to very great trouble and expense to ascertain profits to the cultivators from different kinds of cultivation and different crops before it fixes its demand." Would you kindly tell us what is the criterion on which Government goes to arrive at the margin of profit which is left to the cultivator?

A.—Government aims at attaining an estimate of the net produce of various classes of land, that is to say, on paddy land they aim at attaining an estimate of the net produce from three or four different classes of paddy lands separately.

Q.—Having ascertained the net produce, what is the percentage of assessment that the Government takes on it?

A.—The percentage varies from district to district, but the latest orders are that it is not to exceed half the net, or, as it is now called, the rental produce.

Q.—In other words, in no case the Government's share is to be more than 50 per cent, but on average how much does it work out to?

A.—That is difficult to say, because the percentage varies from district to district, but I should say it was less than one-third.

Q.—Then you mention that it ascertains the profit from different crops. How do you arrive at it? Supposing now there was *jowar* and there was paddy, what would be the average net produce say for 10 acres of *jowar* and 10 acres of paddy? Is *jowar* grown in your place?

A.—Very little.

Q.—Is there any crop which you can give us as an instance? What are the differences in the rates? Supposing there are two kinds of paddy lands, what would one produce and what would the other produce in the 10 acres?

A.—Theoretically, the rate is always the same fraction of the net produce and is arrived at by finding out the value of the crop and deducting the cost of cultivation and those two factors vary with the crop.

Dr. Hyder. Q.—You say you arrive at the net produce by calculating the value of the crop *minus* the cost of cultivation. What would you include in the cost of cultivation?

A.—Until recently the cost of cultivation included what may roughly be termed the out-of-pocket expenses, with certain allowances for cattle replacements. It now aims at being the full cost of the cultivation including the allowance for the cultivator's labour and that of his family and the cost of feeding and purchasing his cattle.

The Maharajahdiraja Bahadur of Burdwan. Q.—But how in the different kinds of paddy, does this cost which you deduct from the net produce differ, because it is a different kind of paddy that is grown, or because the land is different and requires more cultivation or more expenses? Supposing there is A class and B class paddy and 10 acres of A and 10 acres of B, and in the A class the net produce is 50 and in the B class it is 60. What I want to get at is, is there any difference in the cost of cultivation owing to the class of land?

A.—Yes, because the class of land may vary both in the kind of soil and in the facilities for irrigation or freedom from flooding or in other respects in which it is affected by its nature or situation.

Q.—It seems to me from the evidence tendered before the Committee, that what seems to be a most complicated system, in actual practice is quite simple.

A.—Yes, it is simpler than it appears to be because one starts by calculating on the most representative class and varying the cost of cultivation with reference to the differences from that representative class.

The President. Q.—The factors are the outturn and the prices.

A.—Certainly. I think I have mentioned that the outturn would vary. In any case, it would vary in different classes of land, and also the prices to be obtained for the paddy would vary with the suitability of the soil for growing paddy. Poorer land produces paddy which would give lower weight and therefore sells for a lower price. It not only produces a lower yield by measurement, but also a poorer kind of paddy and therefore it fetches a lower price.

Dr. Hyder. Q.—How do you arrive at the calculation of cost of cultivation?

A.—That is the most difficult part of the whole business. After the report was sent up, the system of calculation was changed. The system on which I have been working personally is to ascertain the current rates of hire for all the operations connected with the crop.

Q.—And then to ascertain the total number of working days necessary?

A.—Yes, and the rate per day and the total number of persons required to grow the paddy.

Q.—You would also assume a period of normal life for cattle?

A.—That is one way. The way I did was this. I took into account the hire of a man with his bullocks and I took it that his remuneration covered interest on the capital which he expended in purchasing those animals and feeding them.

Q.—The hire for the man and the bullocks?

A.—Yes. It is very difficult to calculate how much it costs to buy and feed cattle and spread it over a number of years. I tried that way also. We collected statistics, for instance, of the average total life and working life of cattle, and the figures for the usual mortality and for losses by epidemics.

The Maharajahdiraja Bahadur of Burdwan. Q.—In a holding do you get holdings combining paddy lands and other kind of lands, for instance, garden land, etc.?

A.—No, by holding in Burma, we mean land of one kind which would mean either paddy land or garden land.

Q.—Supposing one man had a holding of 10 acres, you mean that that 10 acres would be either garden land or paddy land?

A.—Each class would form a separate holding for our purposes.

Dr. Paranjpye. Q.—We are told of an instance of this sort. Supposing 10 acres of land are charged for rice at a settlement, and after some years the cultivator chooses to grow tobacco within the period of settlement of 20 years, you would begin to charge from the year he would grow tobacco at different rates, so that your land revenue would at once change within the period of settlement.

A.—Yes. The soil class rate, as we call it, would be the paddy rate and if he grows a crop other than paddy he would be charged the appropriate crop rate.

Q.—Supposing he grew a crop less valuable than the paddy, would you reduce his assessment?

A.—There would be different rates for that.

Q.—Supposing he leaves his land fallow?

A.—It is usually not assessed. There are nominal rates in Lower Burma and in Upper Burma it is not assessed at all. Assessment is always on the cultivated land and usually on the matured crop.

The Maharajadhiraja Bahadur of Burdwan. Q.—You say with regard to Q 98 (1) "Government goes to very great trouble and expense to ascertain profits to the cultivators from different kinds of cultivation and different crops before it fixes its demand; whether the results obtained are worth the outlay of so much labour and money is open to question, but it cannot be said that the cultivator's ability to pay is ignored." I would like you to kindly explain to us what you mean by that.

A.—These investigations into the balance left after deducting the cost of production from the gross value very often give disappointing results, especially in cases where cultivation is not the only source of income. When that occurs, it is impossible to justify the rate by saying that it is the prescribed fraction of the net produce.

Sir Percy Thompson. Q.—Why does that arise?

A.—Because you find that the cultivator on your statistics is apparently cultivating at a loss, of course, taking an extreme case, or with a small margin of profit.

Q.—He might be cultivating at a loss. If the gross produce is worth more than the cost of cultivation there must be a *plus* to him.

A.—Certainly, but it depends upon his circumstances and with the means at our disposal it is difficult to ascertain. It may be worth while to cultivate paddy apparently at a loss and to make up the difference by non-agricultural occupations.

Q.—How?

A.—It cannot be really a loss, but there must be some defect in calculating the value of the paddy to him on the spot.

Q.—Do you think there are lands which have no rental value?

A.—Apparently there are some.

The Maharajadhiraja Bahadur of Burdwan. Q.—In such lands does Government reduce the rental value?

A.—I suppose you would conclude that the statistics are incorrect.

Sir Percy Thompson. Q.—Surely the land on the margin of cultivation would have no rental value.

A.—Yes.

Q.—Then you ought to put down its rental produce as nil.

A.—Yes.

Dr. Hyder. Q.—There is no case of margin of cultivation, but there may be a margin of profitable expenditure, that is to say, all lands may pay rents, and there may be no such thing as land on the margin of cultivation, but there may be a margin of the application of labour and capital.

Sir Percy Thompson (explaining).—Land is on the margin of cultivation when the cost of cultivation is just equal to the produce you get; when the value of the crops exceeds the cost of cultivation the difference is rent. If by hypothesis the cost of cultivation is equal to or greater than the value of produce, the rental value is nil. At any rate, the economic person won't go on cultivating land which is not profitable.

Dr. Paranjpye. Q.—When you say that labour costs so much, that means labour would cost so much if the labourers were doing that work entirely for the particular day. On the other hand, the man probably earns his daily wage elsewhere and in his spare time works at agriculture.

A.—That is what I was trying to indicate when I was talking about non-agricultural employment. Perhaps I put it badly and the correct way to put it is that he cultivates the lands as a hobby and earns his living by non-agricultural means.

Sir Percy Thompson. Q.—If he cultivates his land as a hobby and earns his livelihood elsewhere, would you charge him land revenue?

The Hon'ble Sardar Jogendra Singh (interrupting). Q.—What is the percentage of such cases on the margin of cultivation, taking your particular area?

A.—I am afraid that I cannot give you the figures of that.

The President. Q.—Is it not the fact that there is a good deal of land which yields crops during a year of good rainfall and in other years is left uncultivated?

A.—Certainly.

Sir Percy Thompson. Q.—How does he know it is going to be a good year or a bad year?

A.—Well, he looks at the sky. If the monsoon starts well, then they go on with it.

The Hon'ble Sardar Jogendra Singh. Q.—You do not classify land as good, bad, etc., and charge separate assessment?

A.—Yes. Within the paddy land some is classed as good land, some as bad and some indifferent.

The Maharajadhiraja Bahadur of Burdwan. Q.—You say that "if the assessment were based on rental value, that value could be expressed as a fixed quantity of produce; the cash value of this could be readjusted simultaneously over more than one district". I take it that the Settlement Officer would stop at the stage of calculating the rental produce.

A.—I think it would be possible, if the rental value were expressed as a quantity of produce, to convert that amount of produce at any rate which the Government pleases from time to time.

The President. Q.—That suggestion is designed to secure a uniform valuation throughout the province and then you would have a uniform rate.

A.—Yes, that is the idea.

The Hon'ble Sardar Jogendra Singh. Q.—How do you arrive at your prices at a settlement?

A.—The prices are usually calculated on the average of the prices for the last 20 years.

The President. Q.—You mean the last 20 non-famine years?

A.—Yes, the instructions are to leave out the abnormal years.

Sir Percy Thompson. Q.—You say the percentage taken of rental produce varies in different districts. Is it merely because the percentages have been reduced when the settlement comes?

A.—At a new settlement the percentage might be different from that in an adjoining district.

Q.—Take, for example, two districts, coming under settlement together, is it possible that you might have two different rates?

A.—Certainly.

Q.—How do you justify the differentiation?

A.—When fixing the rates, one has to take into consideration things other than the fraction, for instance, the existing revenue.

Q.—You mean you must not increase more than a certain amount?

A.—Yes.

Q.—Is that the only factor?

A.—No. There are other factors, the personal knowledge of the Settlement Officer which might lead him to distrust his own figures.

Q.—Why not correct them?

A.—The figures are collected for him, and he could fudge them, but I suppose it will be more honest to print them as they are collected.

The President. Q.—You say it depends upon the idiosyncrasy of the Settlement Officer.

A.—That is why comparatively high paid officers of Government are put on to this work.

Sir Percy Thompson. Q.—You might have two similar pieces of land in two different districts, one is charged at Rs. 30 and one is charged at Rs. 40. What will the man who is charged Rs. 40 say? Won't he object?

A.—I am afraid very few people read the settlement reports. I think one must have settlement experience to understand these matters.

The President. Q.—One of the difficult problems for us is to arrive at any sort of comparison of the incidence of land revenue in different provinces.

A.—I see.

Dr. Hyder. Q.—On 99, will you please tell me if I understand right? Say the rent or the rental value of a holding is 20 baskets of rice, that is the rental produce. Your idea is that the Government should take, say, one-half, one-fourth or one-fifth and then you would extend this one-half or one-fourth or one-fifth to all the districts of Burma?

A.—Yes.

Q.—Then you will say that this year Government will collect one-half or one-fourth or one-fifth, the price being such and such?

A.—My idea is the fraction taken should remain constant but the conversion prices should vary when the Government wished.

Q.—Because of a change in price? You are going to multiply one-fourth of the net produce, that is, one-quarter of 20, i.e., 5, by the price prevailing in that particular year.

A.—Yes, that would get over the difficulty of different conversion prices in adjoining districts. You would have to adjust the export prices according to the distance from Rangoon. The price of paddy, taking it all round, is ruled by the export price.

Q.—Do they get a steady level with minor fluctuations in the twelve months, I mean the export price of paddy of a particular kind in Rangoon?

A.—I should say that there would be considerable variations.

Q.—Seasonal variations?

A.—Yes; the price usually starts rather low and then rises until it finds its level, depending on the outside demand.

Q.—Supposing you have this system, how would you get over the difficulty, that you will have every year to send out instructions to your headmen that the land revenue for each cultivator is so much? The cultivator will not know how much he has to pay.

A.—I do not contemplate that the rate should be changed every year, but I point out that that is one way of ensuring that there is an equality of conversion prices over the province. It would not be necessary, of course, to tell the headmen, because the tax tickets are prepared in the Deputy Commissioner's office and they would convert it, and the assesses would know when they have the tax ticket.

The Maharajadhiraja Bahadur of Burdwan. Q.—In your reply to Q. 100 you say that you doubt whether the exemption of incomes below the subsistence level would induce the further fractionisation of holdings, which is due primarily to the Buddhist Law of Inheritance. Can you tell us briefly what the Buddhist Law of Inheritance is?

A.—I am afraid I am not an authority on Buddhist law. But roughly, every child, male or female, is entitled to an equal share of the inheritance.

Dr. Hyder. Q.—Is the eldest son entitled to something more than his share?

A.—I believe that is so in law, but popular opinion seems to be against that.

The Maharajahdhiraja Bahadur of Burdwan. Q.—Supposing a man had five children and he had 10 acres of land, the amount each gets would be 2 acres?

A.—Yes, unless they come to some agreement among themselves, which they usually do.

Q.—Supposing the holding remains as a whole, would they share the produce?

A.—That is one way; another is that one of them buys the others out.

Dr. Hyder. Q.—Is a girl who marries and leaves her father's house entitled to the share to which she would have had if she had not married?

A.—I believe so, but I am not an authority. It is many years since I had anything to do with civil law.

The Hon'ble Sardar Jogendra Singh. Q.—How do you arrive at the figure of Rs. 125 as the net income of an agriculturist? Have you any details? Does it consist of food for one man or for the family?

A.—That includes the cost of living of the cultivator and his family while they are helping him with his agriculture.

Q.—Only for a limited number of days?

A.—It is not the total cost of living of the cultivator and his family for the whole year.

Q.—To how many days would you limit this?

A.—That is the average for the whole district for all kinds of cultivation. The main crop, i.e., the paddy crop, is cultivated between June and December.

Q.—So you have taken six months' living for five people in the family; it doesn't seem to be a very large figure for any family to be able to live on and pay Rs. 50 as land revenue.

Dr. Hyder. Q.—You include the cost of the man and his family for six months?

A.—No, this figure refers to all cultivation in the district, some of which takes less than six months.

Q.—I was trying to get an idea as to how many days' labour is included in this estimate.

A.—I should think the average would be between 4 and 5 months, but not every day of these 4 and 5 months, because the Burman cultivator does not work every day.

The Hon'ble Sardar Jogendra Singh. Q.—Is the cultivator in Burma ever able to get away for any length of time?

A.—He goes off and gets firewood from the jungle, but not at any long distance. He cannot get away for months from the fields.

The Maharajahdhiraja Bahadur of Burdwan. Q.—In the course of your answer to Q. 102, where you mention the difficulty relating to waste lands being cleared and prepared for cultivation, you go on to say that the problem is being tackled by the Colonization Department. Is there any new Bill for this colonization?

A.—I believe that something is being done about having Government estates, but I have no details. I believe money is being advanced under the Agriculturists' Loans Act.

Q.—Can you give us any idea as to what this new Bill is?

A.—I have not seen a draft of it. I imagine the idea is to tempt people to come to the land and to give them money to start cultivation.

Q.—What are Government estates?

A.—There aren't any at present, but waste and uncultivated lands in Burma are nearly always State lands and the idea, as far as I know, is that Government should be entitled to any rent that can be got from such land and that they should administer the land directly instead of allowing it to get into the hands of landlords.

The President. Q.—You will take something approaching rack rent?

A.—I suppose it will work up, not to rack rent, but to an economic rent.

Q.—In reply to Q. 104 you say that the incidence should be arrived at by dividing land revenue in two ways, by the total number of workers engaged in cultivation and by the net area cultivated.

A.—These are alternatives.

Q.—You do not like the idea of the pitch of rent or annual value, because it depends largely on the method and person employed to record them?

A.—My experience is that the revenue surveyor, who is the ordinary person employed in Burma to record rents, is incapable of doing so properly.

Q.—Mr. Rees, in answer to the same question, says that he considers (4) the best test, as rents are fixed by economic laws and would thus give the same standard everywhere.

A.—Yes, I agree with that. My point is that we have not at present sufficient trained men to get at those rents.

Q.—Can't you get it from the records in the registration offices?

A.—Yes, the Settlement Officer in charge is capable of finding out fairly accurately what the rents are.

Q.—Mr. Rees, in his answer to Q. 97, says that land tax is passed on to the consumer. Do you agree with that?

A.—I should think so probably.

Dr. Hyler. Q.—Every acre of paddy land or cultivated land is assessed to land revenue at so much per acre. Isn't that so?

A.—Yes.

Q.—I should like to understand the argument involved in it, viz., as to how it is passed on to the consumer.

A.—Presumably, the landowner who gets his return by selling the produce of his land would aim at raising the price against the consumer in order to cover the revenue which he has to pay.

Sir Percy Thompson. Q.—He cannot do it. He will be up against the world price. Surely the essence of rent is that it cannot be passed on.

A.—There is the local customer to be considered.

The President. Q.—Do you agree with Mr. Rees' statement in his answer to Q. 98 that the cost of collecting land revenue is in many districts far higher than is desirable?

A.—Yes; while I am on that, may I correct the figures I have given in 98 (4) of my answer. The percentage should be 5 or 6 and not 15 or 16.

Q.—In reply to Q. 123, Mr. Rees says that the acreage duty on tobacco works well. Do you agree with that?

A.—It works well from the revenue collecting point of view.

Q.—Would it be appropriate to extend that to all tobacco grown in the province?

A.—I do not know what he meant by the acreage duty. This so-called acreage duty is simply a crop rate on tobacco and it applies to all tobacco grown in the province.

Q.—But Mr. Rees says in his answer to Q. 125 that he would recommend the taxing of tobacco by putting on a light acreage duty which would vary with different classes of soil. It has been suggested to us that the simplest way of getting a tax on tobacco is to levy it in the form of an indirect excise. Would it be easy in this province to make your crop rate universal?

A.—It depends on the system of land records you have got in this province. In this province we have 16 in. to the mile maps of all cultivated areas showing each individual field and the area of any field which is cultivated with tobacco is accurately known from an area statement which is also maintained for each field, so that the assessment of the acreage duty presents no difficulties. If these maps and area statements were not available, it would probably absorb a great amount of the duty to find out what areas you have to tax.

Sir Percy Thompson. Q.—Whereas at the present moment your crop rate is fixed, if it was really going to be a tax on the quantity of the tobacco grown, you would have to go much more deeply into it.

A.—Yes, certainly if you were aiming at making the tax productive.

Q.—Even if you were going to put a moderate duty on the tobacco grown for consumption, it comes from a particular area and the rates would vary according to the soil, situation, etc.

A.—I should not have thought it differed more than other crops grown on similar soil.

Q.—We have been told that the yield of an acre of tobacco varies in different parts of the country.

A.—It does, but surely it applies to all the other crops grown on island land which is subject to annual change. At present it is not an excise duty.

Q.—I understand the differential rate would work out to roughly Rs. 2 an acre over and above the ordinary crop rate.

A.—There is no differential rate as far as my experience goes. What happens is that on island lands in the province, i.e., on lands inundated by the Irrawaddy river, it is impossible to put a soil-class rate, because the soil changes from year to year, depending on the strength of the current which passes over it. Consequently, instead of having a flat rate for all kinds of cultivation, you have differing rates for differing crops.

Q.—This report on the land revenue system of Burma contemplates a crop rate in cases where there is a land revenue assessed on land. It says "Soil rates were adopted, and it is now the general practice and apparently the accepted principle that a subsidiary crop shall only be separately assessed on rice land when the main crop fails, and that crop rates shall only be imposed in impermanent soil, or where especially valuable crops, such as betel, vine, onions, tobacco and sometimes plantains, occupy a limited but considerable area." We were told this morning that if at the land revenue settlement the rate was Rs. 5 an acre, and after the tenth year of settlement you allow tobacco to be grown, there would be an extra rate.

A.—Not an extra rate, but a different rate. Supposing the rate which has been going on for ten years was Rs. 2-8-0 an acre on the assumption that the land was going to grow millet and instead of growing millet you grew tobacco, you would have to pay a rate of Rs. 5. It would apply not only to millet, but to all other crops not actually specified. The same thing is done, of course, with other valuable crops like sugarcane.

Mr. T. COUPER, I.C.S., Commissioner, Mandalay Division, Burma,
was next examined.

Written memorandum of Mr. Couper.

Q. 96.—By tax, I understand, a demand which the State makes from a member and which the member must pay by some means or other. By rent, I understand, the difference in the outturn of two pieces of land of the same area when cultivated in the same way, a difference which is the result of natural conditions.

As I have explained above, the Settlement Officer in Burma divides the land into different classes of fertility and finds the net outturn of each class. The difference between the net outturn of one class and another is rent and when he takes a part of this as land revenue assessment, he imposes a tax or rent. As regards the class of land with the lowest net outturn no rent can exist. No one will work this land unless it will yield him as good as a return as he can get by working as a labourer. The assessment which a Settlement Officer imposes on such land is, therefore, not a tax on rent but a tax on wages.

Q. 97.—As explained above, a fourth of the net return is the standard assessment. Although in practice a lower fraction may be taken, the assessment is yet considerable and affects the saving power of the tax-payer. But even if he could save more, the landlord would not ordinarily put the savings into the land in the shape of manure, bunds and drainage. He is much more likely to employ it by trading in cattle, produce or other goods or by purchasing more land.

The cultivator wants security above all. He is much harassed at present by the outbreak of crime. It is a serious matter to him when his cattle are stolen or his crop is purloined on the threshing floor.

The rise in the cost of production and of living has affected him much more than the land tax which is assessed at the same rates for twenty years. Although he gets higher prices for his produce than he did before the war, the increase does not offset the increase in the cost of agricultural implements, food and clothes. The price of articles which compete with imported articles has risen more than the price of articles produced in the country and not exposed to competition from imported articles. I suppose that this is attributable to the enhanced customs tariff.

In Burma the cultivator has to leave his land after harvest and reside in the village. This prevents him making the best use of his land. The rule will probably be altered before long.

Q. 98.—(a) The settlement of land revenue in Burma has, until recently, been made roughly as follows:—

(i) All occupied land has been demarcated into blocks averaging one square mile, and these blocks have been surveyed on the scale of sixteen inches to the mile. Every field in the block has been mapped, however small it may be.

(ii) The Settlement Officer has every fifteen or twenty years visited each block and has divided the occupied land in each block into soil classes according to fertility and has found out the average outturn of each class of land.

(iii) He has found out by inquiry what the average cost of cultivating each class of land is.

(iv) He has found out what the market price of produce has been on the average in each *kwin*.

(v) He has then grouped into assessment tracts those survey blocks in which the average outturns are the same and in which the average prices are the same or nearly the same.

(vi) Working on the average price in the tract he has converted the average outturns per acre into money and deducting the cost of production per acre, he has found the net return per acre left to the occupier. He has then fixed the assessment which each class of land is to pay. He has usually been forbidden to take as revenue more than one quarter of the net return. If much of the land in the tract is left to tenants he has looked at the rents paid to see whether they indicate that the assessment as based on the calculated net outturn is unreasonable.

(b) Adam Smith's first canon is that each man should pay according to the revenue which he enjoys. The system described above satisfies this criterion, for every occupier contributes in proportion to what remains to him after he has paid the cost of production.

(c) The second canon is the canon of certainty: the time and manner of payment and the amount to be paid should be clear and plain to the person who has to pay the tax and to every one else. The main rice crop, the cotton crop, the ground-nut crop, much of the sessamum crop, are harvested between November and January, and the land revenue falls due for payment on the 15th February, a date which every one knows or can know. The assessment is demanded from the tax-payer by the village headman and must be paid within ten days of the demand. This also is known to every one and in these two respects the criterion is satisfied.

But as regards certainty in the amount to be paid it is not satisfied. For the assessment, though the rates on each field are settled, is not a sum fixed on a field to be paid year in, year out. In Lower Burma land which a cultivating owner leaves unworked is assessed at a nominal fallow rate of two annas an acre. Over most of Upper Burma not only is unworked land not assessed at all, but all land which, in the opinion of the Revenue Surveyor who maintains the Survey Block map and prepares the annual assessment roll, has produced a crop below one-fourth of the average outturn, is exempted by him from assessment. If the outturn is bad, but not less than a fourth, then the occupier can get remission of part of the assessment on application. Thus neither in Lower Burma nor in Upper Burma is the amount which he has to pay clear and plain in any year.

(d) The third canon is that of convenience in time and manner of payment.

As noted above the village headman demands payment from the assessee and even if he goes to the headman's house to pay this cannot put the assessee to much inconvenience. Also as explained above, payment

is demanded a month or more after harvest when the tax-payer has had the opportunity of selling part of his crop and of providing himself with money to pay the tax.

(e) The fourth canon is that no more should be taken out of the tax-payer than goes into the treasury.

(i) The land revenue assessment in 1923-24 amounted to Rs. 3,56,09,000. Of this amount, Rs. 20,17,000 were remitted for bad crops and Rs. 6,94,000 were uncollected at the close of the year. That is to say, Rs. 3,29,00,000 were collected within the year. The cost of assessing 356 lakhs was Rs. 21,63,000, and the cost of collecting 329 lakhs was Rs. 20,00,000. In other words the cost of administration and collection was under 12 per cent of the assessment.

(ii) The beginning of the land revenue collection at the end of February is usually accompanied by a fall in the market price of unhusked rice; the necessity of paying the land revenue throws large quantities on the market at one time and the buyer profits at the expense of the seller.

(iii) Revenue Surveyors are paid perhaps Rs. 50 a month on an average and are human. In Upper Burma especially they are often ready for a consideration to omit from assessment fields which should be assessed. When this is discovered, a reassessment is made and the tax-payer has to pay the correct assessment in addition to losing the consideration given to the Surveyor.

(iv) Tax-payers, so far as I know, do not like the visits of the Revenue Surveyor. Even if honest, he is fallible, and if they do not accompany him on his visits to their fields, he may make mistakes. His visits are, therefore, liable to cause vexat on and anxiety.

(f) Over much of Lower Burma crops are secure. In such localities a fixed assessment should be placed on each holding to be paid year in, year out, unless on application made by the occupier for a fallow rate. If this course were adopted, the Revenue Surveyor would no longer be required or at least a smaller number would be required and the cost of assessment would be reduced. Reference is invited to paragraph 223 in the Report of the Burma Land Revenue Committee, 1922.

In Upper Burma the present system fails in so far as Revenue Surveyors do not work it honestly. An experiment should be made in fixed holding assessment in the dry zone also; in bad years suspension of the demand should be admissible.

Although I have quoted figures for the cost of assessment and collection, this is not an accurate manner of speech. The Revenue Surveyor maintains a register of occupation, which is useful as providing a means of proving title, and in part the cost of assessment should properly be debited to the head "land registry". Again the cost of collection represents commission paid to village headmen and this commission is their remuneration not merely for collecting revenue, but for all the administrative and executive duties which they have to perform.

Q. 99.—The price of produce in Rangoon governs the price throughout the province. It has been the practice for Settlement Officers to assume as the price on which to base rates of assessment the average of the twenty years preceding the settlement excluding abnormal years. The average price of paddy in Rangoon in February between 1920-23 was Rs. 176. Between 1911-14 it was Rs. 132. Between 1900 and 1910 the price rose from about Rs. 90 to Rs. 120. Therefore, a district which was settled for 20 years in 1907 when the average price was about Rs. 100 has been assessed more lightly than a district settled in 1914 when the price was about Rs. 107.

The cultivators in such two districts received to this extent unequal treatment, but they were not inequitably treated. It is the State which suffers when its revenue is fixed for twenty years of rising prices. I can make no suggestion how the inequality can be avoided.

Q. 100.—Rs. 2,000 a year is not the subsistence level. I think that the level for a labourer with a wife and two children in Lower Burma is about Rs. 240.

The calculation is as follows:—

A labourer, his wife and two children eat eight milk tins of rice a day. That is, they eat a basket every sixteen days, say twenty-three baskets a year. At Rs. 6 a basket this costs Rs. 138.

Condiments for the family cost As. 3 a day, say Rs. 70 a year. Clothing, tobacco, betel may be put at a guess at Rs. 30.

It is practicable for a taxing officer to discover the income which an agriculturist derives from agriculture. But if his holding is not sufficient for his support, it is not practicable to find out what he and his wife make by working as labourers by carting or by retail trade or by breeding cattle. It would be unfair that a man who works his own land of ten acres getting 350 baskets paddy should be taxed, whereas a man who cultivated five acres of inferior land getting only 100 baskets and making his living in other ways than cultivation should escape a land tax altogether. If a subsistence level were fixed and if a net return below that subsistence level carried exemption from taxation, it seems to me probable that large landlords would split up their holdings into small parcels and pretend that their labourers were independent landlords, so as to claim exemption on the ground that the small parcels produced a net return below the subsistence level.

Q. 101.—Fractionisation arises from the custom of dividing parcels of land equally among the co-heirs on the owner's death. It has not so far become a serious evil in any considerable area of Burma, and I do not think any tax should be imposed on mutations in order to check it. Such a tax would be resented and legitimately as it seems to me. I submit for the information of the Committee a note which I wrote in 1917 when the question of fragmentation was discussed at a meeting of the Board of Agriculture. Though the figures have not been brought up to date, I think that the note is still substantially true. Its lesson is that where capital is easily got, fragmentation is not found.

Q. 102.—The principle is to be seen at work in Upper Burma where all land not held under private title before 1891 belongs to the State; that is to say although the cultivator may enter on waste land and bring it under cultivation and transfer it, Government may take it in any year from him without compensation except for improvements, soon after he has reaped that year's crop. This insecurity of tenure frightens away capital and I do not think that the principle as applied in this way is satisfactory, except in so far as it prevents land from passing to the non-agriculturists. I agree that part of the unearned increment should be secured to the State, but I think that this can better be done by giving perpetual leases providing for revision of rent every thirty years and with a covenant that alienation to a non-agriculturist for more than ten years shall not be permissible.

Q. 103.—In Upper Burma no land revenue is collected in towns unless it is cultivated; fallow land including land under buildings is not assessed. In Lower Burma towns land is assessed to land revenue except plots not exceeding a quarter of an acre which appertain to buildings assessed to a municipal area or rental tax. Both in Upper and Lower Burma, lands over which private rights valid against Government have not been acquired is usually let on a long lease at a stipulated rent, and land revenue is not usually demanded in addition to rent.

It does not seem to me worth while to alter the law in Upper Burma merely to secure uniformity with Lower Burma in assessment to land revenue in towns, for the amount involved is small. Nor do I think that local authorities should be permitted to levy land revenue at their discretion. Where local authorities have contributed by expenditure to improve the amenities of land which Government lease, for rent, a part of the rent should be credited to the local authority.

Q. 104.—Method (1) will be unsatisfactory, if for no other reason than that varying percentages of the population in different provinces will not be agriculturists. Method (2) will not suit Upper Burma where much of the occupied area is not assessed annually. In Burma the soil unit system is not used. So method (3) must be ruled out. As regards (4), rents may be high in one province in consequence of over-population and low in another province where population is scanty; in such circumstances, a comparison of the percentage borne by the assessment to rents will not show whether the two provinces are fairly assessed. Method (5) seems to me most suitable; where the net return to the occupier is known a comparison of the percentage of the assessment to that return will show the comparative equity of the assessment provided that the level of subsistence in both provinces is approximately the same and that the method of reaching the net return is the same.

Note by Mr. Couper on the size and distribution of land holdings in Burma as affecting agriculture.

In the deltaic plain of Lower Burma with its facilities for export, ready access to capital and much cultivation of only recent date, the area of rice-growing land which is owned or cultivated by one man ranges, as averaged over with tracts within districts, from 16 to 85 acres. These holdings are as often as not compact blocks; when not within a ring fence they are composed usually of not more than two cadastral parcels of land. Whatever their disadvantages, minute subdivision is not one. It is often alleged that they are too large for the resources of their owner or tenant to cultivate efficiently. If so, his remedy is easy.

In other Lower Burma districts, most of which lie along the sea coast and in which the arable area is much broken up and is small in comparison with the unculturable waste, with backward communications and a restricted supply of capital, the area of the average holding of rice land varies from 7 to 20 acres. Holdings are largely made up of scattered pieces. In one district the average cadastral parcel is 4.35 acres, in another 5.80. Over a large part of a third, the Kyaukpyu district, it is even much smaller, ranging from 1.14 to 2.42 acres.

In the central zone of the province where cultivation is stable and long established, the rainfall precarious, export markets at a distance, little capital available, and where the cultivator grows crops for his own consumption to a much larger extent than in the deltaic plain, the rice land owned by one man ranges from 7 to 12 acres. This is seldom a compact area; the average parcel varies from 1.54 to 4.12 acres. In the uplands growing dry crops the average holding is larger and runs from 11 to 18 acres. But it too is often made up of scattered and separately cultivated plots, not however so small as the parcels in a holding of wet land. A cultivator often owns both rice fields and upland, so that his holding may comprise in the aggregate six or more pieces of land at considerable distance from one another.

Subdivision arises from the custom of partitioning equally the parents' estates among the sons and daughters. Burman Buddhist Law allows the eldest son a larger share than the other children, but custom is stronger than the law, and as a rule the oldest fares like the others.

At the present time, when the use of machinery is unknown, perhaps the chief disadvantage in subdivision is the waste of labour and of time, serious in view of the small and unevenly distributed rainfall which is involved in moving cattle and implements from one spot to another. Extra labourers are needed for the watching of the different plots at harvest, and it may be more cattle for timely ploughing.

On the other hand, the cutting up of holdings has its compensation. For one thing it makes for harmonious working with other owners. There is no right of way to interior holdings, but neighbours fear to set up a legal obstruction when they are themselves exposed to retaliation in another part of the village tract.* Again every one requires a small nursery for his rice seedlings close to the village, and subdivision for this purpose, though the nursery is often less than quarter of an acre, carries little harm with it. More important is the protection afforded in the dry zone against a short and capricious rainfall; diversity of crops is the cultivator's insurance and this necessitates a holding comprising different soils which can rarely be found together. "It has been estimated" writes a Settlement Officer, "that the area which a man can prepare with one yoke of oxen for the different batches of crops within the time when ploughing must be undertaken for each, is as follows:—

For cotton or early sessamum	...	...	...	...	4 acres.
For <i>jowar</i> and late sessamum	...	...	...	...	7 "
For paddy	...	...	...	...	6 "
For island crops	...	...	...	...	3 "

But even where a man holds land suitable for all these crops, it would be quite exceptional for the season to admit of his getting the maximum

* Report on the Second Settlement of the Meiktila District by W. J. Keith, I.C.S., paragraph 50.

area sown with each. If early rains are tardy, cotton and early sessanum are curtailed. A break in July prevents paddy nurseries being sown; even if sown, deficient late rains or a low river rise precludes their being transplanted. Want of rain in August restricts the area under *jowar*, a late river rise that under island crops."*

Though the area of any kind of soil which a man owns in the dry zone is not ordinarily compact, the area which he works within a soil tract is not necessarily broken. It is common to hire the adjoining plot or to get it on usufructuary mortgage of at least three years' duration; occasionally a title is acquired by exchange. Statistics are wanting, but the evils of subdivision are known to be appreciably mitigated by this freedom of transfer.

A recalcitrant co-heir can insist on equal partition not merely of the whole estate, but of each and every parcel of land which the estate comprises, and even of every piece of different value within that parcel. If such insistence were the practice, subdivision would now be much more minute than it is. But in general the cultivator has too much sense to push his customary rights to an extreme. Accommodation is the rule; one heir is bought out, one takes the upland, another the rice fields and so on. Or the estate is not partitioned, but is held in common ownership and worked by each heir in turn. In the Kyaukpyu district where the parcelling of land has reached probably greater lengths than in any other part of Burma, it often happens that so many persons have rights in the common estate that the return of each to work it comes only once in a lifetime.†

A movement is on foot to obtain for the Burman Buddhist the unrestricted right to dispose of his property by will. How far this power would check subdivision and lead to the formation of large estates in undivided private ownership or under monastic control must be conjectural.

The stamp and registration duties on instruments of exchange are small and it is not likely that their remission or reduction would do anything to make more common the exchange of land.

The administration of the Village Act makes for subdivision. The cultivator is not permitted to reside on his land all the year round; when harvest is over he must return to the village. Were he to live on his holding, he would construct permanent and valuable buildings and equipment for himself and his cattle, and their existence would make it more difficult to break up the estate on his death.

Dr. Mann in the article recently reprinted in the *Agricultural Journal of India* points out that an unreasoning conservatism, impervious to new ideas, is the accompaniment of an excessive cutting up of the land.‡ Judged by this test, subdivision in Burma does not stand condemned. It is rather the readiness of the cultivator to experiment which calls for censure. "So far from being conservative the cultivators of the district appear to lack the necessary caution which would wait and see whether the new seed continued to do well in its new home and under the different circumstances of another season."§ Nowhere in Burma is the size of the aggregate holding so small as to make it uneconomic, and the evils arising from the distribution of the component parts do not seem so heavy as to make legislation necessary except perhaps in Kyaukpyu. In view of the feeling of the Upper Burman for his ancestral land, which has been likened to the strength of religious sentiment, any measure of rearrangement which involves general compulsion, even on a small scale by way of decontamination, seems open to grave objection. If and when legislation is thought necessary, it should probably run on the lines said to be found successful in the Rhine provinces of Germany, where redistribution carried out by a Government official becomes obligatory on all when two-thirds of the farmers in the commune desire it.

*Saging District Settlement Report by L. M. Parlett, i.c.s., paragraph 47.

†Kyaukpyu District Summary Settlement Report, note by the Deputy Commissioner.

‡Volume XII, Part III, page 457, *Economics of a Deccan village*.

§Second Settlement of the Meiktila District, paragraph 51.

Mr. Couper gave oral evidence as follows :—

The President. Q.—You are the Commissioner of Mandalay Division?

A.—Yes.

Q.—You were also on special duty to report on the condition of agricultural labourers last year?

A.—Yes.

The Maharajadhiraja Bahadur of Burdwan. Q.—In answer to Q. 98 you have mentioned roughly the methods by which the settlement of Burma land revenue is made. You say “He has usually been forbidden to take as revenue more than one quarter of the net return”. Is there any Government order on the subject?

A.—The Government contends that it can take half; but as a provisional standard it limits itself to one quarter.

Q.—Is there any order by the Government by which the Settlement Officer is to be guided?

A.—I think there is such a rule in the Settlement Instructions* It is a long time since I did settlement work.

Dr. Hyder. Q.—Is it due to the fact that in Burma in addition to the land revenue, you have the *thathameda* and poll-tax?

A.—No; I do not think so. Poll-tax is not supposed to come out of agricultural income.

Q.—The *thathameda* does?

A.—It is a tax on the income of the household. Households with agricultural incomes are assessed at a lower rate than households with non-agricultural incomes.

Q.—And that is so, because they have to pay land revenue.

A.—Quite so, in Upper Burma.

Q.—And the limit of one quarter is perhaps due to the fact that these households in Upper Burma have got to pay a sort of income-tax?

A.—No; the one-fourth rule applies to Lower Burma.

Q.—Not to Upper Burma?

A.—I could not answer off-hand whether it applies also to Upper Burma.

The Maharajadhiraja Bahadur of Burdwan. Q.—On page 128 of your note you say “If the outturn is bad, but not less than a fourth, then the occupier can get remission of part of the assessment on application”. What does it mean in practice?

A.—The Revenue Surveyor goes to the land with the map and exempts that field from assessment altogether if, in his opinion, the outturn is less than one-fourth of the normal outturn. If the outturn is between one-fourth and three-fourths then the cultivator has to make an application to the Township Officer. The Township Officer will then come and look at his crop and find out what, in his opinion, is the deficiency and will give proportionate remission.

The President. Q.—Are these powers of remission absolute? Is no gazetted officer required to supervise?

A.—The Revenue Surveyor's work is checked by the Inspector of Land Records and by the Superintendent of Land Records. The Township Officer, the Subdivisional Officer and the Deputy Commissioner are supposed to inspect to a slight extent. The Revenue Surveyor has absolute power up to one-fourth.

Q.—But there is no such rule that remission is not given except by the order of the Deputy Commissioner or a gazetted officer?

A.—No, not in the dry zone in Upper Burma where the rainfall is precarious.

Q.—In Madras in dry land, the rate being low, no remission is given at all except by the order of the Government or the Board of Revenue.

A.—The assessment in Upper Burma is fluctuating.

Q.—Does this not give great opportunities for corruption?

A.—Yes; tremendous.

Q.—Are they taken advantage of?

A.—Yes.

The Maharajahdiraja Bahadur of Burdwan. Q.—What is the average pay of the Revenue Surveyor?

A.—I think he starts on Rs. 35. Perhaps his average pay is about Rs. 50.

Q.—How much Government money can a Revenue Surveyor remit? Can he remit Rs. 1,000?

A.—Oh, yes; easily.

The President. Q.—Is this why you advocate a fixed assessment on each holding?

A.—Yes; I should like to see that tried as an experiment.

Q.—That would also be much cheaper?

A.—Yes; the pay of the Revenue Surveyors and the Inspectors would be saved.

The Maharajadhiraja Bahadur of Burdwan. Q.—If it is a fixed assessment, there will also be less corruption.

A.—Yes; I think so.

The President. Q.—It is rather remarkable that the staff here is more expensive than in India, while you have a more elaborate system of collecting land revenue owing to the fluctuating assessment.

A.—The staff is expensive because of the elaboration.

Q.—What I mean is that the charge per head is higher than in India.

A.—Yes.

Q.—Do you consider that the commission to village headmen also is unnecessarily heavy?

A.—No; they must be well paid; they have a lot of miscellaneous duties.

Q.—In some places in Madras the village headman is not paid at all; in other places he is paid Rs. 8 and in others Rs. 4.

A.—He is supposed to be the leading man of the village.

Q.—He may serve for the honour of the post.

A.—They do not serve for honour alone, so far as I have observed.

Q.—Actually could you not get them to work on a fixed pay? We have been told this morning of a case of a cultivator who pays land revenue to the extent of Rs. 50,000 and pays by cheque. The village headman has no trouble whatever on this account and yet he takes commission on it.

A.—There may be cases of that sort; Government is proposing to allow the village headman so much for assessment and so much for commission and then to pay him out of the general revenues in proportion to the amount of work he has to do. That is a recent proposal.

Q.—One headman has several villages?

A.—Yes.

Q.—In answer to Q. 96, you say "The difference between the net outturn of one class and another is rent and when he takes a part of this as land revenue assessment, he imposes a tax or rent."

A.—It should be, on rent.

Dr. Hyder. Q.—Further on you say "as regards the class of land with the lowest net outturn no rent can exist". So that there must be some land which pays no land revenue?

A.—I go to say, it is a tax on wages.

Sir Percy Thompson. Q.—Do you think it right to have any land revenue in a case of that sort?

A.—A landless man is always very glad to get land. I suppose he makes more profit out of cultivation than as a labourer.

The President. Q.—If you once admit that, you cannot impose land revenue which is essentially a tax on rental value.

A.—I must admit that I do not see any defence of it.

Q.—How do you dispose of land which is at the disposal of Government? What is the principle?

A.—It is the right of the first clearer to have it, proved he is an agriculturist.

Q.—If a piece of land is cultivated for a time and is abandoned, is it the first occupant who gets it?

A.—Yes.

Dr. Hyder. Q.—Do you turn off squatters?

A.—Yes, if he is a money-lender or does not belong to the agriculturist class, unless he obtains a lease from the Government.

Q.—If he belongs to the agriculturist class, his title to the land will be recognized by the Government if he pays land revenue.

A.—In Lower Burma after he has paid land revenue for twelve years he gets a good title against Government. In Upper Burma it is not so; but in practice he would very rarely be turned out.

The President. Q.—Is it not a fact that in the dry zone a good deal of land is cropped only when the season is promising and is then abandoned for some years till another good season comes?

A.—Yes. Under the orders, it would be wiped off the map; but very often it is kept on the map and is treated as fallow and pays nothing.

Q.—Does it not come about that in the year in which it does pay land revenue, it also has a rental value? It is only when he gets a crop that he pays land revenue?

A.—Yes.

The Maharajahkiraja Bahadur of Burdwan.—In answer to Q. 97, you say "the rise in the cost of production and of living has affected him much more than the land tax which is assessed at the same rates for twenty years." You also say "As explained above, a fourth of the net return is the standard assessment. Although in practice a lower fraction may be taken, the assessment is yet considerable and affects the saving power of the tax-payer." That is to say, the present assessment really falls heavily on the cultivator owing to the rise in the cost of production and of living?

The Hon'ble Sardar Jogendra Singh. Q.—You mean there is no saving left?

A.—The question was, is the prosperity of the cultivator affected largely by the land revenue? I think it is affected.

Sir Percy Thompson. Q.—I take it there is a good deal of land owned by landlords and let out to tenants.

A.—Yes.

Q.—Does the tenant in such cases pay more than he would pay if he had made settlement direct with the Government? In other words, is the land revenue or the rent greater?

A.—The rent of the private landlord is very much greater than the land revenue the Government gets.

Q.—If the cultivator is prejudicially affected by the land revenue, how much more is he prejudicially affected by the rent he has to pay?

A.—If he got the land free he would of course, be very much better off. I think the question is, "is the prosperity affected largely by the land tax?" He is certainly affected, but I would not say, prejudicially.

The Hon'ble Sardar Jogendra Singh. Q.—There are not many landlords in Burma?

A.—There is quite a large number of landlords; but not large landlords.

Dr. Hyder. Q.—Take a man who is dealing directly with the Government. He pays land revenue to the Government. If he does not pay the land revenue, there would have been more money left in his pocket. But it is not such a burden that he would be reduced to lowering his standard of living.

A.—No, because the land revenue is usually one-third of the rent he pays to the landlord.

Q.—It is not a crushing burden making the man poorer.

A.—No.

The President. Q.—Can you explain the statement in the Report on the Land Revenue System, that nowhere in India does the State claim so large a share of the agricultural produce as in Burma? Other provinces take half of the net assets and you take a quarter of the net assets and you have the most liberal remission rules.

A.—The Government contend that it can take half of the net produce. But it usually limits itself to a quarter. It occasionally goes above a quarter but not very often.

The Hon'ble Sardar Jogendra Singh. Q.—Is it a quarter of the gross produce or of the net produce?

A.—Net.

The President. Q.—The rule that the cultivator has to live in his village is a Police rule?

A.—Yes, it is designed to keep down crime and cattle theft. If the man lives in a village, say, three or four miles away, you don't get him improving the land in the hot weather. Whereas if he lived on the land as a certain number of Indians are allowed to do even here, they dig tanks and they grow a few vegetables and plantain trees and they breed cattle.

Q.—You say that the increase in the price of the produce does not affect the increase in the cost of agricultural implements, food and clothes.

A.—Yes.

Q.—Is it due to the increase in the customs tariff?

A.—I don't attribute it to the increased customs tariff.

Dr. Paranjpye. Q.—Do you mean to say that the cost of cultivation has gone much higher than the increase in prices?

A.—Yes.

Dr. Hyder. Q.—You say "The price of articles which compete with imported articles has risen more than the price of articles produced in the country and not exposed to competition from imported articles. I suppose that this is attributable to the enhanced customs tariff." But there is one important thing, labour. Do you think that that also has been stationary or has there been a change?

A.—I think labour is a little worse off than it was before the war. Labour is paid in money but the rates are fixed in produce. The ploughman will get 60 baskets for his season's work and owing to the rise in the price of paddy, labour is better paid in money. But the cost of living has risen more than the rise in money wages.

The President. Q.—Does the agriculturist in Burma use much more imported goods than in India?

A.—I do not know if he does. At page 7 of my report on the condition of agricultural labour, I give some percentage increases. It appears that the percentage increase in the price of the waist cloth and shirt is much heavier than the rise in, for example, the price of bullocks. The report refers to the year 1923-24.

The Maharajahdiraja Bahadur of Burdwan. Q.—In answer to Q. 99, you say "A district which was settled for 20 years in 1907 when the average price was about Rs. 100 has been assessed more lightly than a district settled in 1914 when the price was about Rs. 107." I take it that is because the price of paddy in Rangoon is varying.

A.—Yes.

The President. Q.—What will it be for a district settled in 1924?

A.—It will have to be worked out. The average will work out very much higher.

Q.—Mr. Searle made a suggestion that the duty of the Settlement Officer should be confined to fixing a valuation which can be varied from year to year with reference to the market prices.

A.—The cultivator would dislike uncertainty very much.

Q.—He would not propose frequent alterations, but this idea seems to be to level up—to get a general valuation—and to apply to that periodical commutation rates. Mr. Furnivall made a similar suggestion. He says “My suggestion is that the Settlement Officer should stop at the stage of calculating the rental produce. He would do the work of a municipal assessor or valuer. The actual assessment would be fixed at so many annas in the rupee on the valuation of the Settlement Officer.”

A.—Yes, but then it would, in practice, change every year. The price of paddy varies very much.

Q.—I do not think that either of them contemplated that there should be frequent changes. Their idea was that if there was a material change, they might reconsider the rates periodically.

A.—The Legislative Council might pass a resolution that there should be so much increase or so much decrease.

Q.—I think the stages are these: the Settlement Officer should be a mere valuer; he has to fix the rental value; the Council is to fix the rate at which the tax should be taken on the rental value; the total value should be stated in terms of rice and commuted into rupees periodically with reference to the ruling prices.

A.—And the Land Revenue would be a transferred subject.

Q.—I do not see why. It will simply be a taxation bill. In every province they are preparing bills because of the recommendation of the Joint Select Committee that the principles of the land revenue assessment must be reduced to legislation. I take it that you will have to do it. This is one of the means to comply with that instruction.

A.—I think the cultivator would prefer to have his tax fixed to having a fluctuating method.

Q.—Apart from this, does the scheme commend itself to you?

A.—You mean the fixing of the rate to be done by the Council?

Q.—Yes. Actually one province has gone to that stage and a bill has been prepared to the effect that every settlement report should go to the Council. That seems to be introducing the legislature into executive business. But it is the business of the legislature to fix the rates of a tax, is it not?

A.—It is a constitutional question, rather than a taxation question. It depends on the powers entrusted to it.

The Hon'ble Sardar Jogendra Singh. Q.—You give a subsistence allowance of Rs. 240 a year?

A.—Yes.

Q.—The income of a farmer is given as Rs. 300. That leaves a remainder of Rs. 60 from which he has to meet all other expenditure.

The President.—Mr. Seale gives the gross income of a working agriculturist in his district as Rs. 350 on the estimate made in the settlement report of 1923.

The Hon'ble Sardar Jogendra Singh. Q.—Have you got the cost of raising various crops per acre? Have you got the accurate figures?

A.—These are the settlement figures. They are more or less accurate. Any settlement report works out the cost of the principal crops of the district with which it deals.

Dr. Hyder. Q.—You have been engaged in an enquiry and I should like to refer to that report. You say that the expenditure for a labourer, his wife and two children is Rs. 240. Let us take it that two children are equal to one adult. Therefore, there are three adults. Rs. 240 per annum would give us Rs. 20 per month for three?

A.—Yes.

Q.—Therefore the annual expenditure of a labourer and his wife with two children is Rs. 240. That is what you say. Is that so?

A.—I say that it is the subsistence allowance. I do not think they can exist on with anything less than that.

Q.—This would come to rather more than six rupees per adult.

A.—It will be more for the man than for the woman. A woman eats less. Are you classing the children as a male adult or a female adult?

Q.—It does not matter. We will take it roughly. For a man, woman and two children if you allow Rs. 20 per month it would work out to six rupees and some annas per head. From your experience of the people of Burma, do you think that a man could subsist in Burma on Rs. 6 per month?

A.—He could not.

The Hon'ble Sardar Jogendra Singh. Q.—You say that the wages of a ploughman before the war was Rs. 30 as against Rs. 50 at present. That is per month, is it?

A.—It is for the season. The season starts in the third week of April and lasts up to the middle of August.

Q.—For four months?

A.—Nearly so. You can get no labourer in Burma to work for Rs. 12 per month. He gets his keep in addition. Perhaps I have put this badly. I am really dealing with the rise in prices rather than with the actual figure of ploughmen's wages. He gets 60 baskets more or less, and the price of paddy may be Rs. 120. He gets his food in addition.

Q.—That depends upon the price?

A.—Yes, and on other matters.

Dr. Hyder. Q.—Are these people exempted from *thathameda* tax and the capitation tax?

A.—No.

Q.—If there are people with an income of Rs. 240?

A.—Taking the price of rice at Rs. 3 per basket, I worked out the subsistence allowance to come to Rs. 240.

Q.—If a man is on the subsistence allowance then there is no *thathameda* and capitation tax?

A.—People who are too poor to pay the capitation tax are exempted by the headman. Exemption from *thathameda* would be given by a committee of villagers or such men will be assessed at a nominal sum.

Q.—Do the *thamedis* perform their duties justly?

A.—I do not think they do. There is a tendency to stick to the village rate and assess the whole village at more or less the same rate. They don't make much allowance for poverty or wealth.

The Maharajahdiraja Bahadur of Burdwan. Q.—In Q. 101 you refer to your note which you wrote in 1917. In that note you mention, I think in connection with the fractionisation question, that a movement was set on foot to secure for the Burman Buddhist the unrestricted right to dispose of his property by will. Has anything fructified?

A.—It has died down.

Q.—In Q. 102 you say, "The principle is to be seen at work in Upper Burma where all land not held under private title before 1891 belongs to the State; that is to say, although the cultivator may enter on waste land and bring it under cultivation and transfer it, Government may take it in any year from him without compensation except for improvements, soon after he has reaped that year's crop." So all lands held without a title prior to 1891 belong to the State and the Government can pounce upon them now?

A.—If it was not in private occupation before 1891, Government can pounce upon it.

Q.—So it does not matter if the man had occupied it for ten or fifteen years, Government has only to say you have got to pay so much?

A.—He has always paid rent. It means that Government can turn him out without paying the cost of acquisition.

Q.—Then you go on to say in Q. 105. "I agree that part of the unearned increment should be secured to the State, but I think that this can better be done by giving perpetual leases providing for revision of rent every thirty years and with a covenant that alienation to a non-agriculturist for more than ten years shall not be permissible". You propose that perpetual leases should be given to these cases?

A.—Some security should be given that Government will not turn him out. In Lower Burma one who is in occupation for 12 years acquires a title against Government.

The President. Q.—In Q. 103 you say that in Upper Burma no land revenue is collected in towns unless it is cultivated. Don't you apply the 1895 rules and take ground rents?

A.—That is applicable to Lower Burma only, and the rules apply only to land that was not occupied before the dates fixed under the Act in Section 4 or Section 6.

Q.—You have considerable power to levy land revenue on non-agricultural lands. It has been brought to our notice that this is one of the items that escape taxation.

A.—The unearned increment should be taxed.

Q.—With regard to rents you say a comparison of the percentage borne by the assessment to rents will not show whether the two provinces are fairly assessed. I do not quite follow that. Does the net return in either case differ very much from the competitive rent?

A.—In the same district you may have one township where there is a large population per square mile and another where there is very little population per square mile. In one township there will be heavy rents and in the other the landlord won't be able to get any rent at all, for there will be no tenants.

Q.—We want some means of comparing the incidence of land revenue in different provinces. Can competitive rent form the basis of a comparison as to whether two provinces are equally assessed?

A.—In some provinces with excess of population the rents are not true competitive rents. The private landlord will too take much and you will have to restrain him by limiting the rent.

Q.—You have got no Tenancy Act?

A.—No.

Q.—Can you give us a better basis of comparison?

A.—I thought what I wrote in my note was better.

Q.—In your report on the condition of tenants you mention that the salt tax imposes a burden of Rs. 1-6-0 per family in respect of the salt used for fish paste. Would you recommend the issue of duty free salt? In other provinces salt for such purposes is issued duty free.

A.—That would mean a considerable cost for establishment.

Q.—What happens in Madras is you have the fish-curing yards to which salt is taken in bond.

A.—What is the cost of the establishment?

Q.—The cost of establishment is recovered from the curers. They don't pay on the salt.

A.—It will be passed on to the consumers. There will be a lot of illicit practices.

Q.—There is an officer in charge with strict rules. It means a lakh of rupees a year.

A.—Transportation in bond and issue at the fish-curing yards is a difficult process.

Q.—The issue will be in a certain proportion to the fish and strict accounts will be kept in respect of the wastage, etc.

A.—What happens to the country-made salt?

Q.—You use the salt most suitable for the purpose.

A.—I do not think the system will suit Burma in the condition in which fish is cured in Burma. It is entirely new to me.

15th April 1925.

RANGOON.*Present:*Sir CHARLES TODRINTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, C.C.I.E., K.C.S.I., I.O.M., Maharajahdiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.,

The Hon'ble SARDAR JOGENDRA SINGH.

Dr. R. P. PARANJPEE.

Dr. L. K. HYDER, M.L.A.

Mr. C. W. DUNN, C.I.E., I.C.S., Officer on Special Duty, Local Government and Public Health, Rangoon, was examined.

Written memorandum of Mr. Dunn.

Q. 106.—The distinction between (a) national or onerous, and (b) local or beneficial services, is borrowed from English political controversy, where it has been used for rhetorical purposes. The idea would not bear transplanting. It is too vague a conception to be of real use in practice even in England. (See "Grants-in-aid" by Sidney Webb, p. 89 *et seq.*) The old canon of ability applies to all taxation. But the old canon and this question seem to me to ignore the shifting of burdens which I think depends on elasticity of supply and demand of satisfactions. Adam Smith probably did not think that his canons were the only principles relevant to practical problems of taxation.

Q. 107.—I am not aware of any additional object suitable for a general object of local taxation. I should prefer to exclude octroi and terminal tax, where (as generally in Burma) they do not already exist; also tolls. As far as practicable I would reduce the multiplicity of taxes. Rental values of land and buildings seem to me the best object of local taxation. But intelligent and educated tax-payers are necessary for the ideally best system of taxation. Taxes which the people would not feel, like a well-contrived terminal tax, do not tend to educate the tax-payers.

Q. 108.—The economic point of view is not the only necessary aspect.

Octroi, according to such descriptions as I have read of it, offends against three of Adam Smith's canons. The expediency of discontinuing octroi in India depends upon local circumstances, with which I am not acquainted.

House and land tax.—Provided the tax is properly assessed on rental values, this appears to be a satisfactory tax (See Prof. Edwin Cannan's "Rates and Taxes in England").

Land cess.—As assessed in Lower Burma, the land revenue cess is approximately under the latest principles of Land Revenue Settlement, a tax on rental values, and satisfactory.

As octroi is not levied in Burma, I need not suggest a tax to replace it.

Q. 109.—All taxes, I think, increase the cost of living unless the burden can be made to fall upon foreigners. I would not make it an objection to octroi that it is not distributed in proportion to the benefits gained by local expenditure. The burden is shifted (except when the tax is new) in accordance with economic laws. So far as my information about octroi serves, I agree with the rest of Armitage Smith's objections.

The terminal tax in Rangoon, I understand, is not costly in collection.

Q. 110.—Does not concern Burma.

Q. 111.—I do not know of any road tolls in Burma. We have canal tolls—the question whether they should be abolished would require elaborate enquiry—few (if any) bridge tolls, many ferry tolls. The ferry tolls are

made a means of raising revenue for local authorities, and are not merely payment for the service. Free ferries are not practicable, I think. The part of the ferry tolls which is taxation for general purposes is perhaps a bad tax, but generally has the advantage of an old tax.

Q. 112.—Why is this question asked? The Committee, I suppose, does not expect enlightenment from amateur economists on the shifting of burdens in taxation. If they merely want an expression of general opinion, I submit that the people who will answer this questionnaire are not fair samples of general opinion. My own opinion, which is obtained from the professional economists, is that the shifting of burdens is in particular concrete cases a very difficult matter, and for all taxes on houses and lands and land cesses (as in the question) impossible. I cannot say whether the owner can always or even generally shift the burden on to the occupier. I believe that in some circumstances the burden is shifted wholly or partly away from both owner and occupier on to the customers, suppliers, clients, servants, etc., of either or both or to other persons, even in some circumstances to public authorities. It is not a practical question whether it is right or wrong to levy these taxes from the owner or from the occupier. It is a question of expediency, in which the old canons of Adam Smith, ability, least disturbance and economy are applicable.

Q. 113.—The maximum limit of cesses has, I think, been raised in some parts of India in recent years. In Lower Burma, the cess is fixed at 10 per cent of land revenue under Section 4 of the Burma District Cesses and Rural Police Act 1880. The Burma Municipal Act 1898, Section 46, fixes a maximum limit of 10 per cent of annual value. I think that there is no need of these maximum limits, and that they should be removed for the reason suggested in the last part of this question. There is a maximum limit to the rate at which the tax "on circumstances and property," in section 26 of the Burma Rural Self-Government Act 1921 may be levied of Rs. 8 per person. The explanation of this maximum limit is perhaps to be found in the immediate purpose of the drafters of the Act whose aim (vide Notes on Clauses) was to convert *thathameda* and capitation tax into a local tax, and the taxes they were dealing with were subject to maximum rates. I have discovered no better reason.

Q. 114.—See Burma Municipal Act 1898, Section 53 (1).

Q. 117.—See above about "national or onerous service". It is an untenable (and I think an obsolete) classification. The principles of grants-in-aid are argued clearly in Sidney Webb's book above quoted. He points out that "the real purpose of grants-in-aid" are effecting a greater geographical equalisation of burdens, and still more important "strengthening the control of the community as a whole over local parsimony or local extravagance." He argues the importance of dealing with all grants-in-aid together instead of considering parts of the system separately, because every grant-in-aid necessarily affects the working of all the other existing grants-in-aid. "The grants must be made, not for services that can be supposed to be more 'national' than others, but in aid of certain definitely selected services, whether locally useful or not, in which the real objects of grants-in-aid can be most conveniently attained, and in the efficacy of which the community as a whole has a considerable, though by no means an exclusive interest."

"Grants-in-aid generally of the expenditure of Local Authorities without specific allocation to particular services are (as Gladstone always declared) wholly injurious encouragements to extravagance. Like the assignment of revenues, they can form no part of scientific finance."

I quote S. Webb's book, p. 98. He cites experience in support. I do not see how the conclusion can be gainsaid.

Webb proposes that the aggregate amount of all grants-in-aid should be fixed for a term of years, but that all grants for particular services and localities should be variable (as the main objects of grants-in-aid require they should be).

The principles of calculation stated by S. Webb in the extract from the Prevention of Destitution Bill 1910 at pp. 109-112 of his book "Grants-in-Aid" are, I think, ideally desirable: and we ought to be guided by those principles so far as is practicable in Burma. There are practical difficulties even in England due to anomalous valuation for rating and lack of up-to-date statistics of population. I do not think that the practical difficulties are so much great in Burma that it is necessary to despair of giving some effect to these principles.

In J. Watson Grice's book (published ten years before S. Webb's book) from a survey of English, French and Prussian practice, he draws seven principles (which agree with S. Webb's doctrines quoted above) as follows (pp. 326-327):—

(1) Grants should only be given to services in which the general interest is predominant, and the expenditure on which it is generally considered desirable to stimulate.

(2) Grants should be made direct by a central department to the local authority in charge of the service, the latter being subject in all cases to thorough inspection and audit yearly.

(3) Grants should be conditional on the efficiency of the service, and variable, so as to increase the effectiveness of the central supervision and control.

(4) Allocations of grants should be arranged so as to minimise the inequalities between different districts in respect of expenditure on locational services.

(5) In no case should grants be given to objects which directly and obviously raise the value of fixed property in any locality.

(6) Subject to these conditions being fulfilled the grants should, as far as possible, and in view of all the circumstances, for financial and administrative reasons, be kept at the lowest proportion necessary to achieve all the purposes of grants-in-aid. They may, however, fairly vary as between the various services, according as (a) the element of general advantage is involved in the efficiency of any particular service, and for which the general purse should pay; and (b) the extent to which the particular Exchequer grant may have a prejudicial effect on the local administration of the service.

(7) For the convenience of the Treasury the total of the grants might be fixed for a certain specified term of years, the details of allocation and the special regulations governing them being subject to periodic revision.

Q. 118.—It is not considered expedient in England, France and Prussia to leave the services of education, sanitation and road making to "local stimulus", and (I think) with good reason. The same considerations apply with more force in Burma. (See answer to Q. 117.)

Q. 119.—Gladstone's simplification of the tariff in England is generally, I think, considered to have been a beneficial reform. Multiplication of taxes on unpopular persons or occupations complicates the difficult business of national finance. Accurate forecasting becomes more difficult for Government, and if Government experts have not a clear view of the whole system, much less can public opinion grasp it. The comparative simplicity introduced in England in the 19th Century did, I think, help Parliament and the public to take an effective interest in good management of public finance. If it is hoped to tax foreigners or foreign capital, the "shifting of burdens" must not be overlooked, and all the other problems relating to taxing foreign trade arise. The proposed tax on sea passengers in Burma is proposed, I understand, as a means of perfecting the collection of existing taxes. Each of the proposed new taxes, when examined, will probably be found to have its own set of disadvantages in respect of difficulty of fair assessment and prevention of evasion. The available brains are all needed for the improvement of existing taxes.

Q. 120.—(1) Jack himself exposes the scandalous corruption of the lowest grades of tax collection in Bengal. It seems to me to be a doctrinaire's proposal. If a universal income-tax were perfectly collected and properly graduated, it would yield too great an income, unless the State assumed more extensive functions than it has.

(2) Income-tax on agricultural incomes is a problem for provinces which have permanent land revenue settlements and Burma is not concerned. Succession duty as a supplement to income-tax deserves consideration. As to the other taxes proposed see reply to Q. 119.

(3), (4) and (5). See reply to Q. 119.

(6) I have not read Sir Ganga Ram's book. I do not suppose that the Committee will think it worth while to examine elaborately so revolutionary a change, contrary to modern ideas.

Q. 147.—The practices of Canada, Australia and South Africa appear to me to be designed for unitary nations. The arrangements of India are at present necessarily directed to financial autonomy of the Provinces. I have not read Seligman's Essays, but suppose that his recommendation was not made specially with regard to the circumstances of India. In India, I think, the Governments of Provinces should be free to develop their

provinces and to improve their own finances with as much independence as the present existence of a Central Government in need of revenues allows. "Divided" sources of revenue, and still more the assessment of taxes by the Indian Government would prevent that. Prof. Seligman's composite system seems to be designed for a system of national and local finance within a unitary state, where the local authorities are agents of the Central Government. I think the present arrangement of separation of sources is generally suitable. I have not studied the calculation of the subventions paid by provinces.

Q. 148.—It seems obvious that India has complicated its finances, and particularly the problem of stabilising customs revenue, by the adoption of the policy of protective customs duties. But with income-tax, which is capable of improvement, and other sources yielding nearly half its revenue (about 44 per cent in 1922-23), the Indian Government cannot be said to be dependent "almost entirely on customs revenue".

Q. 149.—The division seems to me *prima facie* roughly and generally equitable—(Central and Provincial Revenues at pp. 18 and 30, Finance and Revenue Accounts and Statement No. 13, at p. 62). So far as I know, there are no satisfactory estimates of the comparative wealth of the proceeds, since Burma appears to contribute to the Central Government. Elaborate analysis of the revenues too would be necessary for any nice adjustment. Are the yields from minerals and forests to be taken into account in the same way as taxes? The burden of Burma shewn in Statement 13 of the Finance and Revenue Accounts—Rs. 7,666 per 1,000 of population (excluding customs and salt)—is *prima facie* heavier in relation to national wealth than the burdens of Bombay Rs. 9,753, Bengal Rs. 2,596, Bihar and Orissa Rs. 1,452, Punjab Rs. 3,048: these disproportions point to the fact that the Governments of Bengal and Bihar and Orissa (handicapped by the permanent land revenue settlement) raise relatively little taxation for provincial purposes.

Q. 150.—See answer to Q. 147. Is it intended to enable Bengal and Bihar and Orissa to evade the duty of bearing burdens relative to wealth proportionate to those which other provinces sustain by giving these favoured provinces a share of income-tax or customs?

Q. 151.—Yes.

Q. 152.—Not clear. What are "national markets" in respect of India (and Burma)?

Q. 153.—The few export taxes that exist, in so far as the burden of them rests on the producers, as it probably does in the case of the rice export tax in Burma (since Burma does not control an inelastic market) seems to me to impose an unfair burden on the province that pays the tax. The burden of the jute export tax is I suppose borne to a greater extent by foreigners. Failing abolition of rice export tax I would let Burma have the proceeds, since Burma appears to contribute to the Central Government more than is justifiable on the principle of "ability".

Q. 156.—Income-tax and succession duties should be at locally uniform rates and should be under the control of the Central Government. I see no sufficient reason for division of the proceeds.

Q. 159.—See answer to Q. 147. I would separate the sources of income of India and of the provinces as far as possible.

Q. 160.—I agree except about additions to income-tax as to which I am doubtful.

Q. 161.—I think the Lower Burma land revenue cess is satisfactory as a local tax, except in being fixed at 10 per cent of the land revenue. I am not aware of any need for a maximum limit in Burma: and it is inconvenient.

Q. 164.—Pawnshops are now licensed by local authorities in Burma and auctions of the licenses yield large sums in certain districts. There is administrative convenience in this system of monopoly.

Q. 165.—The conditions of the case described by Bastable do not exist in Burma. They may, perhaps, exist in Bengal and Bihar and Orissa.

Q. 166.—No.

Q. 167.—Yes.

Q. 168.—It is possible that Revenue Surveyors may be made use of in the assessment of local rates under the Burma Rural Self-Government Act, 1921. It will be an advantage that they are independent of the local authorities and possess departmental training and experience.

Mr. Dunn gave oral evidence as follows :—

The President. Q.—Mr. Dunn, you are on special duty?

A.—Yes, Sir, in the Ministry of Education, Local Self-Government and Public Health in connection with the overhauling of the finances of the district councils.

Sir Percy Thompson. Q.—I gather from your note, you do not agree to the classification of services in two categories, namely, (a) national or onerous. (b) local or beneficial.

A.—I have not thought the subject out myself, but I understand the expert opinion is against it. It seems to be a confused idea as far as I can see. Sidney Webb takes a few of the principal services which people call national, and points out that they are largely of local interest, and points out instances of certain discrepancies.

Q.—That distinction was taken by the Royal Commission of 1901 and endorsed by another Departmental Commission of 1911. Don't you think in the end that Sidney Webb comes to precisely the same conclusion as they did and thereby stultifies himself at the end? I will read a passage here: "With regard to the aid that they get from the national exchequer, it is desirable that they should feel that it comes as a recognition of the fact that the local service thus aided is one which is performed, not for the locality alone, but, in part at least, in furtherance of the interests of the community as a whole, and that accordingly the community as a whole has a right to satisfy itself, by the inspection of the expert officers of the central departments concerned, that the service is performed at least up to the extent, and with at least the degree of efficiency, that the community may, in its own interests, from time to time prescribe". You will see that the local service is one which is performed not for the local authority alone, but in the interests of the community as a whole.

A.—Well, I might say the thing is a little bit confused. If you compare what we do in England and what we do in Burma, you will find that there is a very great difference. For instance, in England, the police service is treated as a local service, but here in Burma, the police service is treated as provincial. You cannot tell the Burma Government, as a matter of principle, that police is a local service.

Q.—There is not really much between us. We both agree that the police is one which is partly subsidised from the provincial finances. You say in Burma that it should be administered provincially, and we in England say it may be administered locally, but any way it is subsidised by the Central Government.

A.—It is really a matter of administrative convenience; I do not think there is any clear principle about it.

Q.—It is not about the administrative convenience we are concerned now. The real point is who should pay for it. Both Burma and England agree in principle, but the difference is that in Burma you pay the whole of it, but we, in England, pay part of it.

The President. Q.—Actually, in Burma you pay your rural police from local cesses?

A.—No. The original intention was that the village policemen called *gaungs* were to be paid from a cess. It is only in half a dozen districts that one or two old *gaungs* still survive. But now the cesses under the Burma Rural Police and District Cesses Act are applied to other purposes; it is not really a police cess now.

Q.—What do you mean by the last sentence but one in your reply to Q. 106? Does that mean you are not to look at the person by whom the tax is paid, but who ultimately bears it?

A.—Economists would do that. For instance, in the matter of local rates, Camman says that the English local rates which bear entirely on the rental value of land and houses are an excellent and fair system, and he argues that local rates on land are passed on to the shopkeepers and from the shopkeepers to the customer, in fact, to the whole population,

because the rates have long been in existence. The history of the old dimes and quinzies in England and of the English land tax shows the same thing. They made great struggles, I think, in the sixteenth century to put a tax on everybody, that is, to tax merchants, stock-in-trade, etc. There were practical difficulties, and they could not do so. Even in the eighteenth century when the landed interest governed the country, they could not succeed in putting the poor rate on anything but lands.

Q.—With regard to the land tax it was 4 shillings in the pound on the annual value of the land, and it was really a rough 4 shillings in the pound income-tax. During the Napoleonic wars when they wanted ready cash, they cancelled the tax on the personal income, and redeemed the land tax.

A.—I think that the local rates had something of the same history. I think the present system of local rates on the rental values of the property was derived from taxes originally intended to tax everybody. Practically, it could not be done as it was difficult to tax traders.

Q.—You say the rate was probably passed on to the consumer?

A.—That is Cannan's idea.

Q.—Your point is that you must look at the person who ultimately pays?

A.—The economist has to do that, but the practical politician has quite a different question to deal with. He has got to find out who is the easiest person to make to pay. That is a psychological question. It is not a scientific question of incidence with him. The politician has to consider other facts also.

Q.—Take, for example, octroi, it is a very easy thing to collect and all the merchants can pay. We are taxing all the necessaries as heavily as possible; would you not take into account in this case, the fact that it is passed on to the poorest class of the population?

A.—Well, I suppose, economists would say that the poorest people pass it on in their turn to others. A tax on the labouring classes tends to put up wages.

Q.—But don't you agree that taxes have a tendency to lie where they are placed?

A.—I am not a professional economist. It varies according to the conditions of the country, and in the long run they will find their natural level.

Q.—It will take a long time?

A.—That would depend upon the conditions; in some countries it would spread faster than in others. For instance, in a place like England, wages adjust themselves pretty quickly.

Q.—I doubt it. Supposing you had octroi in Burma, would it not raise the cost of living among the working classes?

A.—In England it will be quicker. There they would probably raise their wages at once.

Q.—But, Birmingham is competing with Manchester where there is no octroi.

A.—They probably wouldn't have octroi at all in England.

Q.—I think the politician must, to a certain extent, look at the ultimate result. Look at the agitation for the free breakfast table.

A.—That was a political question relating to the first impact of the taxes. I think economists would say that the taxes in course of time will find their own level.

Q.—You will please refer to your answer to Q. 112. You think that the house and land tax is the fairest tax by which a local authority can raise its revenue?

A.—I think it is a good tax as in England where it is an old tax. The difficulty seems to be for the politician that he has to impose a new tax.

Q.—Supposing you had a clean sheet and it was a question of raising money for the local authorities, what is the main tax which you would suggest to the local authorities to raise their revenue?

A.—I think in a place like Burma which is an agricultural country, the cess on land revenue would be the best thing.

Q.—That is, in effect, a tax on the annual value of lands. But what about towns?

A.—I do not know very much about towns. I should think the tax on the rental values of houses or lands in the towns is the best tax. In municipalities the Local Government has been trying to induce them to accept the principle of a tax on rental value.

Q.—How did they raise their revenue before?

A.—Formerly, the tax was levied on areas covered by buildings or on frontage.

Q.—They prefer to rely upon that system rather than put on the house tax?

A.—Yes, Mandalay has practically given in now, but very reluctantly, and Government is forced to compromise on the question of graduation of the tax.

Q.—Assuming you raise the revenue in the country by means of cesses and in towns by means of house taxes, who is the proper person to pay?

A.—In the land revenue system, Government can take the money from anybody connected with land, it is taken from the land, so to speak.

Q.—I am not talking about land revenue, but I am talking about the cess. Is it right that the landlord should pay it?

A.—The cess is paid by the person who has to pay the land revenue. It must be remembered that ultimately the landlord is liable to pay, and if he does not pay, he will have his lands sold. He does pass it on. He does not say how much is for rent and how much for tax.

Q.—There is no control of rents?

A.—No.

Q.—In most of the parts in India where there is a tenancy law, ultimately the burden falls on the landlord.

A.—We have not got any tenancy law here.

Q.—You have no personal knowledge of octroi?

A.—No.

Q.—You have no road tolls in Burma?

A.—No.

Q.—You have tolls for ferries. Is the charge just intended to cover the cost of maintenance?

A.—They are levied under the Ferries Act. I suppose the toll was intended to provide for improvement in the ferry service, but in point of fact, they yield a very large profit and is one of the principal sources of income to the local authorities.

Q.—All those incomes go to the funds of the local authorities, and not to the Provincial Government?

A.—Yes. The ferry tolls are a bad tax, because the poor people pay them, but they have the advantage of being an old tax.

Q.—You say that the limit of the cess is 10 per cent of the land revenue. Do you think that limit ought to be abolished?

A.—I think it should be abolished. It is a fixed rate in practice. It is 10 per cent all over Lower Burma. There is no cess in Upper Burma. In Upper Burma, the local bodies depend largely on the provincial contributions.

The Maharajahdhiraja Bahadur of Burdwan. Q.—You say it is 10 per cent and is only assessed in Lower Burma; what sort of cess is it?

A.—It is a cess under the old Act of 1880, and the object of the cess includes the rural police, which are no longer maintained.

Sir Percy Thompson. Q.—You say there is no local taxation in Upper Burma?

A.—Yes. Practically there is no local taxation, unless you treat ferry fees as local taxation. There is no cess that belongs to the local bodies. Of course there is the *thathameda* problem which is held to be intended for local purposes but is actually taken by the province,

Q.—The district councils have the power to impose a tax on circumstances and property, and when they do it, the *thathameda* tax will cease automatically?

A.—Yes.

Q.—Are they doing it now?

A.—One or two districts have proposed it but they have not yet realised the full significance of the step and nothing has yet been done.

Q.—Is it not the fact that Lower Burma pays for the local expenses of Upper Burma?

A.—Of course to some extent it is so. The Lower Burma districts raise six times the revenue of Upper Burma for local purposes.

Q.—Is it realised that that is wrong?

A.—Yes. I do not know whether it is realised generally.

Q.—I mean by Government?

A.—Yes, Government does. The Hon'ble the Finance Member recently gave me instructions to prepare proposals for a cess in Upper Burma, but it was dropped on account of political considerations.

Q.—What would be the effect if you told the local bodies in Upper Burma that unless they raised a sufficient portion of their revenue by taxation, you would not give them any grant-in-aid?

A.—Of course, our present object is, after getting complete knowledge of the financial position, to try and see if they cannot be enticed to tax themselves.

Q.—Do you think the effect of stopping grants would be that the services will go to the dogs?

A.—Many people say so, but I do not think so. It all depends on the working of these local self-government institutions. The Burmans are quite good material for the democratic form of Government, and they will follow their leaders. All that is wanted is to have a few people with some enlightenment on the district councils and make them representative district councils. I think there will be few men who would raise any objection, if you raised, for instance, a cess for education.

Q.—There is really a local stimulus?

A.—At present there is no local stimulus, but there is only a potential stimulus, and if you try to do it this year or next year, perhaps they would say that they won't raise taxes. At present our local bodies are not representative.

Q.—Suppose they did let the services down, would the inhabitants kick up a row?

A.—I think in the course of time, they would do so. I think, for instance, they would do so in the case of education as there is fairly a strong body of rural schoolmasters.

Q.—You agree with Grice's principles as to the basis of grants-in-aid?

A.—Yes.

Q.—What in effect they come to is, that the Provincial Government should have more control over the activities of the local bodies.

A.—Yes, I suppose so. On subjects Government is concerned with.

Q.—Is there any tendency for the Provincial Government to assume greater control over the local bodies?

A.—There is always the tendency of the departments to tighten control.

Q.—Don't you say that you will not give the grants, unless the services are properly rendered?

A.—It has not come to that stage as yet. Up till now the Deputy Commissioners were actually running these institutions. It may lead to that hereafter and it ought to lead to that.

The President. Q.—Regarding the classification, police was one of the original functions of the local bodies?

A.—We did not start local bodies till 1922. It was all the Deputy Commissioner's cess fund.

Q.—I am referring to the legislation of 1884, the original legislation which introduced local self-government in India.

A.—Burma is always kept out of these reforms. We never had any local self-government in Burma till recently.

Q.—I am only asking, whether the police was a local charge to a great extent. The initial local self-government legislation included the police?

A.—I do not know the position in India, but in Burma we had only the Rural Police Act which was copied from India. The idea was borrowed.

Q.—It is still in force?

A.—Yes.

Q.—As regards cess on land revenue, is it only on land revenue proper that the 10 per cent is taken?

A.—It is taken on all land revenue proper in Lower Burma.

Q.—What is the land revenue proper? Does land revenue include anything else?

A.—I think it includes the credit for embankments. Part of the land revenue is credited to public works and embankments.

Q.—Would you charge cess on water-rate?

A.—Well, that proposal wants qualification. When the proposal was made by the Hon'ble the Finance Member, we found that in Upper Burma a poor district like Shwabo would have a cess which came to a very high percentage per head of the population, and it was suggested that it was reasonable that the water-rate should be divided, part of it should be counted as land revenue and cess charged on it, and part of it should be counted as payment for water supplied. Certainly, the land revenue credits in Upper Burma canals are relatively small. I would probably charge cess on land revenue and on such part of the water-rate as represents what Government would charge for land.

Q.—Would you charge it on minerals and oil? Bengal has more than one special Cess Act. There are two cesses on coal mines, one is a cess levied on profits and the other is a local cess levied on raisings.

A.—I do not see how you can work it out here. Oil is very much concentrated and if a cess on oil was raised for local purposes it would enrich one district.

Q.—Do the oil people pay for their own roads at present?

A.—There is a controversy about that; they contribute a little, but not very much.

Q.—The solution they found in the Central Provinces was to give the oil area its own district council and then levy a cess on income or raisings.

A.—A similar proposal is now before the Minister for Local Self-Government and Public Health. The problem of dealing with the Yenangyang oil-fields has been discussed for about seven years. One proposal was to have a notified area under the Municipal Act. The latest suggestion is to have a local fund.

Sir Percy Thompson. Q.—How is it proposed to raise the local fund?

A.—It would get its income, as most of our funds do, from bazars, slaughter-houses, cattle-pounds, etc., and it would get a subvention from Government to meet the cost of the services.

The President. Q.—You have not yet arrived at any exact definition of what ought and what ought not to pay a cess?

A.—No. I have not considered the question of minerals, because our cess in Lower Burma has been on land revenue proper for years.

Q.—Are the rents of fisheries land revenue proper?

A.—No. In Lower Burma fisheries do not pay any cess.

Q.—Objection has been taken to this cess arrangement in other provinces that the local bodies' income ought not to fluctuate with the season. In Burma it would apparently fluctuate far more than in any other province, because of your fluctuating assessment.

A.—I saw some papers about the Indian practice in connection with the borrowings of local authorities. I understand that in the United Provinces

they do not remit the cess when they remit land revenue, so that the cess may be collected with the next collection of land revenue. Meanwhile, the local body is allowed to have an overdraft; that was an order issued by the Government of India.

Q.—I think in most provinces the cess is quite separate from land revenue, and it so happens that they want money most when their income is least.

A.—We have had some cases like that in the Prome district; this problem has not been dealt with at all.

Q.—In regard to the income of these bodies, I see it stated in the Municipal Committee's report that but for the income from markets they would not be able to carry on.

A.—Yes, they get a big income from markets.

Q.—Is that not indirectly a tax on trade?

A.—Yes; it is only partly a payment for services rendered. The local funds get far more than the value of the services supplied. They collect the tax even from markets which have no buildings or temporary sheds, and they may collect even within half a mile of the market precincts.

Q.—It has the same effect as octroi or a tax on transactions.

A.—Yes, I suppose so.*

Q.—One source of revenue peculiar to Burma is pawn shops. Can you give us any idea as to the origin of that?

A.—I think pawn shops in municipalities come under the Municipal Act. They have been dealing with them for some time. But in the case of rural councils, the pawn shops were only brought under regulation by notification under the Burma Villages Act in 1920 or 1921. The Deputy Commissioner was empowered to issue licenses and to charge fees or put up licenses to auction.

Q.—Is this a purely revenue measure?

A.—No. I think it was partly administrative. It helps the police to have the pawning done under regulation.

Q.—Who resorts to these places? The Burmese population?

A.—Yes, there is a regular part of the system of banking and finance. It is a way of raising money.

Q.—Do the Indian population resort to them also?

A.—I do not know what the proportions are; most of the pawn-brokers are Chinamen.

Q.—You give the Chinamen a monopoly of having pawn shops in certain local areas?

A.—Yes.

Q.—How do you defend his monopoly?

A.—It is a police measure. It prevents petty thieves from passing their goods on under cover.

Q.—Is there any law that makes it illegal for another person to lend money on the pledge of goods?

A.—I have not gone into the legal position. In the same village where you have pawn-brokers, you would have a Chetti with a granary in which he stocks paddy on security, but I do not know how the law affects him.

Q.—Why do people pay large sums for the monopoly?

A.—It is worth money.

Q.—You cannot tell us any provision of law under which it is done?

A.—I couldn't.

Q.—You say that the ferries are a tax on transit?

*Note.—But the fees and rents paid by the bazar sellers are obviously of the nature of rent for advantageous sites for business, and not at all of the nature of a tax on transactions. There is free competition with sellers in private shops and houses outside the bazars, who do not pay these fees and rents.

A.—Passengers pay; you have to pay for bullocks which cross the ferry, but I do not think a charge is made for packages.

Q.—Who manages the pounds?

A.—The pound-keeper is paid up to Rs. 5 a month out of the fees received.

Q.—Is he under police control?

A.—No. In old days he used to be under the Deputy Commissioner and Subdivisional and Township Officers, but now district councils are supposed to control them.

Q.—So far, it is a sort of disguised subsidy to the district councils?

A.—No. I think it is a local service. The cultivators want pounds to protect their crops.

Q.—Elsewhere it is made an excluded local fund and the pound fees are lowered, but here you deliberately make a profit and hand it over to the local body?

A.—It is a profitable concern. Much of the income is in the nature of criminal fines.

Q.—Isn't a considerable item of the receipts the sale-proceeds of unclaimed cattle?

A.—Yes, about half of it.

Q.—Is there any insistence on the maintenance of the service, the building of up-to-date pounds and so forth?

A.—Cultivators insist on having pounds; they are often quite keen on it.

Q.—But no standard pattern is prescribed?

A.—I do not know; possibly there is a pattern.

Q.—In Madras it has repeatedly been proposed to hand these over to the local bodies, but they would not take them, because of the expense involved.

Can you give us any idea as to what would be the ultimate income of your district councils and municipalities? You are working towards a cess on lands?

A.—Yes.

Q.—Plus a tax on circumstances and property which will involve the abolition of the *thathameda* and capitation taxes?

A.—I do not know if anybody would defend that section of the new Act about the tax on circumstances and property. I understand that Government would be prepared to amend it.

Q.—What is the defect?

A.—It is simply an *a priori* conception having more or less the idea of the *thathameda*.

Q.—I think it is on the lines of the local taxation of any other province except Bombay; they all have a tax on circumstances and property or the profession tax.

A.—I do not understand the phrase; it is puzzling to me.

Q.—It is like the French *personnel mobilier*. The idea is to make it a complement to the land cess.

A.—It is the old idea. In England they tried to tax everybody, but they found that all could escape except the unfortunate occupier or owner of the land.

Q.—Here there is great complaint that one class that does not pay a share towards the maintenance of the State services is the class of trader or money-lender who does not pay income-tax, because he is below the Rs. 2,000 limit?

A.—In England they do not object to that. They rely on the rates on rental values levied to get at everybody.

Q.—Doesn't the English income-tax get nearer the English subsistence level?

A.—That is imperial taxation; I am referring to local taxation.

Q.—It is generally recognized in India as a suitable local tax.

A.—Do you find that the trader or the professional man pays his full proportion?

Q.—The general tendency that obtains in some provinces is to add it on to the chowkidari, which is a cess assessed as the *thathameda* by the village panchayat.

A.—The trouble about the *thathameda* is that it is done by what you call panchayats (here we call them *thamadis*). They are given a standard for the village. It may be Rs. 5 a head. They are supposed to graduate the tax, and a rich man is expected to pay in proportion to his wealth. If you check the rates, you will find that they do not range more than one rupee on either side of the standard rate. It does not really work out as a graduated local tax.

Q.—To come to municipalities, your mainstay would be the property tax plus the market fees?

A.—Yes.

Q.—Would you approve of working towards a municipal monopoly of markets by squeezing out the private markets?

A.—We have it already.

Q.—You don't tax the big market in Rangoon?

A.—People have defeated the municipality here, but up-country they have discovered that the municipality can tax the private markets. Certainly the rural local funds can do that.

Q.—Those two would be your mainstay in the municipalities: you would have the pawn-broking monopoly in both cases and you get the profits on pounds and ferries?

A.—Yes.

Q.—That would be your general scheme of taxation?

A.—I think so.

Q.—You would also have the animal and vehicle tax?

A.—Yes, that is a service tax.

The Maharajahdhiraja Bahadur of Burdwan. Q.—In reply to Q. 111, you say that you consider that part of the ferry tolls which is taxation for general purposes is a bad tax. Why do you call it a bad tax?

A.—The poorest of the population have to pay as much as the richest, in fact more, because they have to cross the ferry oftener than the richer people.

Q.—You simply charge for crossing the stream?

A.—It is more than the value of the service; the ferries yield a large surplus revenue and that surplus revenue comes out of the poorest people.

Q.—What is your own view about the sea passengers tax?

A.—I cannot see anything much to object to it as a means of making the collection of the present taxes complete. I know that foreign immigrants do escape taxation, but it is impossible to catch them.

Dr. Hyder. Q.—You would like the *thathameda* to be graduated, the tax on circumstances and property to be graduated: I put it to you whether the sea passengers tax is graduated?

A.—I only defend the sea passengers tax as making the present taxation effective. I do not defend the capitation tax by itself at all, but as we have got it, it ought to be efficiently collected. The intention is to abolish capitation tax in Lower Burma and *thathameda* in Upper Burma and substitute a graduated local tax.

Q.—You do not know whether the sea passengers tax will be re-considered then?

A.—I don't. It has been introduced and defended on the ground that it makes for more efficient collection than the present system of taxation. Government are at present using capitation and *thathameda* as provincial

revenue. They are criticized for that on the ground that they are using revenue which ought to be local.

The Maharajahdiraja Bahadur of Burdwan. Q.—Would those who pay The sea passengers tax also pay the *tiathameda*?

A.—They would now be exempted. They are supposed to have paid it all along.

Q.—Would the sea passengers tax be levied on a person when he comes to Burma for the first time, or would it be levied every time he comes to Rangoon?

A.—The coolies come once a year and I suppose the tax would be collected only once every year.

Q.—Suppose a man went to and fro from Rangoon to Calcutta or Madras; say, twice or thrice a year, would it mean that he would have to pay the tax every time he comes to Rangoon?

A.—I can't tell you. I do not know what the terms of the Act are. For the bulk of the people who come once, it would not matter.

Dr. Hyder. Q.—May I ask you to look at your answer to Q. 109? You say that all taxes increase the cost of living unless the burden can be made to fall upon foreigners. I should like to understand the reason for this statement. Is it a general statement that you are making in respect of all taxes?

A.—Yes.

Q.—I put it to you whether a tax on surplus has a tendency to be shifted. What about a tax on rent? Does it increase the cost of living?

A.—It is rather an academic economic question. I am not a professional economist. Government taking a tax and using it for paying a number of officials are taking it out of the national dividend. It has got to be spread over the nation. Unless they lower their standard of living, they have to work more to keep it up. It is raising the cost of living in that sense.

Q.—I take it that all taxes come out of the national dividend. But taxes are paid by persons, and we are interested in the economic welfare of the persons.

A.—I do not know whether I can defend this: it is an academic problem. It depends on how Government spend the money.

Q.—What connection has this spending of money with the incidence?

A.—It is a question of raising the cost of living to the public.

Q.—What effect has that got with the particular way in which Government spends the revenue that it raises?

A.—If Government take 10 per cent out of my pay and use it for starting an Economic Enquiry Commission, the country has got to work to make up the difference. We have got to lower our standard of living to support the Commission, but if Government simply uses the money to pay my cook's bill, it would not make any difference.

The Hon'ble Sardar Jagendra Singh. Q.—You say that, so far as practicable, you would reduce the multiplicity of taxes. Have you any definite idea as to how it will be done and what taxes could be reduced?

A.—I do not think I can propose any tax to be cut off immediately, but theoretically I suppose a single income-tax would be the simplest way of doing it, but there are practical difficulties.

Q.—In reply to Q. 108, you say that the economic point of view is not the only necessary aspect. What other point should be considered in connection with taxes?

A.—It seems to me that the whole basis of taxation depends on people's frame of mind. If the people of Burma want to have free compulsory education, they could afford it now. It could be done; and they could get the money, if the reforms were really representative, and if you could have political leaders to work up to it. Economic considerations are extremely complicated and you need not worry about them.

Q.—Would you favour direct or indirect taxes?

A.—I think you would have to have both.

Q.—Do you think it would be an advantage to abolish *thathameda* and substitute some other indirect taxes in their places?

A.—I do not think so. People are used to these direct taxes and I think there ought to be direct taxes.

Dr. Paranjpye. Q.—Wou't it be preferable to do away with the *thathameda* and capitation taxes and have an addition to salt tax? It would practically mean something in the nature of a poll tax.

A.—I do not want to defend the capitation tax, but merely the direct tax: The salt tax could not be graduated.

Q.—But it would be paid by each and every person?

A.—Yes.

Q.—Wouldn't that be preferable?

A.—I think not. I think that direct taxes are wanted for the system of taxation in the country.

The President. Q.—To turn to your notes about the division of the proceeds. You say that Burma should have the proceeds of the rice export duty. Is not that rather inconsistent with your approval of the present system of separation?

A.—Yes. I said 'generally'. The rice duty is rather an exception.

Q.—Supposing you make an exception in the case of rice, would you not have to allow it in the case of jute and tea?

A.—Burma seems to be quite different from the continent of India. I suppose that jute is localized in Bengal.

Q.—Jute affects not only Bengal and the national market, but it is also an international trade.

A.—The question is whether our trade with India is international or not. Trade going out from here does not affect the whole system of internal trade in other parts of India. Taxation in Bengal might upset the up-country market. Here we can be treated as a separate nation for this purpose.

Q.—Then would you tax imports from India?

A.—I think it could be considered.

Q.—Could you do that so long as you remain part of the Indian Empire?

A.—If India takes income-tax, I do not quite see why Burma should not take the rice export tax. Further, it is borne by the Burmese producer.

Q.—I am not objecting. I am asking whether what applies to Burma would not apply to other provinces.

A.—The difficulty seems to be the effect on the other provinces of allowing Bengal to take the jute tax.

Q.—Are the two export taxes parallel?

A.—I think jute is more a monopoly than rice. The tax on jute would be paid by the foreigner. The tax on rice is paid by Burma.

Dr. Hyder. Q.—May I ask whether the rice export of Burma forms very large part of the rice imports in India and other foreign countries?

A.—The export of rice from Burma is not sufficient to control the foreign markets. The rival producing countries are strong enough to prevent Burma controlling the market.

Q.—What are the other countries?

A.—Siam, French Chinese possessions, and to some extent, America. It is recognised everywhere that Burma does not control the rice market.

Sir Percy Thompson. Q.—Does not Bengal produce more rice?

A.—Bengal yields enormously more; but it is locally consumed. I am talking of the export trade.

Q.—What share of the world's supply comes from Burma?

A.—I could not tell you off-hand; but you could get statistics.

The President. Q.—Did you say that you would allow Burma to tax imports from India?

A.—I should like to consider the question.

Q.—So long as Burma remains a portion of the Indian Empire, could she be treated differently to any other member of the Empire? Is it possible to have a system of federal finance which is not common to all parts of a federation?

A.—I do not quite see why you should not. Why should not Burma tax? You cannot have absolute uniformity. So long as we are in the Indian Empire, and so long as we pay our share towards the cost of the Central Government, I do not quite see why we should not be allowed to deal with special conditions in a special way.

Q.—Is there a way by which all members of the federation could be asked to pay a proportionate share to the expenses of the commonwealth except by common taxation?

A.—Well, there is the income-tax and the central heads of revenue.

Q.—You don't accept the axiom that whatsoever system is adopted should be common to all?

A.—Not where the conditions are not uniform.

Q.—Supposing you say that every province which exports goods should have the whole or a portion of the export duties on them.

A.—In the continent of India, is it possible? Take hides, for instance. The United Provinces hides may be included in the Bengal figures.

Sir Percy Thompson. Q.—Is it your point that in the guise of a general tax you can really tax a particular province? For instance, if the Central Government put an export tax on rubies?

A.—Yes.

Q.—Our difficulty is how to arrive at a formula. Separation of sources is objected to everywhere in India on the ground that it is unfair to the commercial province. A purely agricultural province has the advantage, and the commercial province has the disadvantage, owing to the provinces taking the land revenue and the Government of India taking the income-tax.

A.—I have not made any elaborate study of these things. One will find from the finance and revenue statistics of the Government of India that Burma has an enormously heavier incidence of taxation to the population than any other province.

Q.—That is, in what taxes?

A.—I would leave out customs. On page 143 Q. 149. I have stated that it is complicated by minerals and forests.

Q.—These are provincial taxation?

A.—These are total taxation. I have not omitted income-tax. I omit customs, because that is generally given in a lump sum for all the Indian provinces.

Q.—You show a difference of the burdens. Then, there is difference in the standard of administration and the expenditure per head. Bombay spends more than what Bengal spends.

A.—It is a very complicated question. Bombay presumably gets its money's worth.

Q.—I do not see how the comparison of total taxation helps if total expenditure is not considered also.

A.—You might let Bengal have a low standard of administration as long as it did not fail to pay a fair share of the imperial burden. They don't do that, but try to put up a case that they are very poor, that they cannot raise the revenue and so they must have favourable treatment from the Government of India.

Q.—You object to that?

A.—Yes.

Q.—You are in favour of equivalent or similar contribution along with the other provinces?

A.—The central sources of revenue ought to be uniform or similar. I do not see why for that reason customs taxation should be the same everywhere.

Q.—You accept the general formula, the provinces are entitled to the export duties on goods which have their origin in these provinces?

A.—Yes, if it is practicable.

Q.—What other tax will you give to the Government of India in lieu of the export duty that you take away?

A.—I do not think I could offer any practical suggestion.

Q.—One suggestion is a basic rate on the excise revenue.

A.—That is to say, a proportion of it or a fixed amount?

Q.—A fixed amount.

A.—That is, a sort of divided head again.

Q.—Under the old divided heads the rates were fixed at the discretion of the provinces and there was a division of the proceeds.

A.—That would be inequitable if Burma is more vigorous in its temperance policy and taxes heavily.

Q.—So long as the basic rate is the same for all provinces, Burma will get the advantage of heavy taxation.

A.—At the same time it would pay more to India.

Q.—It would decrease consumption and increase taxation.

A.—Supposing Burma increased the excise revenue, the first rupee would go to the Government of India, and if we double our income, it will be to the benefit of the Government of India.

Q.—The fact that you increase your rate won't increase your contribution at all. The contribution will remain the same.

A.—The amount of revenue depends on the consumption.

Q.—The basic rate would apply to consumption. In every other country excise is central.

A.—It is simply a way of getting your tribute paid. I do not see any other difference.

The President. Q.—The object is to get a system of fixing it which would be acceptable to all parties.

A.—Well, you are making a hard drinking province pay more than a province which does not want to drink.

Q.—It is so if only one tax is divided. What we suggest is a formula under which you could arrange a series of adjustments.

A.—I suppose if you could find a suitable set of taxes and the system of adjustments is good enough, that plan would be satisfactory.

Q.—What we are concerned with is only what is the theoretically best way of dividing the revenue. It will be the business of somebody else to fix the actual fraction. The only scheme we have been able to discover is one of Seligman's which consists of adopting a combination of three methods of division. What we are trying to do is to apply this principle to each tax, and say which is the best method for that particular tax. What we want to discover is—is there any other alternative?

A.—It seems to me that what you want is to get each province to pay its share to meet the expenses of the Government of India, and you want to give the Government of India the power to raise its rates. At any rate, the theory of the English customs is that the Chancellor of Exchequer could just raise the amount he wanted. The Government of India wants to be able to have an income that is paid by everybody.

Q.—That is the idea that lies at the bottom of the basic rate?

A.—Could you not tax the provinces in accordance with their ability to pay?

Q.—How are you going to determine this? This suggestion is an automatic one.

A.—That is the difficulty. But to make it depend on drinking by itself would be extremely unfair; if you have sufficient number of sources of income to use in the adjustments, you can knock everybody. It requires a very elaborate system.

Q.—What we want to do is to apply these methods to each tax. We begin with land revenue. It must be provincial.

A.—Yes.

Q.—Import customs duties must lie with the Government of India?

A.—Yes.

Q.—Export duties, we have already discussed?

A.—Yes.

Q.—Income-tax should be at a basic rate?

A.—I think so.

Q.—Provinces should get their fixed contribution?

A.—Yes.

Q.—Excise is the reverse process? The Government of India get the fixed contribution?

A.—Yes.

Q.—I think that covers most of the main taxes. All that we are trying to do is to say for each tax what is the best method which should be applied. The fraction we leave to be worked out later.

A.—But the fraction is a very difficult thing.

Q.—We have only got to give the theoretical way.

A.—If you leave the fractions, you will have continual fights, like provincial settlements over again.

Q.—In one settlement, the whole fight will be over; it will be decided for province by province.

A.—The fraction may be fought over.

Q.—No. If you say that one province would have so much, that would apply to all the provinces, whether it is the United Provinces or Burma or any other province?

A.—Yes. But you will have to revise the general fractions periodically.

Q.—Probably, you will have to. You are not prepared to offer us any other alternative?

A.—No.

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**U. SET, B.A., Officiating Chairman, Corporation of
Rangoon, was next examined.**

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Written memorandum of U. Set.

A small committee was nominated by the Corporation of Rangoon to reply on its behalf to the questions issued by the Indian Taxation Inquiry Committee. The replies are to those questions relating to Local Taxation only and numbered 106-118. The replies here given may be considered as supplementary to the replies given by Mr. Gavin Scott, C.I.E., I.C.S., Municipal Commissioner of Rangoon, now on leave, which were sent to the Secretary to the Committee with his letter No. 468/11-4, dated the 11th February 1925. Except where a contrary or modified opinion is clearly indicated in the replies herein given, it may be assumed that the Corporation concurs with the statements and views expressed in Mr. Gavin Scott's replies.

Q. 106.—The main classification given in this question appears to be suitable. In theory it would be correct to say that the criterion for (a) should be "ability to pay" but it is very difficult to apply this in actual practice. That for (b) is agreed.

Q. 107.—The taxes specified in Schedule II to the Scheduled Taxes Rules seem to be sufficiently exhaustive, but it is considered that certain of the taxes included in Schedule I thereof, such as the tax on advertisements and

perhaps also the tax on any form of betting or gambling permitted by law, ought not to be imposed for the purpose of providing revenue for the Local Government, but should be appropriated for the local authority in Rangoon—the Corporation. As a matter of fact, in the City of Rangoon only a few of the taxes specified in Schedule II are in operation. So far as the local bodies in Burma are concerned, the only kind of tax that is levied is the house and land tax. In some of the municipal areas this house and land tax is assessed on an area basis and also varies with different types of buildings, but in Rangoon it is assessed on the rental value. As the bulk of the municipal revenues are derived from this tax, it will not be possible to discontinue it nor will it be advisable to do so.

Q. 108.—So far as local bodies in Burma are concerned, the house and land tax is the main source from which municipal revenue is derived. This tax cannot be discontinued, for it is impossible to find a substitute. In Rangoon its levy is imperative as pointed out in Mr. Scott's reply. This form of taxation is not likely to have any adverse economic effects so long as it is not pitched at unreasonable heights. Capital sunk in such investments will not be withdrawn if it yields a fair return.

Qs. 109 and 110.—No octroi, or its alternative the terminal tax, has ever been imposed in Burma and no experience therefore has been gained of its working.

Q. 111.—There does not appear to be any justification for the imposition in Burma of tolls. At one time the Insein Municipality levied a toll of four annas on every motor car that came in or went out of the municipal area but after a certain time it was abandoned.

Q. 112.—It is right and equitable that the house and land tax should be levied on the owner, but in practice the owner is almost always able to shift the burden on the occupier. The ability to shift the burden, of course, depends upon the conditions existing at a certain particular time. When the supply of houses is not sufficient to meet the demand the owners can always obtain higher rents than what are fair and reasonable and more than an equitable return on their capital, and in such cases the occupiers are not in a position to shift the burden back on to the owners, but when the supply is greater than the demand there is the possibility that the owner may have to come to terms with the occupier who will thus be able to shift, at any rate a portion of this burden, on to the owner.

Q. 113.—There do not seem to be any good reasons for imposing limitations on the rate of tax on lands and houses. Such limitations presuppose a tendency in local bodies to raise the rates of taxation unduly high for which there does not seem to be any justification. On the contrary, experience over many years has been in the opposite direction. In Rangoon, for instance, the limit for the "general tax" has been 10 and 12 per cent, but this limit has never been reached. The rate was for many years under 9 per cent; in 1907 it was raised to 9 per cent and seven years later it was again reduced to 7 per cent and has remained there since. The fact that the present limitation has not acted in such a way as to compel the local bodies to have recourse to other less defensible forms of taxation supports the above view.

Q. 114.—In Rangoon there is no specified limit of exemption. The Corporation however has in practice decided to forego property taxes on lands and houses whose monthly values do not exceed Rs. 5 on the ground that it is not worth while to collect such small sums.

Q. 115.—Land within municipal limits should be rated at its rental value, actual or assumed. There are many factors that must be taken into account in valuing any parcel of land, some of these are its location, size and shape. It is the business of the trained assessor to appraise the value of land for purpose of rating. The proposition that land situated within municipal limits should be rated on undeveloped value (which moreover is practically incapable of being determined) is not subscribed to. It is more or less guess work to attempt to state what is the value of undeveloped bare land. With regard to improvements on land, it is considered that no exemption should be granted.

Q. 116.—There have not been any taxes of the nature mentioned in this question.

Q. 117.—This is in some respects one of the most important questions in the questionnaire so far as the finance of the local or municipal authority is concerned. Mr. Gavin Scott in his reply to this question states: "It is

my deliberate opinion that all grants-in-aid from Local Governments to Municipal authorities are vicious in principle and ought to be restricted to the narrowest possible limits. I should therefore vote for the complete extinction of the grants-in-aid system". This view is not supported. Where the service administered by the local authority is 'national or onerous', it is unreasonable that the funds necessary to finance it in a given local area should be raised entirely by the local authority in that area or found from its own resources. Local bodies are often required to spend money on objects which are not of a purely local character and which it is equally, and even more so, the duty of the Provincial Government to pay for.

It is very difficult to suggest any hard-and-fast principle on which such grants should be given or the basis on which such subsidies should be calculated; but the contribution in general aid of local finances, may be earmarked for the particular purposes for which they are made.

Q. 118.—In Rangoon and in the larger municipalities of Burma it may be assumed that the standard of efficiency attained in the administration is such as not to require supervision or control over the expenditure from grants provided by Government.

U. Set gave oral evidence as follows :—

The President. Q.—You are the Officiating Municipal Commissioner of Rangoon?

A.—Yes.

Q.—You have given us a paper prepared by the Committee of the Corporation?

A.—Yes.

Q.—You are going to answer on that and on the note prepared by Mr. Gavin Scott?

A.—Yes.

Sir Percy Thompson. Q.—I see that the Committee of the Corporation and Mr. Scott have given diametrically opposite answers to Q. 106. The Corporation support the distinction of national and beneficial services. I take it that both you and the Corporation would agree that there are certain services in which the State as a whole is interested.

A.—Yes; that is the reply we have given.

Q.—Your main source of taxation is the house-tax?

A.—Yes.

Q.—Can you tell us what portion of the town's revenue is raised by the house tax?

A.—It is 16½ lakhs out of 69 lakhs.

Q.—Who makes the assessment?

A.—We have got a special officer called the Assessor, who is a paid official of the Corporation.

Q.—And is there any appeal from his assessment?

A.—An appeal lies to the Commissioner in the first instance, that is, myself for the time being.

Q.—You are a permanent officer of the Corporation?

A.—No; I was in the Audit Department; and as Mr. Scott has gone on leave, I am in his place.

Q.—Is the Commissioner a permanent officer of the Corporation?

A.—Yes; the Corporation can appoint its own Chief Executive Officer. When once the appointment is made, it is permanent as any other office under the Corporation. The Chief Executive Officer is otherwise called the Commissioner. The members of the Corporation are called the Councillors. They are not called here Commissioners.

There is an appeal to the Commissioner in the first instance and then they can go to the Small Cause Court.

Q.—Can you tell us what proportion of the cases actually go on appeal to the Small Cause Court?

A.—A very small proportion.

Dr. Paranjpye. Q.—What is the proportion coming to the Commissioner?

A.—It is also very small; because we have got periodical revisions and at the periodical revision we get many appeals.

Q.—The Councillors have nothing to do with that?

A.—No; absolutely nothing.

Sir Percy Thompson. Q.—I see that in one of the revisions the Commissioner heard 1,429 objections, of which two went to the Small Cause Court.

A.—Yes.

Q.—I take it that the assessment is done fairly and equitably.

A.—Yes.

Q.—And no great dissatisfaction is expressed?

A.—No, except in the case of those whose assessment goes up very high at the time of revision. That is entirely due to their being under-assessed previously.

Q.—But there is no suggestion that it is unfair?

A.—No.

Dr. Paranjpye. Q.—Do you think it is better to have an independent officer of the Government to do this work?

A.—I do not think it will make much difference, because the Assessor is a man who must be acquainted with the local conditions. This tax is entirely based on the rental value of the building.

The President. Q.—Who appoints the Assessor?

A.—The Corporation, with the approval of the Government.

Q.—What is his salary?

A.—Rs. 1,200—Rs. 1,500 plus a conveyance allowance of Rs. 150.

Sir Percy Thompson. Q.—You say no octroi or terminal tax is imposed in Rangoon?

A.—Yes. There is no octroi or terminal tax here.

Q.—There has been a question of imposing a terminal tax.

A.—Yes.

Q.—Can you tell us what the position is with regard to it?

A.—This Corporation was constituted in 1922. Before that there was the old Municipal Committee and that Committee was agreed as to the principle of introducing the terminal taxation in Rangoon. Since then there has been a good deal of discussion and enquiry about it.

Q.—The Committee reported against it?

A.—That Committee was appointed by the Local Government. I was talking of the old Municipal Committee which was in existence before this Corporation came into existence.

Q.—That Committee which was appointed by Government reported against the imposition of the terminal tax?

A.—Yes.

Q.—On what grounds?

A.—I think it was on the ground that it was undesirable to impose this taxation unless it was absolutely necessary to increase the revenue of the Rangoon Municipality, and unless there were any imperative works that ought to be undertaken by the Corporation; and also on the ground that the difficulties of collection would be great.

Q.—There is a body of opinion in the Council which thinks that that time has already arrived?

A.—Yes.

Q.—It is still a live question?

A.—Yes. One of the Councillors especially is very keen upon having this terminal tax introduced.

Q.—Is there any great objection to it?

A.—It is a tax on the whole of Burma. That is my personal opinion. Unless you could confine that tax to those articles which are consumed only in Rangoon Corporation limits, I do not think it would be fair to impose that tax.

Q.—So far as it is a tax on goods which are consumed in Rangoon, is not your market taxed? Does it not amount to the same thing?

A.—Yes; you may say so.

Q.—But you do not tax private markets?

A.—Yes, we do, but in the shape of license fees. This year we started with the license fees under the new Act. We are charging fees based on the area occupied in the private markets.

Dr. Paranjpye. Q.—Do you have a tax on shops also?

A.—No; not in the municipal markets. But the roadside shops in the streets are sold by auction; and nobody has a right to have a shop on the municipal roadsides unless he has got a license.

Sir Percy Thompson. Q.—A regular shop pays the house tax?

A.—Yes.

Dr. Hyder. Q.—Are there any technical objections in the way of the terminal tax in Rangoon, apart from the general objection that the rest of Burma will be taxed for the benefit of Rangoon?

A.—There is the difficulty of collecting it.

Q.—That arises chiefly from the fact that a number of goods come from India and there are no separate invoices sent.

A.—Yes; that is one of the reasons.

The President. Q.—There is always the coasting bill of entry or the general pass.

A.—Yes.

Q.—I suppose there is a Port Trust duty?

A.—Yes; the Port Trust would probably refuse to have a sort of surcharge just for the sake of collecting the terminal tax on behalf of the Corporation. Then, in that case the Municipality will have to keep a separate agency for collecting the tax; and that will mean delay in the delivery of goods.

Sir Percy Thompson. Q.—In answer to Q. 112, Mr. Scott says: "The City of Rangoon Municipal Act provides that, in the absence of any agreement to the contrary between an owner or occupier of any building or land, any general tax paid by the occupier shall be recoverable by him from the owner and any lighting, conservancy, or water-tax paid by the owner shall be recoverable by him from the occupier." What is the distinction between a general tax and any other tax?

A.—The lighting, conservancy or water-tax is levied with reference to the services we render to the resident. That is not a general tax.

Q.—What is the general tax?

A.—The property tax, which is fixed at 7 per cent on the rental value of the building. That will go to the general revenue. The conservancy tax is 8½ per cent in areas where there are sewers; and in areas where there are no sewers and where the Municipality do conservancy, it is 6¼ per cent. Lighting tax is at 1½ per cent.

Q.—I should have thought that the conservancy tax was in the nature of a general tax?

A.—No. In the areas where there are no sewers, we have got the system of night-soil removal. In the nights the carts go and remove the night-soil.

Q.—Do you agree with Mr. Scott that "in practice in Rangoon the whole of the property taxes are paid by the occupier"?

A.—Yes. But things have altered a little now; they are getting better. What really is done is this: the owner calculates how much return he wants from the property and fixes the rent accordingly, pushing all the taxes that he has got to pay on to the occupier.

Dr. Paranjpye. Q.—Does house property pay in Rangoon?

A.—It did. With the land booms, the price of landed property went very high; and those people who bought landed property in those days find that it does not pay now. I do not think that it now pays more than 3 or 4 per cent.

Sir Percy Thompson. Q.—You agree with Mr. Scott in thinking that a tax on the undeveloped value of land is not a good tax? You don't approve of a tax being imposed on the unimproved value of the land, apart from any building or improvement which has been put on it? You say "The proposition that land situated within municipal limits should be rated on undeveloped value is not subscribed to"?

A.—Yes.

Q.—But is it not a fact that land in Rangoon which has increased very much in value is taxed very little? Does it pay anything more than the agricultural rate?

A.—If you compare it with the agricultural rate, it may appear low. But I do not know whether it can bear anything more than what it does now.

Q.—Are there not many cases where the limits of the town have extended and have taken in agricultural land which is assessed to land revenue and the sites have become very valuable and no additional taxation is paid in respect of them?

A.—Until the buildings are put on them, no additional taxation is paid.

Q.—Don't you think there is a good case for taxing the unimproved value of the land when the owners make large incomes out of it?

A.—I find it rather difficult to see in what way we can fix the taxation on that. The house tax includes a tax both on buildings and land.

Q.—With regard to Q. 117 again I find the Committee of the Corporation disagreeing with Mr. Scott.

A.—Yes.

Q.—Do you think that Mr. Scott's view that such services as education and main roads—and, I do not know, possibly police—should be entirely financed out of local resources?

A.—That was his view, I think.

Q.—Do you accept the proposition that if the service is one which the province generally is interested in, the province should bear a share of the cost of it?

A.—Yes.

Q.—And would you agree to the corollary that where a grant-in-aid is given by the Provincial Government, the Provincial Government should have some supervision over the expenditure of that money?

A.—In principle, I would agree to that.

The President. Q.—Does not the Municipal Corporation of Rangoon provide any education?

A.—Yes; it provides vernacular education.

Q.—Mr. Gavin Scott says: "On a review of the functions performed by the Municipal Corporation of the city of Rangoon, I cannot think of one which can be classified as national." Then he goes on to say, "The classification which corresponds to the facts of the case is (1) general services and (2) particular services. The general services consist in (a) direction and management including offices and secretariat, (b) construction and maintenance of roads, and (c) all the activities of the Health Department".

A.—There is education, and the Corporation is spending about 3 lakhs a year on it.

Q.—With reference to Q. 107, would you like to have a tax on advertisements and one on betting and gambling? Would you like that the proceeds be appropriated by the local authorities? Would you like the power to impose the taxes to be transferred to the local authorities, or would you like the Local Government to tax and make over the proceeds?

A.—I would prefer the power of imposing the tax to be given to the local authority.

Q.—There is a terminal tax on passengers which goes to the Development Trust?

A.—Yes.

Q.—Can you say why the Development Trust are allowed to tax people who go out of the country? The purpose of the Development Trust is to make new habitations available for people who settle in the country.

A.—I do not know. At one time the Municipality thought of imposing it but the Development Trust forestalled us.

Q.—You have no profession tax?

A.—No.

Q.—Would you like a tax on that basis—a profession or license tax which is very common in India, say, on lawyers, doctors, engineers or architects? You pay so much for the privilege of exercising your profession within the municipal limits.

A.—But the burden will ultimately fall on the litigants or the patients.

Q.—I am not sure of that.

A.—Personally I am not in favour of it.

Q.—You levy quite a large sum on your hackney carriages?

A.—Yes.

Q.—You seem to have double functions. You do both registration and licensing?

A.—No. Licensing is done by the Commissioner of Police.

Q.—Does he make any profit out of it?

A.—No; the net surplus is given to the Municipality.

Q.—Then you have got Rs. 74,000 for hack-cart licenses?

A.—Yes. They are carts plying for hire and kept within the limits of the city.

Q.—Then you have got a license fee on motor cars which has increased from Rs. 1,000 to Rs. 15,000. Is that a luxury tax?

A.—That is a licence fee.

Q.—What is the increase due to—on account of the increase in the rates?

A.—It is not due to the increased rates, but to the collection being made much more effective.

Q.—That is to say, so many cars escaped registration in the previous year—14/15ths of the cars?

A.—I think it is also due to the larger number of motor cars being licensed that year. We have a flat rate of Rs. 30 a year.

Q.—Then you got nearly 3 lakhs from pawn shops?

A.—Yes.

Q.—You auction the monopoly?

A.—Yes.

Q.—How do you prevent encroachments on the monopoly?

A.—The Corporation does not take any steps to prevent that at all.

Q.—Then why does anybody bid for your license? There is nothing to prevent anybody else setting up a pawn shop.

A.—People would prefer to go to a licensed pawn shop. That is the only reason I can think of.

* It was subsequently pointed out that powers in respect of pawn shops are conferred in the city of Rangoon Municipal Act.

Sir Percy Thompson. Q.—Have you any idea how many pawn shops there are in Rangoon?

A.—Fourteen.

Q.—That really means an average of Rs. 20,000 for a shop.

A.—Yes.

The President. Q.—There is nothing to prevent a man who has taken out a license for a shop from opening another shop without a license?

A.—Yes; there is nothing. But there are certain rules for a licensed pawn shop. Suppose an article is not redeemed within the prescribed time, he can sell it. But there may be some legal difficulties about that in the case of private shops.

Dr. Paranjpye. Q.—It gives them a privilege?

A.—Yes. Most of these pawn brokers are Chinamen.

Q.—Do these people make money?

A.—They are able to pay. The license is annual; in some cases it is for three years.

The President. Q.—Does the assessor value all land and houses?

A.—Yes.

Q.—You take your rate on the total value?

A.—Yes.

Q.—Taxation of the unearned increment on land is a matter of land revenue. Agricultural rates on land is the concern of the Deputy Commissioner?

A.—Yes. But the Corporation gets the benefit on the present value.

Dr. Hyder. Q.—Have you got any other suggestions to make?

A.—There has been much discussion about the *thathameda* tax and the capitation tax. I would advocate some substitute for it. If you introduce inheritance tax it would be very good.

Q.—Have you got any suggestions? Is it possible in Burma?

A.—If income-tax is possible, this should also be possible.

Q.—I am told that your law of succession makes it almost impossible.

A.—I think it would be possible.

Q.—Your Buddhist Law of Inheritance is such that it would be almost impossible to have any succession duty.

A.—I do not see the difficulty.

Q.—Would you like the *thathameda* and capitation taxes abolished and a surcharge placed on income?

A.—Yes.

The President. Q.—Profession tax operates practically as a surcharge?

A.—Yes; but the question you asked was with reference to local taxation.

Q.—Your suggestion makes it a provincial tax?

A.—Yes.

Dr. Hyder. Q.—Are there any other suggestions that you would make to the Committee as regards these two taxes?

A.—I have not got any definite suggestions to make.

Dr. Paranjpye. Q.—What kind of minimum limit would you have?

A.—You may have one thousand as the minimum for exemption.

Q.—You would have a graduated scale?

A.—Yes.

Q.—Would you have a legacy duty according to the relationship of the person who inherits?

A.—That would make the matter very complicated, I think.

Q.—An estate duty on the whole estate and the legacy duty on the inherited property?

A.—Yes.

Q.—In Burma all children share whether males or females?

A.—Yes.

Q.—Supposing a man has no direct issue or any direct descendant?

A.—Then the brother or sister or the next nearest blood relation would inherit.

Q.—You suggest that the brother or sister or some of their children should pay something?

A.—I suggest that.

Dr. Hyder. Q.—Can a Burman will away his property?

A.—He cannot.

Dr. Paranipye. Q.—Can he not give any gifts?

A.—There has been a lot of litigation on death-bed gifts.

Q.—You would charge duty on gifts made within a certain period before death and regard them as part of the estate?

A.—Yes.

Dr. Hyder. Q.—There is not the difficulty of the joint family system in Burma?

A.—No.

Dr. Paranipye. Q.—On the death of one of the parents, except the eldest son no one can claim partition?

A.—Yes. The eldest son can claim partition up to one-fourth of the deceased's share of the property.

Q.—Not of the surviving parent?

A.—No.

Q.—Is he entitled to the surviving parent's property when he or she dies?

A.—Yes.

Mr. J. E. HOULDEY, I.C.S., M.L.C., Chairman, Development Trust, Rangoon, was next examined.

Written memorandum of Mr. Houldey.

Q. 106.—I do not quite understand the classification of services administered by local authorities as—

- (a) national or onerous, and
- (b) local or beneficial.

I should have imagined that all services normally administered by local authorities fell in the latter category, while the former would apply rather to services administered by the Central Government.

There are certain duties such as the maintenance of law and order, and so on, which can only be discharged by the Central Government, and certain sources of income must be reserved to the Central Government to enable it to discharge its responsibilities in these matters. The taxation necessary to secure this income I would classify as national or onerous, and I would agree that the main criterion for levying such taxes is ability to pay. This is invariably recognised as equitable in the case, for instance, of such a tax as income-tax, while as regards services rendered, no one would dream of demanding that A, who pays six times the amount of income-tax paid by B, should receive, let us say, six times the amount of police protection accorded to B.

I am not, however, prepared altogether to agree that in the case of local or beneficial services, the criterion should be the measure of the benefits received. As regards municipal taxation, I consider that the basis of the municipal funds should be the general property tax, and that service funds should be self-supporting. As regards property tax, I would not apply the criterion of the measure of benefits received. My own view is that

the most equitable system of assessment of this tax is the method of rental valuation—a method which at once introduces the criterion of ability to pay, the house being taken as an indication of the tax-payer's ability to pay. Even in other forms of municipal taxation such as a tax on circumstances and property levied, I believe, in the Central Provinces, the relative paying capacity of the tax-payer is taken into consideration, as well as the degree of benefit which he receives at the hands of the municipal administration.

In the case of service taxes, it should be possible to approximate more closely to assessment according to the measure of benefit received, but even here it is impossible to devise any system which will produce a tax or rate corresponding, with any degree of exactitude, to the actual service rendered; and, in my opinion, the most satisfactory basis of assessment is again the system of rental valuation. Once this is admitted, it follows that a consideration of the rate-payer's capacity to pay must be taken into account. Therefore, as regards local and beneficial services, I think that it is impossible to say that either ability to pay or the measure of benefits received must constitute the main criterion. Both must be considered.

Q. 107.—The taxes included in Schedule II to the Scheduled Taxes Rules appear to give sufficient scope to local bodies. I would not make the levy of any specified tax imperative. To do so would, I think, be contrary to the principles of local self-government which it is now sought to extend as widely as possible. Indirectly, I take it that a dilatory local body could be compelled to impose certain taxes, because most local Acts give the Central Government authority to insist on local bodies discharging certain duties, or to carry them out at their expense. It follows that the local body must raise the money to meet this charge somehow.

Q. 108.—I have no firsthand acquaintance with octroi or terminal tax, but during the course of a two months' deputation in India for the purpose of examining the system of municipal finance in India in 1921, I had the opportunity of observing the working of both these taxes. I was given to understand that the working of octroi was unsatisfactory, as the cost of collection was high, and an elaborate system of refunds made administration difficult. Terminal tax, it was stated, was not open to the same objection. I gather that octroi is no longer regarded as a satisfactory form of taxation, but I can certainly see no objection to terminal tax. The house and land tax I consider satisfactory, and the income derived from it must, to my mind, always form the basis of the municipal fund, though I believe that a short time ago the municipality of Amritsar, owing to the large receipts derived from octroi, and subsequently terminal tax, was able to dispense entirely with property tax. I think that both the terminal tax and house and land tax are suitable from an economic point of view, and though I suppose that it is rather difficult to say where indirect taxation ceases and direct begins, I would classify them broadly as the principal indirect and direct methods of producing municipal income. In considering which will be the most suitable in any particular case, regard, of course, must be had to a variety of considerations, including local conditions, the economic condition of the people, the description of taxation to which they are accustomed, and so on. A tax, which it is possible to levy very profitably in a town such as Amritsar, would be impracticable in many of the larger towns in Burma.

As regards land cess, I can see no objection to the levy of this rate. Possibly, a carefully assessed tax on property and circumstances might be more equitable, but I doubt whether the improvement effected would be worth the trouble involved.

Q. 109.—During my deputation in India, I visited two municipalities which levied octroi, viz., Benares and Nagpur. As a result of my observations and so far as my recollection goes, I should say that the criticism quoted is justified. I was given to understand that the objections to such a tax were the elaborate system of refunds and the necessity of maintaining a large establishment. Another objection was the facilities which it offers for speculation.

I was given to understand that these objections did not apply to terminal tax. Certainly, in a terminal tax there is no system of refunds. On the other hand, when I visited Benares in August 1921, I was told

that a proposal to substitute terminal tax for octroi met with so much opposition that it had to be dropped, and the reasons given to me for preferring octroi were that—

- (i) merchants were familiar with this form of taxation;
- (ii) they did not feel the payment; and

(iii) they did not like terminal tax, because it provided for no refunds. Terminal tax, I understand, is usually levied at much lower rates than octroi and over a much larger variety of commodities. That being so, I imagine that the incidence of the tax is more widely distributed, and consequently the criticism quoted would not apply.

I have had no personal experience of the administration either of octroi or terminal tax. But I remember being told at Benares that those taxes were sometimes evaded by the establishment by merchants of branch depots outside municipal limits.

Q. 110.—Not having served in India, beyond referring to the remarks made in paragraph 2 of my answer to Q. 109, I am unable to make any answer to this question.

Q. 111.—Tolls, in one sense of the word, are unknown in Burma. On the other hand, with the exception of the Corporation of Rangoon, I think that practically every municipality in Burma relies on tolls on vehicles maintained outside municipal limits upon their entering within such limits. Presumably, in a large city such as Rangoon, the practice of collection of such tolls would be impossible. In the case of the smaller municipalities I think that their maintenance is justifiable. Such municipalities usually form the centre of a certain area, and into them at periodical intervals gravitates the trade of that area. A number of vehicles make use of, and help to destroy, the municipal roads, and it is only right that they should contribute something towards their repair. I would say that the time is not yet ripe for dispensing with tolls in the smaller municipalities in Burma. In the particular kind of tolls to which I am referring, the question of limit of distance between one toll-gate and another does not arise.

Q. 112.—The usual principle, I think, is to make both owner and occupier statutorily liable jointly and severally for the house and land tax and land cess. This is necessary in the interests of the local body imposing such tax or cess, and the principle seems to me equitable. Theoretically, the house and land tax should, in my opinion, be paid by the owner, as opposed to the service taxes, which should be borne by the occupier. Consequently, I think that most enactments provide that any general property tax, which has been paid by the occupier, may be recovered from the owner, while, similarly, service taxes paid by the owner may be recovered from the occupier. In practice, I see no reason why the owner should not be able to shift the burden of the house and land tax on to the occupier, and I should imagine that he usually does so, inasmuch as he charges a higher rent than he would do if he had no such tax to pay. In order to get a return on his money, it seems to me that he must include the tax in his rent.

Q. 113.—As a rule, in Burma municipalities the only exemptions in rate of tax on land, which can be imposed by public bodies, should be limited. The principal reason which I can see for this is the poverty of large masses of the population. Also, in Burma at any rate, local self-government is in its infancy; in many places municipal councillors are lacking in experience; and there is an absence of that public opinion which provides the necessary control over public bodies in those countries where these institutions have been longer in existence. Consequently, it is necessary to lay down rules for the guidance of such inexperienced bodies, which are not necessary in older or more experienced bodies. I should doubt whether the tendency of this limitation is to compel local authorities to have recourse to less desirable taxes. As things are at present, the natural inclination of such bodies is to evade imposition of taxation at all.

Q. 114.—As a rule, in Burma municipalities the only exemptions provided for are buildings used for public worship. Up till recently, there was no exemption of houses under a certain rental value. Possibly, such exemption has been introduced recently. In my own opinion, very poor

houses of low rental value—the tax on which entails more trouble in collection than it is actually worth—should be exempted from taxation, and in submitting my report on Municipal Taxation in 1921-22, I made recommendations accordingly.

Q. 115.—I do not quite understand what is meant by the first half of this question. I would rate land within municipal limits on its rental value. If the effect of the improvements is to enhance the rental value, I see no reason why they should be exempted.

Q. 116.—I have no experience of the working of any of these taxes.

Q. 117.—This question is a little involved. In the first place, I do not understand how the discharge of a national service can devolve upon a local body. On this point please see my reply to Q. 106. That being so, the only duties discharged by a local body will be local. They ought, therefore, to be paid for by the local inhabitants, who enjoy the amenities provided thereby. A grant-in-aid from governmental funds means that money collected from the tax-payers of the province in general is to be allocated for the benefit of the residents of a particular local area. In principle this is wrong. Money collected from the cultivator should not be given as a grant-in-aid to relieve the burden of taxation falling upon the town-dweller. The only obvious exception of which I can think at the moment is the case of hospitals. These provide treatment not only for residents within the municipal area but also to residents in the rural districts. This, however, is met, as far as I know in Burma, by a contribution from the district cess fund in consideration of the treatment of inhabitants of the district, while the contribution which is made by Government is, I believe, given in consideration of the treatment accorded to certain Government servants such as the Police. Such a case is hardly on all fours with the case of an ordinary grant-in-aid. Grants-in-aid are charity pure and simple. If made at all, they should upon no consideration be unconditional contributions in general aid of local finances. Such a practice would simply mean that a local body would cease to tax its inhabitants at all, in the hope that the Central Government would discharge its burdens for it. They should only be given for certain particular forms of expenditure, the necessity for which is proved beyond all doubt, and for which the local body is obviously incapable of providing. The general principle upon which such grants should be made should be that of Government helping those who help themselves. Only such local bodies as do not shrink from the imposition of taxation up to the limit which their inhabitants can reasonably bear, should be given any assistance out of the public funds. Even so, such assistance should not take the form of entirely relieving the public body of all further responsibility for a certain item of expenditure. Where, for instance, construction of water works is necessary, Government might undertake to contribute half the expenditure on condition of the municipality raising loans to cover the other half.

Q. 118.—As far as my experience in Burma goes, I should not say that the stimulus referred to in the latter part of this question exists. Where grants-in-aid have been given, I consider that it is essential that Government should retain control over the expenditure of such a grant

Mr. Houldey gave oral evidence as follows :—

The President. Q.—Mr. Houldey, you were the Chairman of the Committee on Municipal Taxation, appointed by the Burma Government in 1921?

A.—Yes, Sir.

Q.—You studied the subject in other parts of India?

A.—Yes, I was in India for about two months visiting different municipalities with a view to study the subject.

Q.—Now you are the Chairman of the Rangoon Development Trust?

A.—Yes.

Sir Percy Thompson. Q.—Regarding the question of the classification of services administered by local authorities into national and onerous or local and beneficial, you know, that was the classification adopted by the Royal

Commission on Local Taxation which was appointed in 1901 and it was endorsed by the Departmental Commission in 1914. Am I to take it that you do not accept that?

A.—Hardly that. I did not quite understand the question, Sir.

Q.—Are there not services which the local authorities render which are purely for the benefit of the inhabitants of the town, take for instance, a park or water-supply?

A.—Certainly they are purely beneficial for the local inhabitants.

Q.—On the other hand, don't you think that there are certain services which, though they may be considered beneficial, are in fact of national importance, such as education, sanitation or prevention of epidemics?

A.—Yes.

Q.—Are not the latter as much a matter of concern to Burma as to Rangoon?

A.—From that point of view it is correct. This point of view that certain services carried on by municipalities were national had not occurred to me.

Q.—The importance of the question is this. Where you have a national service, it is only fair that part of the cost of the service should be contributed from national funds.

A.—Yes.

Q.—And where you have a service which is purely beneficial to the local area, that is not a fit subject for any grant from Imperial revenues.

A.—Yes.

Q.—As I understand it, the particular services which you think ought to be subsidised are these, rather, your conclusion is that education, sanitation, police, where they are administered by the local authorities, ought to be paid for out of the general funds.

A.—With regard to my answer about the grants-in-aid, I have said, I think, that theoretically they were inadmissible, because they meant taking away money collected from the residents of the province generally to provide amenities to a particular portion of the residents who dwell in towns. I think that I mentioned hospitals as a case where exceptions could be made. I have said that grants-in-aid should be given for certain particular forms of expenditure, the necessity for which is proved beyond all doubt, and which the local body is obviously incapable of providing. The general principle upon which such grants should be made should be that of Government helping those who help themselves.

Dr. Paranipye. Q.—Rangoon contributes a good deal to the income-tax and that being part of the revenue of the Central Government which maintains the Army which is not only useful to Rangoon, but also to the other agricultural portion of the country, consequently, Rangoon itself is contributing for the use of the agricultural communities. Could you make any distinction between the town and country as you seem to think?

A.—I do not speak I make any specific mention of any particular department. I merely proposed a general principle that if a Provincial Government makes a contribution to a local body, that contribution comes out of the money which is collected from the people in the mofussil, and is then employed to provide amenities. I do not specify what amenities for dwellers in the town.

Q.—It is difficult to make any clear cut division between town and country.

A.—In what way?

Q.—First of all you cannot say that all the moneys are obtained from the country, so that if the Government contributes towards the expenses of the local administration of the country, you cannot say that the taxation comes from the Rangoon people and not from the people of the country.

A.—In a way it is so.

Q.—It is rather too much to say that all the moneys are from the country.

A.—I think so.

Sir Percy Thompson. Q.—You are not prepared to agree that in the case of amenity services the criterion should be the benefits received? I mean by amenity services, such things as water, lighting, etc. You don't mean to say that the measure of benefit is the measure of taxation?

A.—From practical experience of Burma, at any rate, the simplest method is assessing them on the rental value and then you introduce the criterion of capacity to pay.

Q.—That is only one element of it. Surely the size of the man's house is only a rough criterion of the benefits that he is receiving.

A.—In a way it is.

Q.—That is the criticism we had in England with reference to house tax. I mean, take for instance, a big house, naturally it requires more water.

A.—Oh, yes, I had that in mind. That is why I have said that the tax should approximate to the measure of benefits received.

Q.—Generally speaking, a man will take more amenities for a big house than a small house.

A.—Yes.

Q.—Is the charge for water measured by the size of the pipe connections?

A.—In Rangoon I fancy not. They simply pay a general water-rate. But I am not quite sure about it.

The President. Q.—You say you would not make the levy of any specified tax imperative. To do so would, you think, be contrary to the principles of local self-government and you say "indirectly I take it that a dilatory local body could be compelled to impose certain taxes and so on". Would not that be a cumbersome expedient?

A.—I think I have to modify my answer to that question. My answer paid more regard to theory than to practice. As a matter of fact, the Rangoon Municipal Act has made the house tax compulsory. Theoretically, the local body ought to be able to know what taxes it requires in order to carry on the administration, and should then impose them.

Sir Percy Thompson. Q.—Regarding the question of octroi and terminal taxes, you say you visited Benares during your visit to India. We ourselves met the members of the Benares Municipality. Apart from the other difficulties mentioned, they said that the people who collected this octroi were capable of taking bribes, and the amount of peculation ran up to 50 per cent of the whole tax.

A.—Yes. I also understood that to be the feeling of the people. That was one of the main objections to the tax.

Q.—As regards the terminal tax, apparently it does work with small expense, but the only objection that may be put forward is that it is a tax on transit.

A.—It is.

Q.—If you have a terminal tax in a place which has an industry such as cotton-ginning, it simply means that the town takes a toll on all the cotton which passes through it?

A.—It is open to that objection.

The President. Q.—If it were levied on rice in Rangoon, it would operate as an addition to the export duty.

A.—Yes; but there is one place in North Burma called Bhamo where some caravans come in; they are a considerable nuisance to the municipality. In this case, I think it is justifiable to take something to help the municipality to make the necessary sanitary arrangements and so forth.

Q.—Is the present terminal tax on outgoing passengers levied by your Development Trust justifiable?

A.—Yes, as a means of raising money. We copied it from Calcutta.

Q.—Does Calcutta tax people leaving the city?

A.—I think so.

Q.—You make half your revenue out of people leaving the city?

A.—We make about 4½ lakhs of rupees.

Q.—You tax the people going out of the city for the benefit of those who stay in it?

A.—Here again I think the original idea of putting on that tax was that a large number of people who come to Rangoon or pass through it to go up-country add considerably to the problems of administration, but they pay no tax. It was considered that this was a fair way of making them contribute something.

Q.—Wouldn't those arguments apply to taxation by the municipality rather than to taxation by the Improvement Trust?

A.—Yes, they would. On the other hand, the Development Trust relieves the municipality of one of its most important duties, viz., development. The original idea came from the Calcutta practice.

The Maharajahdiraja Bahadur of Burdwan. Q.—In Calcutta, surely, the Improvement Trust takes a terminal tax; it does not take anything from anybody leaving Calcutta.

A.—I cannot say for certain off-hand whether this is so. I agree that the name 'terminal tax' is misleading.*

Dr. Hyder. Q.—When was this terminal tax imposed?

A.—It was first imposed in February 1921, when the Development Trust came into being.

Sir Percy Thompson. Q.—Does it make any difference for the justification of the tax that it is now to be levied on immigrants into Burma?

A.—I do not see what difference that tax makes to our tax.

The Maharajahdiraja Bahadur of Burdwan. Q.—I take it that the tax you collect goes to the Development Trust.

A.—Yes.

The President. Q.—What is the rate?

A.—It is Rs. 2 per head on every adult liable to pay full fare.

Sir Percy Thompson. Q.—Is this the tax which you are going to get out of us when we leave Rangoon on Friday?

A.—I am afraid it is. Every male passenger who is liable to pay the full fare must pay this tax on leaving Rangoon.

Q.—In the course of your reply to Q. 108, you say that you consider the house and land tax satisfactory and the income derived from it must always form the basis of the municipal fund.

A.—That was the impression I got on an examination of the municipalities out here.

Q.—The municipalities in the United Provinces and in the Punjab do not pay house tax.

A.—I understand that some of them do not.

Q.—They get their revenue from octroi.

A.—There is no octroi or terminal tax here.

Q.—On page 39 of the Report of the Committee on Municipal Taxation appointed in 1921, you recommended that land revenue assessed on land which already pays a general municipal tax should be abolished. Does that apply to town lands?

A.—Yes.

Q.—Has that recommendation been accepted by Government?

A.—I am afraid I could not tell you. I have not been in the regular line for some little time.

Q.—See Q. 112. Apparently the law in Rangoon is that the occupier pays for what has been described as the beneficial services and the owner for the other.

A.—That is so.

Q.—You come to the conclusion that in practice you see no reason why the owner should not be able to shift the burden of the house and land tax on to the occupier.

A.—I should think he can do so. I have not investigated the point, but I think in practice he probably does.

* On referring to section 83 of the Calcutta Improvement Act, I find that a tax of half an anna in respect of each journey (subject, of course, to certain limitations) is levied both on those who arrive in and those who depart from Calcutta by train or inland steam vessel. No tax appears to be levied on persons arriving or departing by sea.

Dr. Paranjpye. Q.—He would be able to do it in a place like Rangoon, but not in places where there are lots of houses and there is little demand for them.

A.—It depends really on whether there is a demand for house accommodation or not. In Rangoon there has been a scarcity of houses.

Sir Percy Thompson. Q.—You think it desirable to limit the rate of land cess. Do the local authorities get enough funds from the present rate of land cess which, I think, is 10 per cent?

A.—I wouldn't like to say. Certainly their finances are not satisfactory.

The President. Q.—You say that the principal reason for limiting the amount of land cess which can be imposed by public bodies is the poverty of large masses of the population. Are the large masses who are so poor affected by the land cess?

A.—Probably not.

Sir Percy Thompson. Q.—With regard to the exemption from taxation of very poor houses of low rental value, previous witnesses told us that your recommendation of 1921-22 has been accepted. They have exempted houses paying a rental of less than Rs. 5 a month.

A.—Probably it is so.

Q.—Please see your reply to Q. 115. Suppose you get agricultural land outside municipal limits which is assessed to land revenue *qua* agricultural lands and therefore pays a low rate. The limits of the city extend and the land is used for building purposes and therefore attains a very high value. The tax still continues, but remains at the agricultural rate. If the land is required for a different purpose, i.e., for building, there is a *prima facie* case for taxing the unimproved value?

A.—Yes.

Q.—Professor Jevons made the other day a suggestion to levy an annual tax on the unimproved value of the land. He said that it would be comparatively a simple matter to value the whole of the sites in towns as distinct from villages and put on a flat rate. What is your view of the difficulty of getting at the site value of all the land in Rangoon?

A.—There is no land actually in Rangoon now that can be valued purely as agricultural land.

Q.—Could you value the sites apart from the buildings?

A.—Yes. But sales are always sales of land and buildings. One has to make deduction on account of the buildings to get at the rate for land per square foot.

Q.—Do you think it would be practicable to get a valuation of all the sites in Rangoon sufficiently accurately to base on it a tax on capital value?

A.—Yes; if you want to know the present value of any land, that could be ascertained with a certain degree of accuracy.

Q.—That was the problem in England under the Finance Act of 1910, but the attempt failed miserably.

A.—Rangoon is comparatively a small area and I think it could be done.

Q.—Do you think a tax of that kind would be fair?

A.—I am not prepared to say that it would be.

Q.—Why should these people pocket enormous profits and contribute nothing at all to Government?

A.—They do not derive any particular benefit from their agricultural land, unless and until it is used for building purposes, and then they become liable to municipal rates.

Q.—After all the municipal rates are really, to a very great extent, a payment for services rendered.

A.—Yes.

Q.—Aren't many people holding a title to the land that is unbuilt upon?

A.—Yes.

Q.—Would it not be a fair charge upon them?

A.—I do not think so. If they find themselves in possession of a valuable piece of property, I do not see why they should not reap some benefit from it.

The President. Q.—Isn't it one of the principles of taxation that you tax a windfall without mercy?

A.—I suppose that is so.

Sir Percy Thompson. Q.—At any rate, a tax would have this tendency: it might tend to stop the land being used for building purposes.

A.—Personally I should like to see it taxed, because nothing annoys me more than to acquire land which has never been used for anything but growing paddy or possibly flowers for 20 years and have to pay Rs. 5,000 or Rs. 6,000 for it on the ground that it is now building land. As a matter of fact, I would welcome such a tax which might possibly have the effect of keeping the value of these lands down a little.

Q.—Do you really think you could get a sufficiently accurate valuation of the unimproved value of land?

A.—I think you could make a sufficiently accurate valuation to levy a tax.

Q.—What sort of staff do you think it wants? You would have to keep these valuations up to date and revise them from time to time.

A.—Such a staff as I have in my own office. If you could get a professional valuer, so much the better.

The President. Q.—The Corporation have at present a staff.

A.—They have an assessment staff.

Sir Percy Thompson. Q.—They merely ascertain the annual value of land and buildings. We surely want persons of different qualifications to find out the capital value of land and buildings and then ascertain the value of houses, which is to be deducted.

A.—I should think probably that the best staff would be such a staff as I have in my office. My Land Department is only a small one, but you want men who know the local conditions and the history of land in Rangoon for the last few years and have access to records of sales and transactions.

Q.—How long do you think it would take your staff to make a valuation of all such land in Rangoon?

A.—My staff, as it is, would take two to three years to make anything like an accurate valuation.

Q.—And when they have done it, wouldn't the valuation so found be very controversial?

A.—It will not only be controversial, but will keep on fluctuating. That, I think, is an even more serious objection. If you fix a valuation to-day, five years hence it would be out of date.

Q.—I think we will have to renew the valuation once in, say, five years.

A.—Yes.

Q.—Then, ought not you also to ascertain the value due to all kinds of improvements?

A.—Yes.

Q.—Wouldn't that cause some difficulty?

A.—When you get the value of the land as it stands with the improvements on it, in order to get the unimproved value, you would have to make a deduction on account of the improvements.

Q.—Still you think the task is a feasible one?

A.—Yes, I think it is. We have had to do it in respect of our Government estates in Rangoon in the last twelve months to fix rents. The committee which went into this subject laid it down that fixation of rents should be based on consideration of the market value of the land and the cost of equipment, 4 per cent on the market value of the land and 6 per cent on the cost of equipment.

The President. Q.—That was land which had been built over.

A.—Not necessarily, some was built over and some not built over.

Sir Percy Thompson. Q.—In reply to Q. 117, you say that you do not understand how the discharge of a national service can devolve upon a local body. Do you still adhere to it?

A.—When I wrote that, I was thinking more of things like the maintenance of the Army and Navy—obvious national services. Such national services as education and sanitation might certainly be paid for, in part at any rate, by the local inhabitants.

Q.—I understand that your principle of making grants-in-aid would be that they should be proportioned to the expenditure of the local body: you say that the general principle upon which such grants should be made should be that of Government helping those who help themselves?

A.—Yes; otherwise, as things are in Burma, I think you will find people trying to get out of responsibility and falling back on Government assistance.

Q.—You would make the grant conditional on efficiency in the administration of the services?

A.—Certainly.

The President. Q.—Is not that policy rather one of giving to those that haven't? Take a dry district with a large area and a small wet district. The small wet district, for instance, has the bigger revenue, but less length of roads to maintain.

A.—I had in mind municipalities rather than districts. District funds have only been in existence in Burma for a short time, and I personally had very little to do with them.

Sir Percy Thompson. Q.—Would it not also apply to the case of municipalities? You have poor as well as rich municipalities.

A.—Yes. I would not apply the policy rigidly, but merely I want the poor municipalities to show some signs of helping themselves.

Q.—You do not think the grant-in-aid should be given unless the locality is taxing itself to the full.

A.—Unless it tries to discharge its duties itself, I do not want them to live on charity.

The President. Q.—I would like you to re-classify the taxes given in appendix I to your report under a number of main heads, e.g., taxes on trade, taxes on property, taxes on persons, taxes on transactions, taxes on carriages and animals including dogs, and payments for services rendered. Your markets and tolls are practically taxes on trade.

A.—They are really. I consider them as indirect taxes.

Q.—In your reply to Q. III, you say that practically every municipality in Burma relies on tolls on vehicles maintained outside municipal limits upon their entering within such limits. That would be another tax on trade.

A.—Yes.

Q.—Do you accept that classification generally, taxes on trade?

A.—Yes.

Q.—Practically, the large levy on markets in Burma is the equivalent of the octroi or terminal tax in Northern India and tolls in Madras.

A.—It certainly has occurred to me that that is so since I wrote this report. It is a fairly remunerative indirect tax in another form.

Q.—I pass on to taxes on property. First of all, you propose in the report to abandon land revenue in towns and to leave it to municipalities. Has any action been taken on that?

A.—I am afraid I do not know.

Q.—We have referred to some such idea in Q. 103 of our questionnaire. Are you prepared to see land revenue abolished within municipal limits?

A.—Yes.

Q.—That would mean that certain plots of land would escape ground rent, whereas plots belonging to private companies would still be paying it. Wouldn't that be giving something to the occupier for nothing?

A.—The private owners of land in Rangoon do not pay ground rent, but everybody else does.

Sir Percy Thompson. Q.—Whom do they pay it to?

A.—In Rangoon, to the Development Trust.

Q.—Of course, Government naturally charges a rent for all the land that belongs to it. But the point is, with regard to the land which has come within the municipal limits, is there any reason why rent should not be paid for that?

The President. Q.—May I put it in this way? In certain parts of India, you have three classes of land inside a town—original village-site free of land revenue, agricultural land paying agricultural rent and land which is subsequently disposed of by Government and this will be subject to full competitive rack rent, less a small amount to allow a margin to be taken by auction, that is according to the orders of 1895. Now the suggestion was

made that you should wipe out Government taxation in order to enable the local body to enhance its rates throughout, the idea being that if Government were already taking Rs. 50, the limit being Rs. 60, you make the municipality limit itself to the Rs. 10; whereas if you wipe out the Government taxation; it will get Rs. 60.

A.—Yes.

Sir Percy Thompson. Q.—Take a village which develops into a town. Because certain sites have been allotted for village site free, and the agricultural land now develops into a town, is there any reason why the people who have been occupying these houses and shops should not pay for them? Surely the Provincial Government is entitled to charge a rent, the ground rent, for the land if it is Government property. And if, in fact, from usage and custom it has got into private ownership, is there any particular reason why you should not pay a tax in addition to ground rent?

A.—I do not think there is any, except the difficulty that we experience in Rangoon and that is the total divorce between law and public opinion. You might pass an Act empowering you to levy the tax but find it impossible to collect it. In Rangoon there are people who have been occupying portions of Government estate for years at a very low rent—on ridiculous rents—bearing no relation to the value of the land.

Q.—Is that under lease?

A.—Some of that is under lease, but mostly without lease; and when Sir Charles Webb founded the Development Trust and endeavoured to introduce rent which would bear some relation to the value of the land, there was an outcry against it. So we had to abandon that idea and introduce very modified rents.

Q.—I should have thought that the number of people who have got these sites for practically nothing is so small that you will have general public opinion saying "Why should these people get off free".

A.—A great many people have these sites for practically nothing and they had been living on them for some years—the land was undeveloped and Government could not very well insist on their taking out leases, either long or short, for undeveloped land, and so they left them alone until they were able to develop the land. And now, having developed the land, we say they have got to pay but they simply rise up and flatly decline to do so.

Q.—I quite understand the particular individuals concerned being unwilling to pay; but why should they get sympathy from the general public?

A.—They have got the sympathy of the Legislative Council.

The President. Q.—But you could not put the private land on the same basis as Government land which you are disposing of directly?

A.—This is Government land.

Q.—Have you any system here under which agricultural land coming within the limits of a municipality is taxed to a higher rate than the agricultural rate?

A.—No.

Q.—It never becomes liable to Government taxation?

A.—Theoretically only the homestead plots not exceeding .25 acre are exempt from land revenue, but in practice I do not know whether it is adhered to.

Q.—Is there any section in the Burma Town and Village Lands Act that enables the Government to levy anything they like?

A.—I think the Lower Burma Town and Village Lands Act exempts household plots of a quarter of an acre or less: anything over quarter of an acre in towns is liable to revenue.

Q.—That gives power to levy anything you like?

A.—I fancy the land will have to be included in some settlement. In practice, land which already pays municipal tax is not assessed to land revenue in Rangoon.

Q.—The two things are quite different?

A.—They are.

Q.—The question is, do you see any way of levelling up land revenue as distinct from the municipal rate on the three classes of land which I have described?

A.—We have not got those three classes of land in Burma. There are only two classes—freehold or Government

Q.—You have got land which is now at the disposal of the Government?

A.—Yes.

Q.—And you have got land which is somebody's possession with an agricultural tax?

A.—Yes.

Q.—And land which is paying no tax or land revenue, either freehold or otherwise?

A.—If it is a freehold, it escapes revenue only if less than .25 acre; otherwise it pays land revenue.

Q.—At what rate?

A.—At the agricultural rate. But the total is very small. My office collects this land revenue in Rangoon and the amount is very small.

Q.—You agree that property in non-agricultural land is one of the types of property that escapes taxation?

A.—Yes, that class of property to which reference was made just now—undeveloped agricultural property on the outskirts of Rangoon—certainly does escape taxation.

Q.—With regard to assessment of railways to local tax, you say no one except a specialist could deal with it?

A.—I am afraid I do not know very much about the subject.

Q.—Did you come across many difficulties in that connection in your tour throughout India?

A.—No; because they make no effort to deal with the subject on the English system. They simply take a more or less arbitrary valuation and value so much per cent on the property as its rental value.

Q.—Under section 135 of the Railway Act, the Commissioner has to assess?

A.—I do not know about that.

Q.—You recommend “the taking of a percentage of the capital cost of buildings and of the value of lands as representing the ratable value of the railway”. Would you apply that to both the municipalities and District Councils?

A.—District Councils have not yet levied any tax on property.

Q.—Does the railway company pay land revenue on the land?

A.—No; it is their own land.

Q.—Then the track would be free of tax?

A.—I should think it would. As a matter of fact, District Councils came into existence since I wrote this report, and I have not considered that question from that point of view; but I think it would be.

Q.—As regards land in a municipality, both buildings and track will be taxed?

A.—That is one of the sore points in the case of the Burma Railways and Rangoon Municipality.

Q.—Would not your recommendation cover that: that “the existing system of rating railway property whereby a percentage of the capital cost of buildings and of the capital cost of land is taken as constituting the ratable value should continue to be followed in Burma”?

A.—The Burma Railways objected to the rails and the land covered by them being included in the valuation. They said “what benefit does this land derive from municipal services?”

Q.—Had you any idea what percentage should be taken?

A.—4 per cent on land and 8 per cent on the property. This is what was actually levied in Rangoon, and I think matters should be left as they are. In some other parts of Burma different rates are taken.

The President. Q.—With regard to tax on persons, you don't like profession tax?

A.—It seems to be another form of income-tax.

Q.—Is it not like the *thathameda* or the Punjab *haisyat* tax which is collected on the basis of the chowkidari assessments—a rough and ready rate on the family?

A.—The profession tax in Calcutta is practically a license fee. Capitation tax is a poll-tax, pure and simple.

Q.—Your capitation tax is going to be developed into a circumstances and property tax?

A.—That is the idea.

Q.—And circumstances and property tax is very similar to the profession tax?

A.—I do not think so.

Q.—Did you study them as existing in the Punjab and United Provinces?

A.—No; I did not see the circumstances and property tax working at all. I studied it in the Central Provinces Municipal Manual. But I did not get the impression that there was any resemblance between the profession tax and the tax on circumstances and property.

Q.—I think they more or less run into one another.

A.—I take it that the circumstances and property tax is levied with the same object as a general tax on rental values is levied. Only this is thought to be perhaps in some cases a fairer way of getting at the capacity of the tax-payer to pay, and his circumstances and property are regarded simply as an indication of his capacity to pay. You may say the same as regards the profession tax; but the relation is rather strained.

Q.—Is it not the fact that a man is a Barrister is some indication of his circumstances?

A.—That is one of the considerations taken into account.

Q.—With regard to tax on transactions, you say that there is a stamp duty on transfer of property; how is that collected?

A.—That is collected by the registration officer who charges an extra fee and sends an account to the Accountant-General and we draw the amount from the Accountant-General.

Q.—The tax on carriages and animals is practically universal?

A.—Yes.

Q.—So that practically you have all over India five classes of taxes, the difference being the extent to which reliance is placed on one or the other?

A.—Reliance is placed primarily on the first, second and third.

Q.—On page 20 of your report you say that it is desirable that the local bodies should have control over their own tax collecting agency. Do you think it is a very sound principle? Is it not generally found that local bodies making their own assessments find the work very unpopular and are generally inefficient?

A.—I wrote this report at a time when self-governing municipalities had just been introduced. Probably the first self-governing institution had just begun. One assumed that they were going to function efficiently. At any rate, we had no proof that they were not going to be efficient; and theoretically I think that if they are going to administer their own affairs, they ought to assess and collect their own taxes.

Q.—In France they do not have control over their own staff.

A.—Yes.

Q.—Your procedure in the Development Trust here is to buy land and sell it again?

A.—Yes; that is what we are doing at present.

Q.—There is no procedure for the development of private land on the basis of a betterment tax?

A.—We have in Chapter IV of our Act a scheme by which we can include private property in a general scheme of development and then charge the owners who are benefited a percentage of the increment to the value of their land.

Q.—Have you worked that?

A.—We have never worked it, because the safeguards in the Act and the subsequent safeguards made by rules are such as to render it practically unworkable.

Q.—Have you studied its working anywhere else?

A.—No; I had no opportunity.

16th April 1925.

RANGOON*Present;*Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajahdiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.F., C.B.

The Hon'ble SARDAR JOGENDRA SINGH.

Dr. R. P. PARANJPYE.

Dr. J. K. HYDER, M.L.A.

Mr. A. E. BOYD, Collector of Sea Customs, Burma, was examined.**Written memorandum of Mr. Boyd.**

Q. 78.—A tariff imposed, strictly from a revenue producing point of view, should presumably include everything, but since some things are allowed in free or with a very small duty, I think, perhaps, articles which bring in a very small revenue might be eliminated. It would help to make the imposition less irritating. For instance, there are a great many articles imported through the post on which duty is charged, and the amount recovered is very small. This is a very great source of complaint and irritation to the importers.

Q. 79.—Statistics for the past five years on the following high duty articles, namely (present duty)—

Spirits	Rs. 21-14-0 per proof gallon.
Cigarettes	75 per cent.
Saccharine	Rs. 20 per lb.
Motor cars and cycles	30 per cent.
Silk	"
Gold and Silver manufactures	"
Toys and Games requisites	"

show that although there has been a decrease in the value there has in some instances been an increase in the duty.

Undoubtedly, the high rate of duty has resulted in increased smuggling, —vide the cigarette smuggling across the Siamese frontier and the gold lace and matches across the Pondicherry and Karikal frontiers. The Ardath Company have not been able to import "555" cigarettes, for instance, for about two years. They are doing so now however. The same applied to a large firm in Madras, who used to supply practically the whole of the South of India with matches. They had to stop importing altogether as they were being undersold by importers of smuggled matches across the Pondicherry frontier. Not only does Government lose the duty on these articles, but the legitimate honest would-be importer loses very badly too as it stops his trade. We estimated very roughly that about 7 or 8 lakhs of rupees worth of goods were smuggled across the Pondicherry frontier yearly.

Q. 80.—Yes, I think the rate of duty could be raised without hurting the trade on tea and salted fish. The present rate of 7½ annas a maund works out to only 2 per cent *ad valorem* on dry fish and 5 per cent *ad valorem* on wet fish, as compared with the general rate of duty at 15 per cent *ad valorem*. The following are the quantities and value of dry and wet salted fish imported into Burma from foreign ports during the year 1923-24:—

	Cwt.	Mds.	Value. Rs.
Fish, dry, salted	65,449	89,083-3	21,70,407
" wet	15,320	20,852-2	1,95,154

The duty on dry salted fish at 7½ annas a maund yielded Rs. 41,758 or 1.9 per cent on the value, and that on wet salted fish amounted to Rs. 9,775 or 5 per cent on the value. I put this proposal to the Central Board of Revenue in December last, but the Government of India considered this was not a convenient time to take up the point.

Tea.—At present 15 per cent might be increased to a specific duty of 3 annas a lb.

Q. 81.—It will simplify matters a great deal if an *ad valorem* duty is fixed for medicinal spirituous preparations. These comprise a very large number of preparations by several makers and are imported in comparatively small quantities. The work of testing and assessment is laborious, and there is a delay in passing the goods. Each preparation of each maker, however small, has to be shown separately in the Bill of Entry. Whisky, brandy and gin are tested by appraisers, but medicinal preparations have to be sent to a Chemical Examiner. Denatured spirit is assessed at 7½ per cent *ad valorem*, and methylated liniments and tinctures, which are impotable, at 15 per cent. Considering the good use to which medicinal preparations are put, and the fact that they cannot be drunk as a beverage as in the case of whisky, I think there is a good case from all points of view for assessing these preparations at 15 per cent.

Q. 82.—I think not in Burma.

Q. 83.—I think specific duties are preferable wherever they can suitably be fixed. Disputes with importers as to values will be reduced to a minimum. Tariff valuations are in a way a sort of specific duty.

Q. 84.—The system of tariff valuations has, on the whole, worked well. These are fixed for the calendar year and are very seldom altered during the course of the year. When there is a drop in prices, importers grumble; on the other hand, they gain when prices rise. On the whole, importers prefer tariff valuations as they save disputes regarding market values, and as they help to get their goods cleared more expeditiously.

Q. 85.—This refers to assessments under clauses (a) and (b) of Section 30 of the Sea Customs Act. As regards assessments under clause (a), merchants have continually protested against assessments on the price at which the last wholesale dealer sells the goods, or, in other words, on the highest price obtainable in the market. Importers contend that the goods should be assessed on the wholesale price at which they sell, but the Government of India have ruled that the terms "wholesale cash price" should be defined as the "local wholesale market value" irrespective of the price at which transactions are conducted between importers and dealers.

Assessments under clause (b) are ordinarily based on invoices. At this port the invoices produced have been found to be reliable. In cases of doubt the goods are actually examined by an appraiser.

Foreign Imports into the Province of Burma.

Name of the article.	Duty.			1922-23.			
	1920-21.	1921-22.	1922-23.	Rate of duty.	Amount.	Rate of duty.	Amount.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)
Spirits	Rs. 18-12-0 from 1st March 1921 and Rs. 11-4-0 previous thereto.	Rs. 18,08,098	Rs. 21-14-0 from 1st March 1922 and Rs. 18-12-0 prior thereto.	Rs. 22,71,200	Rs. A. P. 21 14 0	Rs. 23,11,876	
Cigarettes (a)	50 per cent <i>ad valorem</i> up to 28th February 1921 and 75 per cent from 1st March 1921.	21,77,809	75 per cent	16,09,712	75 per cent.	28,43,297	
Saccharine	20 per cent from 1st March 1921 and 7½ per cent prior to that.	8,30,749	30 per cent from 1st March 1922 and 20 per cent prior to that.	4,51,578	30 per cent.	6,15,990	
Motor cars and cycles	Do.	5,06,330	Do.	6,74,235	Do.	19,99,030	
Silk manufactures	20 per cent from 1st March 1921 and 7½ per cent prior to that.	6,436	Do.	4,328	Do.	15,475	
Gold do.	Do.	..	Do.	6,428	Do.	17,627	
Silver do.	Do.	44,053	Do.	95,145	Do.	1,58,484	
Toys and Game requisites	Do.	..	Do.	..	Do.	..	

(a) Includes duty of cigars also.

Foreign Imports into the Province of Burma—*contd.*

Name of the article.	Duty— <i>contd.</i>			Value.					
	1923-24.		1924-25.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	
	Rate of duty. (8)	Amount. (9)	Rate of duty. (10)	Amount. (11)	(12)	(13)	(14)	(15)	(16)
Spirits ..	RS. A. P. 21 14 0	RS. 25,17,800	RS. A. P. 21 14 0	RS. 29,03,981	RS. 34,79,657	RS. 32,76,514	RS. 29,32,849	RS. 28,72,855	RS. 26,75,454
Cigarettes (a) ..	75 per cent.	23,71,284	75 per cent.	20,76,951 (c)	47,12,314	23,59,550	36,53,674	31,31,774	26,02,218
Saccharine ..	(b)	14,768	..	..	82,630	44,136	49,642	13,935	..
Motor cars and cycles ..	30 per cent.	9,02,568	30 per cent.	7,95,439	64,09,229	15,28,042	16,07,556	25,13,496	22,62,293
Silk manufactures ..	Do.	9,98,623	Do.	15,74,143	72,72,712	32,74,803	45,08,578	33,27,978	61,11,202
Gold do. ..	Do.	14,386	Do.	2,288	56,674	41,483	1,02,513	2,13,103	89,418
Silver do. ..	Do.	16,908	Do.	7,282	..	..	..	..	..
Toys and Game requisites ..	Do.	1,38,509	Do.	1,54,327	6,55,904	3,21,547	5,71,662	4,90,789	5,34,707

(a) Includes duty of cigars also. (b) Separately recorded from the 1st March 1923 only. Saccharine except in tablets Rs. 20 per lb. *ad valorem*. Saccharine tablets 25 per cent *ad valorem* or Rs. 20 per lb. of saccharine contents, whichever is higher. (c) Excludes value of cigars.

Statement showing the quantity and value of iron and steel products affected by the protective duties imported into Burma from Foreign countries during the periods noted below.

	1922-23.		1923-24.		1924-25.				Remarks.
					1st April to 12th June 1924.		13th June 1924 to 15th March 1925.		
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	
Iron—	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	
Manufactures—									
Angle, tee and bolt, etc.—									
United Kingdom ..	36	14,662	37	6,908	..	..	{ ..	1,361 7	Protected. Non-protected.
Germany	8	2,322	6	994	..	..	{ ..	8,742	Protected. Non-protected.
Belgium	26	8,257	16	3,655	..	7	{ ..	..	..
Japan	1	212	..	..	..	..	{ ..	..	..
United States of America via Atlantic Coast.	2	2,156	..	..	..	..	{ ..	..	..
Total ..	73	27,611	59	11,557	7	1,815	69	10,110	
Bars and shafts—									
United Kingdom ..	552	94,769	357	64,127	74	11,401	{ 214	38,240	Protected.
Straits .. ..	..	26	2	323	..	..	{ 102	21,100	Non-protected.
Hongkong .. ..	..	30	..	..	..	..	{ ..	129	Protected.
Germany	39	6,988	26	8,827	..	..	{ ..	3,022	Protected.
							{ ..	..	Non-protected.

Statement showing the quantity and value of iron and steel products affected by the protective duties imported into Burma from Foreign countries during the periods noted below—*contd.*

	1922-23.						1923-24.						1924-25.						Remarks.
	Quantity.		Value.		Quantity.		Value.		Quantity.		Value.		Quantity.		Value.				
	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.			
Iron—contd.																			
Manufactures— <i>contd.</i>																			
Bars and channels— <i>contd.</i>																			
Belgium	6,316	10,26,277	4,365	6,63,499	208	27,900	3,599	4,36,577									Protected. Non-protected.		
United States of America via Atlantic Coast.	..	75	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total	6,907	11,28,166	4,750	7,31,766	282	39,301	3,943	4,94,068											
Steel—																			
Angle and tee—																			
United Kingdom ..	682	1,43,636	748	1,51,910	95	17,523	726	1,06,819									Protected. Non-protected.		
Straits .. .. .	..	..	6	1,153	4	637	3	361									Protected.
Germany	52	9,271	87	15,786	7	1,268	93	12,538									Non-protected. Protected.		
Netherlands	17	3,437	..	..	..	..	..	..									Non-protected.
Belgium	341	68,842	330	63,123	109	19,657	838	1,15,488									Protected. Non-protected.		
Luxemburg	29	5,950	..	..	8	1,367	59	8,084									Protected. Non-protected.

France	11	2,148	12	2,222	..	..	10,282	Protected.
United States of America via Atlantic Coast.	1	480	..	..	..	..	..	Non-protected.
Total	1,193	2,33,764	1,183	2,34,198	223	40,472	1,833	2,61,762
Steel— Bars, etc.—								
United Kingdom	2,093	4,20,554	2,637	4,60,482	526	95,361	1,492	1,74,474
Straits	7	1,198	1	131	..	7,310	364	1,09,766
Germany	282	70,482	167	27,685	42	..	..	Protected.
Netherlands	67	9,389	41	6,937	..	..	..	Non-protected.
Belgium	1,676	2,53,579	2,053	3,18,664	905	1,31,769	4,922	7,52,918
Luxemburg	34	5,706	..	..	2	217	496	Protected.
France	8	1,316	4	655	10	1,411	..	Non-protected.
United States of America via Atlantic Coast.	..	..	..	..	..	..	..	Protected.
Total	4,057	7,92,219	4,903	8,14,744	1,485	2,36,068	7,733	11,61,696
Iron or steel— Beams, channels, etc.—								
United Kingdom	1,124	2,22,676	926	1,95,040	274	77,380	3,441	8,26,057
Straits	4	816	..	..	..	..	2	Do.
Hongkong	8	813	..	..	..	..	..	Do.
Germany	135	32,051	76	8,985	..	..	31	10,040
Belgium	1,900	2,45,394	2,160	2,98,454	684	77,557	2,416	2,41,358
Luxemburg	117	17,982	38	5,230	2	276	42	9,990
France	12	1,644	65	28,887	..	1,220	495	47,545
United States of America via Atlantic Coast.	..	6	..	..	2	..	17	5,553
Total	3,800	5,22,361	3,265	5,06,596	962	1,56,433	6,445	11,39,908

Statement showing the quantity and value of iron and steel products affected by the protective duties imported into Burma from Foreign countries during the periods noted below—*contd.*

	1922-23.						1923-24.						1924-25.				Remarks.
	Quantity.		Value.		Quantity.		Value.		Quantity.		Value.		Quantity.		Value.		
	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	
Iron or steel— <i>contd.</i>																	
Rails, chairs, etc.—																	
United Kingdom ..	557	1,33,369	934	1,44,765	1,660	2,61,954	455	63,579									Protected.
Federated Malay States ..	..	..	136	12,297	..	..	4	6,243									Non-protected.
Germany ..	29	10,161	..	..	..	..	35	6,164									Protected.
Netherlands ..	..	..	..	..	..	..	101	13,422									Non-protected.
Belgium ..	233	36,881	260	31,656	66	9,337	184	29,499									Protected.
Luxemburg ..	..	..	..	..	..	..	25	4,661									Non-protected.
United States of America <i>via</i> Atlantic Coast.	..	400	..	..	..	..	..	..									Protected.
Total ..	819	1,80,811	1,380	1,88,717	1,726	2,74,291	804	1,23,568									Non-protected.
Sheets and plates—																	
Galvanised—																	
Corrugated—																	
United Kingdom ..	11,927	44,72,232	10,952	46,96,721	4,086	16,04,045	7,179	25,80,866									All sheets, protected.
Straits ..	..	307	1	532	..	219	2	916									Do.
Germany ..	20	8,656	..	..	..	..	..	..									Do.

France .. .. .	..	..	..	..	1	169	50	9,109	Protected.
United States of America via Atlantic Coast.	..	..	..	..	8	3,465	..	..	Non-protected.
Total .. .. .	..	..	..	..	346	66,728	1,360	2,67,484	
(b) Plates over 1/8 inch thick—									
United Kingdom .. .. .	..	..	..	..	323	60,267	1,088	1,77,217	Protected.
Germany .. .. .	..	..	..	..	38	6,984	100	22,179	Non-protected.
Belgium .. .. .	..	..	..	..	95	17,300	660	87,882	Protected.
France .. .. .	..	..	..	..	5	978	3	939	Non-protected.
Total .. .. .	..	..	..	..	461	85,529	320	48,659	Protected.
(c) Other sorts *—									
United Kingdom .. .. .	..	..	..	..	..	..	..	62,815	Protected.
Germany .. .. .	..	..	..	..	..	..	..	124	Non-protected.
Netherlands .. .. .	..	..	..	..	..	..	..	21,673	Protected.
Belgium .. .. .	..	..	..	..	..	..	..	8,404	Non-protected.
Total .. .. .	..	..	..	..	..	..	..	21,536	Protected.
Tubes, pipes, etc.—									
United Kingdom	4,817	19,17,697	2,382	10,90,442	570	2,48,858	10	6,197	Protected.
Ceylon .. .. .	..	..	..	22	..	..	2,869	11,15,335	Non-protected.
Straits .. .. .	..	..	..	377	..	..	..	..	Protected.
Germany	310	83,143	118	41,224	28	8,601	1	1,180	Non-protected.
Netherlands	43	15,558	73	22,061	7	1,960	315	89,783	Protected.
Total .. .. .	..	..	..	..	..	..	..	20,896	Non-protected.

* Included under "Not galvanized or tinned, sheets and plates" during the years 1922-23 and 1923-24. Separately recorded from 1st April 1924.

Statement showing the quantity and value of iron and steel products affected by the protective duties imported into Burma from Foreign countries during the periods noted below—*concid.*

	1922-23.		1923-24.		1924-25.				Remarks.
	Quantity.		Value.		1st April to 12th June 1924.		13th June 1924 to 15th March 1925.		
	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.	
Iron or steel— <i>concid.</i>									
Tubes, pipes, etc.— <i>concid.</i>									
Belgium	156	28,440	22	6,988	26	7,096	115	28,936	Protected. Non-protected.
France .. .. .	..	..	..	..	..	..	14	5,846	Protected. Non-protected.
Italy .. .. .	..	235	..	..	..	..	..	..	Protected.
Czechoslovakia .. .. .	..	..	..	..	..	..	12	3,551	Protected. Non-protected.
Egypt .. .. .	..	..	..	..	..	..	..	43	Protected. Non-protected.
United States of America <i>via</i> Atlantic Coast.	3,710	13,63,761	717	3,73,807	5	8,809	216	1,04,336	Protected. Non-protected.
United States of America <i>via</i> Pacific Coast.	21	8,218	..	741	..	..	..	..	Protected. Non-protected.
Total	8,556	34,16,952	3,307	15,35,662	636	2,73,324	3,615	13,75,113	All protected. Do. Do. Do. Do. Do.
Wire other than fencing wire—									
United Kingdom	45	19,609	149	54,852	43	15,980	147	56,820	Do. Do. Do. Do. Do.
Straits .. .. .	..	34	1	721	..	..	..	33	Do. Do. Do. Do.
Hongkong	2	3,896	..	1,412	1	1,606	1	2,050	Do. Do. Do.
Germany	223	69,233	144	44,783	99	27,898	70	16,371	Do. Do. Do.
Netherlands .. .. .	..	..	4	1,348	7	2,253	4	960	Do. Do. Do.
Philippines .. .. .	..	..	..	40	..	..	..	..	Do. Do.
Belgium	46	15,735	107	31,801	10	2,673	91	18,083	Do.

Statement showing the quantity and value of iron and steel imported into Burma from India distinguishing Foreign and Indian for the periods shown below.

	1922-23.		1923-24.		1st April to 12th June 1924.		13th June 1924 to 15th March 1925.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	TONS.	RS.	TONS.	RS.	TONS.	RS.	TONS.	RS.
Foreign produce—								
Iron or steel—								
Ore—								
Bengal, Calcutta ..	..	..	20	6,022	..	..	..	..
Pig—								
Bengal, Calcutta ..	66	8,348	416	41,176	..	..	8	1,160
" Other Ports ..	..	..	..	..	..	..	1	92
Total ..	66	8,348	416	41,176	..	..	9	1,252
Manufactures—								
Anchors and Cables—								
Bengal, Calcutta ..	12	4,856	11	4,852	1	900	10	13,084
" Other Ports ..	12	6,559	2	1,310	..	160	1	450
Bombay, Bombay ..	..	150	..	..	4	2,500	..	..
Total ..	24	11,544	18	5,962	5	3,560	11	13,534
Angle, bolt and rod—								
Bengal, Calcutta ..	126	48,413	251	65,488	88	20,660	224	46,215
" Other Ports ..	..	..	..	140	..	..	..	456
Bombay, Bombay ..	..	..	10	2,045	..	..	..	..
Total ..	126	48,413	261	67,673	88	20,660	224	46,671

Statement showing the quantity and value of iron and steel imported into Burma from India distinguishing Foreign and Indian for the periods shown below—*contd.*

	1922-23.		1923-24.		1st April to 12th June 1924.		18th June 1924 to 16th March 1925.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Foreign produce—<i>contd.</i>								
Iron or steel— <i>contd.</i>								
Other manufactures of iron or steel— <i>contd.</i>								
Bombay, Bombay ..	..	..	7	5,255	2	1,426	1	2,500
Madras, Madras ..	..	..	1	1,566	2	1,165	..	38
Other Ports ..	..	..	..	..	..	..	1	400
Sind, Karachi ..	..	..	..	..	..	..	200	1,47,184
Total ..	698	2,76,305	764	2,74,866	250	59,140	452	2,28,590
Total—Iron or steel—Foreign ..	1,985	7,85,191	2,988	10,16,131	713	1,84,083	2,019	7,95,876
Indian merchandise—								
Iron—								
Cast pig—								
Bengal, Calcutta ..	289	45,169	644	55,829	35	2,670	425	41,600
Other Ports ..	..	..	1	200	..	..	..	..
Madras, Madras ..	..	..	..	..	..	..	144	13,300
Total ..	289	45,169	645	55,829	35	2,670	569	54,900
Wrought—								
Bengal, Calcutta ..	20	13,482	677	2,62,826	362	1,63,117	2,021	4,28,087
Other Ports ..	..	411	1	812	..	175	3	1,841
Bombay, Bombay ..	..	50	1	505	..	..	8	2,163

Madras, Madras	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	300
" Other Ports	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	360
Total	20	14,248	879	2,64,193	362	1,68,292	2,033	4,32,741									
Other sorts—																	
Bengal, Calcutta	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
" Other Ports	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Total	4	3,166	3	1,947	..	..	..	..	..	..	..	..	..	..	..	..	..
	..	..	..	1,600	..	..	..	..	..	..	..	..	..	..	..	..	..
	4	3,166	6	3,647	..	..	..	..	..	..	..	..	..	..	..	..	..
Total Iron—Indian	313	62,678	1,530	3,23,569	397	1,65,962	2,602	4,67,641									

Statement of protective duties realized in the Province of Burma on metals—Iron and Steel—during the period 13th June 1924 to 15th March 1925 and also of duties collected on corresponding items from 1st April 1922 to 12th June 1924.

Description of articles.	1922-23.		1923-24.		1st April 1924 to 12th June 1924.		Duty at protective rates from 13th June 1924 to 15th March 1925.		Amount of duty which would have been leviable from 13th June 1924 at rates previously before the levy of protective duty.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Iron—										
(1) Iron angle channel and tee	1,184	151	3,601	1,366	1,092					
(2) Bar and rod—common	12,631	79,268		1,40,336	56,147					
Iron or steel—										
(3) Nails wire or French	1,28,934	53,023	39,744	3,08,482	1,43,956					
(4) Pipes and tubes and fittings therefor if riveted or otherwise built up of plates or sheets.	(a) 4,11,636	(a) 2,13,491	55,989	21,694	8,678					
(5) Plates not under $\frac{3}{8}$ inch thick including sheets $\frac{3}{8}$ inch thick or over.	50,482	34,892	7,401	79,549	39,085					
(6) Sheets under $\frac{3}{8}$ inch thick not fabricated	4,71,852	4,31,714	1,62,838	5,26,885	3,47,440					
(7) Sheets all sorts fabricated	19,939	18,257		1,355	542					
(8) Wire all kinds other than barbed or stranded fencing wire.	(b) 1,19,136	(b) 1,47,354	24,646	21,727	9,431					
Steel—										
(9) Common merchant bar and rod	41,011	31,269	17,564	3,09,194	1,16,950					
(10) Steel angle and T not galvanized, tinued or lead coated and beam channel zed trough plate piling and other structural section and also steel structures for the construction of buildings, bridges, tanks, etc., but not including builders' hardware.	(c) 91,766	(c) 97,594	26,654	3,63,481	1,62,619					
(11) Tin plates and tinned sheets including tin taggers	(d) 2,49,217	(d) 2,13,904	16,942	1,62,167	1,08,120					
(12) Tin plate cuttings		182	17	201	134					
Total	15,97,688	13,21,099	3,65,196	19,36,237	9,94,194					

- (a) Includes duty on unriveted articles assessed at non-protective rates.
- (b) Includes duty on fencing wire, piano wire and wire rope assessed at non-protective rates.
- (c) Includes duty on iron materials assessed at non-protective rates.
- (d) Shows collections on tin plates only.

Imports of Motor vehicles from Foreign countries into Burma.

	Motor cars.			Motor omnibuses, motor vans and motor lorries.			Motor cycles.					
	1923-24.		1924-25.	1923-24.		1924-25.	1923-24.		1924-25.			
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.			
	NO.	RS.	NO.	RS.	NO.	RS.	NO.	RS.	NO.	RS.		
United Kingdom	60	2,20,639	130	3,60,648	6	58,613	12	60,377	114	80,764	149	1,02,256
Mesopotamia	22	44,000	..	..	..	..	..	..	..	..	..	..
Straits	32	61,030	14	34,152	6	10,090	19	30,233	2	1,465	7	3,407
Canada <i>via</i> Atlantic Coast	213	4,30,792	296	5,37,164	9	12,861	32	43,812	..	..	..	..
Germany	2	14,628	..	..	..	..	1	5,974	4	1,838	3	668
Belgium	38	1,16,678	11	56,150	..	..	..	..	..	..	..	..
France	48	1,35,073	25	51,780	..	..	..	..	..	..	..	..
Italy	10	42,718	..	..	..	..	..	..	..	..	..	..
United States of America <i>via</i> Atlantic Coast.	604	18,26,863	534	11,44,948	32	8,662	95	1,45,406	22	26,044	1	380
United States of America <i>via</i> Pacific Coast.	3	7,474	..	..	..	..	..	..	..	..	..	..
Ceylon	..	..	..	..	..	..	..	..	..	..	..	..
Philippine Islands and Guam.	..	..	..	..	..	..	..	..	..	..	..	..
Total	1,032	23,99,865	1,010	21,54,842	56	1,49,707	189	2,82,426	145	1,13,611	162	1,07,451

Statement showing the percentage of wastage in imported salt before delivery.

Quantity manifested.	Quantity warehoused excluding quantity delivered ex-ship.	Excess or wastage ex-ship.	Quantity delivered ex-bond.	Wastage ex-bond.
	MDS.		MDS.	PER CENT
"Baron Androssan" 25-S and 26-S— 176,944·444 maunds ..	180,851·444	2·20 per cent excess.	178,005·626	1·57
"Sittang" 28-S— 122,500·0 maunds ..	121,704·5	0·64 per cent short.	119,210·0	2·04
"Yorkshire" 30-S and 32-S— 27,222·222 maunds ..	27,660	1·6 per cent excess.	26,525·625	4·10
"Rio Azul" 24-S— 174,222·221 maunds ..	172,720	0·86 per cent short.	165,499·687	4·18
"Dandutha" 5-S	122,499·999	122,499·999	113,487·500	7·35
"Pegu" 1-S— 40,833·333 maunds ..	35,690	0·87 per cent excess.	35,525·000	4·16
"Yorkshire" 4-S— 38,709·998 maunds ..	40,100	3·59 per cent excess.	38,727·500	3·42
"Simla" 5-S— 64,099·884 maunds ..	64,275	0·27 per cent excess.	62,593·125	2·61
"Gloucestershire" 10-S— 32,666·666 maunds ..	32,520	0·44 per cent short.	31,648·750	2·67

Mr. Boyd gave oral evidence as follows:—

The President. Q.—You think that a tariff imposed for a revenue producing point of view should presumably include everything, but that articles which bring in a very small revenue might be eliminated?

A.—There are a lot of things that come by post which are of very little value and in such cases the imposition of duty is very irritating. These little things are pin-pricks.

Q.—You cannot exempt all articles of small value?

A.—It is a very hard thing to say where you should stop. Little things that are imported by private people not for sale but for private use are the cases that I referred to.

Q.—Toys you mention lower down have been falling off under the high duty. Those come as Christmas presents?

A.—They come out more for the shops. I was thinking more of private importations through the post. A certain limit of value would have to be fixed; if not, private importation would increase to an undesirable extent. 30 per cent is levied on such things.

Dr. Hyder. Q.—Have you not received complaints from tailors that people receive goods such as ties, silk shirts, etc., through the post from England duty-free, whereas they have to pay on their importations of similar goods?

A.—I have heard of them. But nowadays people have to pay on articles imported through the post just as the shops do. I think we have tightened up the postal receipts now.

Dr. Paranjpye. Q.—Gold and silver thread can be imported by post?

A.—Yes; very easily.

The President. Q.—In dealing with item 79 you speak of the high rate of import duty. Is there a fall in the returns?

A.—Yes.

Q.—These are figures for Rangoon only?

A.—Yes.

Q.—You think the duty on salted fish could be raised?

A.—Yes.

Q.—Where is the salted fish imported from?

A.—I cannot tell off-hand. At any rate it is out of India. **Mostly** China I think.

Q.—The salted fish from Madras and Bombay is made from salt which is duty-free?

A.—I do not know. Perhaps it would be. It is the foreign fish that is coming in large quantities.

Q.—Similarly there is a duty on tea?

A.—Yes; but that is a duty which we can fairly reasonably put up too.

Q.—There is a considerable import of China and Ceylon tea?

A.—Yes.

Q.—Even that duty is not sufficient to make people take to **Assam** tea?

A.—Apparently not.

Q.—Then as regards medicinal spirituous preparations you suggest an *ad valorem* duty.

A.—Yes; that is an item which gives no end to work.

Q.—But how could you have an *ad valorem* duty on medicinal spirits?

A.—I would levy the duty on the whole preparation and not on the spirit in it.

Q.—At present the duty levied on spirit is Rs. 21-14-0?

A.—Yes, if tested; if not tested, then Rs. 30.

Q.—It is enormously in excess of the value of the preparation?

A.—Yes; but the spirit in these preparations is proportionately very small. For perfumed spirit the duty is Rs. 36 per imperial gallon, or 15 per cent *ad valorem*, whichever is higher.

Q.—Would a similar rate apply to medicinal spirituous preparations?

A.—I would agree to an *ad valorem* duty being put on the whole lot.

Q.—One district in Bengal once drank 80,000 bottles of *Eau de Cologne*. Have not these duties led to the making of these medicated spirits in India? The Local Governments have been generally lowering the duties all round and a local trade has sprung up.

A.—I have not heard of that.

Q.—You say as regards assessments, merchants have continuously protested against assessments on the price at which the last wholesale dealer sells the goods, or, in other words, on the highest price obtainable in the market.

A.—That is a very vexed question. It is not fair to charge at what the last wholesale dealer sells. This is what we do. A man imports certain goods worth Rs. 100. He may sell it at a discount of 2½ per cent. He may have bought at 5 per cent discount. He re-sells it again for something higher. We are obliged to charge on the highest wholesale rate and not the original rate of the importer. The merchant says it is not fair.

Q.—Is this a new rule?

A.—This is the practice with regard to goods with fluctuating prices.

Q.—What would be your alternative?

A.—The only alternative would be to take it on the first person's wholesale rate. It looks rather more fair from the point of view of the merchants.

I get an article for Rs. 100. A third man sells it for Rs. 105. There are two or three intermediate people making profits. Why should I be charged on a value of Rs. 105 for that?

Dr. Paranipye. Q.—You would take it from the succeeding man?

A.—I pay at a rate higher than the rate of my purchase.

The President. Q.—How are the prices ascertained?

A.—The appraiser ascertains the rates at which the article is selling in the bazar. Therefore we charge him at the wholesale market rate which may be more than he ought to pay. Very often they want me to take the goods under Section 32.

Dr. Paranipye. Q.—Supposing a man does not take the goods and does not pay?

A.—At the end of three months the goods are sold by auction.

The President. Q.—I think you have interested yourself in the matter of salt, do you consider that a very careful weighment is necessary for locally-made or imported stuff?

A.—Yes, I am only concerned with imported salt.

Q.—In Calcutta you utilise the Kilby counter?

A.—Yes.

Q.—Do you find it quite satisfactory?

A.—No. It can be cheated too easily. I think the system of the counter is wrong. It is worked by a pendulum and only registers when the door of the salt tub is closed after the salt has been discharged. The pendulum has to fall to an angle of about 45 degrees before it will register on its return. It is, therefore, obvious that the door of the tub can be opened to such an extent that the pendulum has not moved from 45 degrees and yet all the salt can be discharged. In that case the counter would not register at all. Another drawback is that it sometimes happens that a lump of rock salt is thrown into the tub with the other salt. This causes a jar which often causes the counter to jump and thereby register more than it should.

Q.—You have invented a counter which stops that?

A.—Yes. I have invented a counter which has been taken up by the Government of India and is now on trial, which registers directly the door of the salt tub commences to open and before the salt is discharged. It has been found on actual test that the jar caused by a lump of rock salt falling into the tub does not affect it at all. In fact it is quite impossible that it should do so. I have had this counter tested in every imaginable way and we cannot cheat it except in Government's favour which, of course, the merchant does not want.

Q.—You regard any system of storage as bound to involve some wastage?

A.—Yes, certainly it must. I have got a statement* which shows the wastage. It works at about 3 to 5 per cent.

Dr. Paranipye. Q.—How much customs revenue do you collect in Burma altogether?

A.—It is about 55 to 60 lakhs of rupees in a month, and it comes to about 5 to 5½ crores a year.

Messrs. J. W. RICHARDSON and J. K. MICHIE, Representatives of the Burma Chamber of Commerce, were next examined.

Written memorandum of the Burma Chamber of Commerce, Rangoon.

Q. 5.—In view of the great difference in density of production areas and quantity of production, the enormous area to be covered, to say nothing of difficulties inseparable from suspicion engendered by any sort of census, we

*See the statement on page 196.

cannot see that the advantages to be gained are worth the enormous cost of taking such a census of production.

Q. 6.—It may be answered similarly to the above with the addition that limited statistics would fall considerably short of accuracy and the value when obtained would be very doubtful.

Q. 7.—Accurate and full statistics of all kinds are valuable if regularly available.

Q. 13.—This appears to cover Government trading which nothing will persuade the commercial community is anything but immoral; therefore any views expressed on this question are in our opinion entirely beside the point.

Q. 14.—Posts and telegraphs, profits on coinage, or exchange, are items which have been more or less conceded as within Government sphere, not because Government can work them any better than a private company but because Government can take unto itself powers which it has not yet been thought fit to grant largely to private individuals. As these are practically Governmental services, in our opinion, there is no justification for earning more than is necessary to cover depreciation, amortization, interest on capital and funds for extensions on the grounds that as service is entirely public, there is no justification for mulcting one set of people for the benefit of another set, and it is the cheapness of these services that assists expansion in other directions and increases the volume of tax collections.

The other items in this question come under the heading of "Government Trading", and with the statement that they should not in any case be in the hands of Government, we cannot conceive of any circumstances in which they could possibly be considered a scheme of taxation.

Q. 15.—As irrigation is, practically, machinery for the utilization of land which would otherwise be of little value, the charge for irrigation should not exceed the cost of service, and Governments should look to land revenue received, in consequence of such irrigation, as their return. Items 2 and 5 are disposed of in the above answer. Item 4 is impracticable without very expensive methods of measurement. Items 1 and 3 are worth going further into. Personally, I would say that the cost of water to the cultivator should not be more than the actual cost of delivering the water plus a sufficient margin to cover upkeep, amortization and funds for extensions.

Q. 16.—It is impossible to fix any proportion; each case should be decided on its merits, and the revenue of the land served by artificial irrigation should be in accordance with the value of the crops it produces.

Q. 18.—Dues levied under the Indian Ports Act should be devoted entirely to the needs of the port and development schemes, etc. In no case should port revenues be applied to the relief of general taxation.

Q. 23.—In the two items mentioned the use is so universal that the statements made may be taken to apply and, though they are essentially class taxes, the weight with which they fall on the individual is entirely at the option of the individual.

Q. 24.—A tax on railway tickets would undoubtedly be termed an unjust tax, inasmuch as many people use the railways who are compelled to do so, and to carry it to its logical conclusion, competing interests such as omnibuses, hack carts, ticca gharries and rickshaws should be similarly taxed, which is of course impossible.

As regards entertainments, the experience in the United Kingdom over the last few years appears to show that such a tax is undesirable. In India particularly, it would appear that to tax entertainments would effectually put a brake on the organization of cleaner, healthier and better controlled entertainments, for it would be impossible to collect taxes from all small shows of many and varied descriptions. The result would be that organized shows in large towns which already meet heavy taxation in income-tax and local taxes would pay, whereas the less desirable entertainers who pay little, if any, direct taxation would escape altogether.

Q. 25.—It raises rather an important issue and it would seem that there is no reason why those people who are unable to enjoy tobacco or intoxicants, because of their religious beliefs or customs, should not contribute through their particular luxury or vices, but it is difficult to single out any one item which they alone enjoy. Certain sections of the community make immoderate use of such things as sugar, milk, etc., but to tax these in order to get at any particular set of individuals would also penalize those who have already contributed heavily through alcohol and tobacco. Any attempt, therefore, to

separate smokers and non-smokers, drinkers and non-drinkers, drug-takers and non-drug-takers is out of the question.

Qs. 27 to 29.—Unless additional representation based on the measure of taxation is in contemplation, adult suffrage within the limits now in existence appears to dispose of the question. A further relaxation of these limits is not advisable, if, as we are under the impression is the case, the qualifications of a voter are lower than in the better organized European countries.

Q. 30.—A poll tax as a primary tax to be equitable would have to be very small and therefore hardly worth collection.

Q. 31.—Capitation tax appears to us to be the worst form of poll tax except perhaps the proposal to tax immigrants.

Thathameda tax applied in the best way is a much less objectionable form of personal tax.

The other taxes mentioned are not applicable to Burma.

Q. 32.—I consider the taxes named in Q. 31 are more objectionable than those named in Q. 32 (excepting octroi). The latter are far more dependent on individual ability to pay and might be described as income-tax on those who do not come within the Income-tax Act.

Income-tax correctly applied appears to be one of the most equitable methods of spreading taxation, but its equitable collection appears to be possible only in countries which are efficiently organized.

Q. 34.—Faults could doubtless be found with both schemes, but the present Indian scheme can be said to be reasonably satisfactory.

Q. 35.—We would not differentiate, inasmuch as a very large proportion of unearned income is the return on savings from earned income which has already paid tax, particularly so in India.

Q. 36.—Consider it impracticable in this country.

Q. 37.—The English Government has been sufficiently convinced of the injustice of the handicap on industry, etc., to repeal the Corporation Profits Tax or any form of super-tax on companies. There appears to be no justification for retaining it here for the reason that such a tax is directly on enterprise and curbs expansion. Further, it is a direct additional tax on large undertakings, which to meet the requirements of other participants not interested in the parent company are compelled to form subsidiary companies. The double, sometimes treble, incidence of this tax on companies and subsidiary companies is in equity indefensible, and in the long run must affect enterprise and the flow of capital.

Subsidiary companies or companies partly owned by parent companies should, we think, be recognized and welcomed as a necessity to enterprise and as a means of bringing in capital and of development.

Parent companies may be willing and able to take part-share in a new enterprise, but have in front of them the handicap of double or treble taxation.

The policy of taxation embodied in the super-tax almost seems to be directly designed to discourage such developments or at least has this effect. As it is unthinkable to suppose this is intended, we consider the tax should be abolished. If abolished and a substitute taxation found necessary, income-tax could be adjusted, although in the interest of the commerce of the country it is to be hoped no substitute would be necessary.

Q. 40.—We consider there should always be a minimum below which income-tax would not be levied. The actual amount should be based on economical questions; theoretically it should be higher when living is expensive, and lower when living is cheap. The present minimum appears to be reasonable.

Q. 41.—Income-tax must necessarily be based on honesty, but only by stern application of the Act will the greater growth of correct accounting be enforced. The new centralized system must therefore have a good effect, but returns will show.

Q. 42.—We fear it would be impossible here with such varied customs, many sanctioned by long use, and others by caste or religion, to introduce the French or a similar system.

Q. 43.—We are opposed to this.

Q. 44.—As income-tax free securities are usually issued under duress, we do not consider that this question needs very close consideration. Any attempt to collect taxes by means of stamps on bearer securities would reduce the popularity of such securities, and, as they are issued for the benefit of Government rather than for the benefit of the individual, and Government is the taxing authority, they must form their own opinion.

Q. 46.—If this refers to double taxation through super-tax, we are not satisfied with the provisions of the law. It is a rank injustice that a company should have to pay super-tax on its income and the individual should again have to pay super-tax on his returns from that company. This is particularly harsh in the case of subsidiary companies. If super-tax on companies is not to be abolished, then the individual should be allowed to deduct from his super-tax the amount of super-tax paid by the concerns from which he draws his income.

Refer also to answer to Q. 37.

If, on the other hand, the question refers to provisions for relief from double taxation as between India and the United Kingdom, these are fairly satisfactory.

We are not satisfied with the exemption from taxation now granted to income derived from outside of India.

For instance, the Indian Revenue Department are now attempting to bring under tax the total profits of any company operating in India, but whose registered office is in the United Kingdom, on the grounds that all profits whether in the shape of commissions on the sale of goods exported from India, or on the purchase of goods for export to India, or alternatively arising from the sale by the United Kingdom offices to destinations other than India of goods exported from India, are liable to Indian tax as profits arising or accruing in India.

We consider it entirely wrong and inequitable that Government should tax in the case of firms resident without British India, who purchase through a branch or agency, the whole of the profit arising from the sale of such purchases in foreign markets.

As an extreme instance of the lengths to which the Revenue Department are prepared to go, we may say there is known to us a case where an assessment has been made on an agency commission earned by a Sondon House on Fire Insurance on rice exported from India stored in Europe.

The principle the Chamber protests against is the use being made of section 42 (1) of the Indian Income-tax Act to tax profits as *deemed* to accrue or arise in British India, which in the ordinary accepted and legally defined meaning of the words do not accrue or arise in India.

Q. 47.—We are satisfied with the present system except that we hold that provisions should be made for the allowance of previous year's losses in assessments up to a limit of, say, three years.

Q. 48.—All the quotations are applicable in many cases, but it is conceivable that they do not always apply and individual cases should be judged on their merits. Excise on certain articles *vis à vis* with customs' duties may be justifiable in certain cases, but in no case where such an excise will curb the expansion of a young and growing industry. In India few would fall outside the latter class, so generally speaking excise duties are not favoured.

Q. 50.—To our mind it is a question of results justifying the means. Undoubtedly, the principle is admissible, but the difficulties of application are in the great majority of cases insurmountable.

Q. 51.—The answer is in the affirmative.

Q. 52.—The answer is in the affirmative.

Q. 53.—The rate of tax at present imposed does not appear to inflict any great hardship on large bodies of individuals.

Q. 54.—We see no reason why the manufacture of salt in the country should not be encouraged, but where this is done by fixing excise slightly lower than duty, it should be considered a measure to encourage production, in order that it may reach the stage of efficient competition with imports, and should be looked upon as a temporary rather than a permanent measure.

Q. 55.—As this appears to involve a measure of Government trading we cannot agree.

Q. 59.—Government trading of any description is to be deprecated.

Q. 61.—We consider that sufficient evidence has been adduced to show that total prohibition is impracticable, and any attempt to prohibit one class of stimulant drives the people to another and very often more destructive class of stimulant.

Q. 63.—In our view, revenue taxes with an ulterior purpose very often defeat their own purpose.

Q. 77.—It would appear that the authority collecting the revenue should pay for the preventive service.

Q. 78.—An all round tariff of small dimensions appeals to us, with increased rates for particular articles, but we consider it is short-sighted to tax machinery and goods required for the development of the industries of the province, particularly railway material and plant, and plant for industrial purposes. These should be admitted free.

Q. 83.—As a general principle, we favour *ad valorem* on cost. In many cases, at present, the method is *ad valorem* on market value, which we consider places more responsibility on the appraiser than is desirable and is decidedly more irksome in arriving at value on which to assess.

Specific duties are possible and perhaps advisable on articles which do not vary very greatly in quality or composition, and there is no reason why specific duties should not be imposed in particular cases. Specific duties where feasible have the merit of not increasing the burden when costs rise.

Q. 84.—As long as the tariff values are arranged in consultation with trading communities, it will work satisfactorily.

Q. 87.—If any of the articles named were suitable for taxation in this country, as far as we can see cost of collection would be out of all proportion to yield.

Qs. 88 and 89.—Strong arguments can be advanced on both sides of the question, but on the whole we think that resort to law should not be classed as a luxury but as a necessity, and cost to the litigant should not exceed the cost to the country.

Q. 105.—Any increase in taxation as applied to minerals or the possession of mines can only result in the narrowing of what is exploitable, and considering that in order to arrive at the exploitation stage much risk and expenditure is undertaken by people who embark upon prospecting mining, the duties at present in operation are heavy.

Q. 108.—Terminal taxes and octroi are amongst those which are considered most objectionable.

Q. 109.—We agree with the criticism and believe that it would apply to terminal tax or octroi in description.

Q. 137.—If succession duty can be enforced with full justice to all communities, it might be considered an alternative form of taxation, but the difficulties are apparently enormous, and we should require to be satisfied that the difficulties could be successfully overcome.

Q. 152.—Import taxes have the advantage in that they are imposed upon the consumer who presumably can regulate his use of the articles taxed. Export taxes must fall upon the producer who has already been assessed to tax on land or income, as the case may be, and thus by reason of being a producer, is mulcted in a greater measure of taxation than his non-producing neighbours. Export taxes are, therefore, taxes on productivity, which in our opinion is unsound.

Q. 153.—Taking rice in Burma and jute in Bengal as an example, we consider that duties levied on export of this nature, if inevitable, should be credited to the province which produces them.

Qs. 164 and 165.—Monopolies of any description are not in the interests of the general public.

Messrs. Richardson and Michie gave oral evidence as follows:—

The President. Q.—You have been kind enough to send us answers to our questionnaire on behalf of the Chamber of Commerce, and we thank you for it.

A.—Thank you, Sir.

Dr. Hyder. Q.—I do not quite understand your answer to Q. 5.

A.—If it is contemplated to have a census in a few places in India where production is concentrated, it is all right, but there is a large amount of production in various small places. It is largely a question of opinion, and in our view the trouble and cost involved will not be in proportion to the results obtained.

Q.—As commercial people, you would like to have, say, proper statistics of jute, wheat and other products.

A.—Such statistics would undoubtedly be useful, but the question of cost is our chief consideration. Commercial people have their own special ways of obtaining the statistics.

Q.—What are those special ways?

A.—For example, we deduce from the export and import figures.

Q.—Are your statistics better than the statistics given by the Government?

A.—I would say that they are certainly better for our own purposes.

Q.—Could you tell us if the Government crop forecasts are of much value to you?

A.—Oh yes, they are useful sometimes, and we do make use of them, except when there is a bad failure as there was in the last year.

Mr. Michie. A.—The jute forecast has always been very far out, as I understand from my remembrance of Calcutta. But with regard to rice in Burma, it has been wonderfully good and we do place a good deal of reliance on it.

Q.—Does it show any tendency to err in one direction?

Mr. Richardson. A.—Latterly we were under the impression that it tended on one direction only, that is, an underestimating.

Q.—Do you know that one Chamber of Commerce always added 25 per cent to the estimate of Government?

A.—Last year it was so, and this would have been justified in rice.

Dr. Hyder. Q.—I now come to Q. 13. I will split your answer into two parts, because it is a very contentious matter. The first is, is it moral for Government to undertake any commercial activity? Leaving aside the question of morality, Government does undertake certain services; on these would you like Government to obtain a bare return or a commercial return or a monopoly profit?

A.—We thoroughly disbelieve in Government trading.

Q.—Why is it that you think any kind of trading by Government is immoral?

A.—The word "immoral" is more used as a figure of speech. We disbelieve in it for this reason, because it is absolutely impossible to get the same conditions in Government service as you get in commercial service.

Q.—Take the case of the Post Office. Have you got competing firms? If you look at the Post Office, do you think there could be competition?

A.—The Post Office has always been considered by Government as one of its own activities; but at the same time we thoroughly believe, if you put it into the hands of a commercial firm, they will do it as well, if not, better.

Q.—Do you think there will be better methods of transmitting letters? That is one objection which I am aware of, and another objection to Government trading is that there is no initiative and little progress. But what progress would you commercial people make in this respect?

A.—Commercial people could stimulate initiative.

Dr. Paranjpye. Q.—Is it not possible that in the case of the Post Office, the commercial people would go for the cream of the traffic and neglect the other parts?

A.—Not necessarily, if you give a monopoly. There are many commercial undertakings which do take up non-paying lines as well as paying ones, e.g., in tramways.

Q.—Is it not a fact that they are always unwilling to take up non-paying lines?

A.—Not always. They do consider it as part of their undertaking.

Q.—Take the case of tramway lines. There are certain lines that would pay, and other lines that would not pay. If they were conducted by a public body, the question whether a particular branch was paying or non-paying would not be of very great importance, but in the case of commercial people, if the line is going to be non-paying affecting their dividends, they will certainly be unwilling to take it up.

A.—I think it is only a question of degree. Where a scheme is absolutely uneconomical, and there are no prospects of improvement, they will certainly not take it up at all. I think this principle applies equally to Government or any other service. The Government bring in the question of public service which the commercial people cannot deal with.

The President. Q.—With regard to water-rates, don't you think that it is a question of public service? An important question, with which we are concerned, is what return the Government should take when it supplies water.

A.—There again, you will have to take the surrounding circumstances into consideration, whether you are going to take up a water-supply that is absolutely uneconomical, and where there is no prospect of improvement, or merely starting a scheme where there is a loss at the outset, and a probability of subsequent improvement.

Q.—The question is when you take land revenue on the net return, if one piece of land gets water from nature, and another piece of land gets water from the canal built by Government at great expense, are you going to charge the two the same?

A.—I think land revenue will be less on the non-irrigated land. The total charge may be the same. After all, if you have no water on the land, that land will be of very little value. When the land is brought under irrigation, it will bring more rent. That is the criterion, I think, we should follow. The two pieces of land will be equally valuable after irrigation, I think.

Q.—Your reply to Q. 16. If you have irrigation, it would give a man a considerable increase in his annual income and also largely increase the capital value of his property on account of the water. Should not the State take a share of both?

A.—It does so in the form of land revenue.

Q.—It has been suggested that you should take part of the increase in capital value in the shape of a terminable annuity.

A.—It seems too dangerous to carry this principle too far.

Dr. Paranjpye. Q.—In reply to Q. 24, you say that a tax on railway tickets would undoubtedly be an unjust tax, inasmuch as many people use the railways who are compelled to do so and to carry it to its logical conclusion, competing interests such as omnibuses, hack carts, ticca gharries and rickshaws should be similarly taxed, which is impossible. I want to ask you if you would approve of a tax on the higher class of railway tickets.

A.—As railways have already fixed the price of tickets as high as they can economically do, I do not see how you can put a further tax on to it. You already have a differentiation between the three classes of fares.

Q.—I am not talking from the point of view of payment for the railway service, but of deliberately putting on a tax.

A.—I think a tax would be most unjust for the simple reason that one has to use a railway for one's business and it is bringing in revenue to Government in so many other ways.

Q.—The necessity for which railways provide is transportation, but not comfortable transportation.

A.—But you pay for comfortable transportation at a higher rate.

Dr. Hyder. Q.—Would you please give us the names of any countries in which poll-taxes are imposed (apart from Burma)?

A.—I am afraid I have not come prepared with a list.

Q.—Poll-taxes are generally imposed in countries in which the population is fairly homogeneous and there are no differences of wealth. For instance, in the African Colonies poll-taxes are levied, and one reason for the existence of these taxes in the African Colonies is that it is difficult to raise revenue in any other way, and there is no difference of rich and poor.

A.—Generally speaking, the question is one of expediency.

Q.—Do you think that conditions in Burma are in any way similar to the conditions obtaining in Africa? Don't you think there are differences?

A.—I am afraid that I have so little knowledge of Africa that it would not be fair to give an answer to this question.

Q.—But you say that a poll-tax as a primary tax to be equitable would have to be very small and therefore hardly worth collecting?

A.—All my answers naturally apply to Burma.

Q.—Are there any differences in Burma between the rich and the poor?

A.—Undoubtedly.

Q.—Do you approve of the *thathameda* tax?

A.—I would hardly approve of it to the fullest extent, but it seems to me to be a suitable form of tax.

Q.—Would you say the same of the capitation tax?

A.—The capitation tax is not quite so sympathetic as the *thathameda* to my mind, because there are not the same facilities for graduating it.

Q.—What is your view of the Sea Passengers' tax?

A.—I think it is extremely ill-advised and decidedly wrong.

Q.—Who will be injured by the imposition of this tax on sea passengers?

A.—The employer of labour will pay a good part of it.

Q.—What does the employer of labour employ labour for?

A.—To produce something, i.e., to develop the resources of Burma.

Q.—So that there is a chance of the development of Burma being hindered by this tax?

A.—I think it is bound to have its effect on the development of Burma.

Mr. Michie. A.—Just now particularly, it will probably have a considerable effect, because there is so much labour needed in Burma at present. Railways are going to be developed and labour is wanted in many fresh directions. It is our belief that any obstacle put in the way of labour coming into the country easily will have a bad effect.

Q.—Did your representatives in the Council consistently and uniformly oppose this tax?

A.—Yes.

The President. Q.—We have been told that the Sea Passengers' tax is only a method of collecting the capitation tax and will disappear if the capitation tax disappears.

A.—It may go with the capitation tax; but seeing that the Act takes Rs. 5 from every passenger who comes into the country (whereas all those who live in towns like Mandalay, Rangoon and Moulmein do not pay capitation tax) and seeing that the capitation tax is not levied from the youngest and the very oldest, it is a little bit difficult to reconcile the facts with the statement that it is merely a method of collecting the capitation tax. It amounts to penalizing everybody for the fault of a few.

Q.—You are only going to penalize a few in order to secure the majority?

A.—In order to get at the few who do not, but ought to, pay the capitation tax, you penalize all the remainder.

Q.—Aren't people expected to pay capitation tax?

A.—Not in the places where a large proportion of the labour force is employed.

Q.—It was thought that the levy of capitation tax in towns was very difficult and it was intended to extend the exemption from the capitation tax to certain towns and to substitute a land rate for it in such towns. But that has never been carried out, because it was found that there was not the difficulty that was expected in levying the capitation tax, and the tendency now is to remove the exemption in the case of those towns.

A.—That is one view of it.

Q.—What other tax does the coolie pay?

A.—He pays no direct tax in towns. His employers, however, pay exceedingly heavy taxes for him.

Q.—Do they take that out in his wages?

A.—It is, practically speaking, a part of his wages.

Q.—Would the wages be higher otherwise?

A.—That is difficult to say at the moment.

Q.—You say that you consider that the taxes named in Q. 31 are more objectionable than those named in Q. 32 (excepting octroi)?

A.—The statement was rather unfortunately worded.

Q.—There are consumption taxes; would you say that they are "far more dependent on individual ability to pay and might be described as income-tax on those who do not come within the Income-tax Act"?

A.—I think so, because people pay a tax on salt, customs, etc., according to the amount of stuff they use and this amount is governed by the income they earn.

Q.—We have been told that one of the gaps to be filled in the taxation system is the non-agriculturist who does not come up to the income-tax level. That is the function which these various personal taxes seem to supply.

A.—I know nothing about the profession tax.

Q.—There are two forms: The simplest form classifies professions and makes each member of a particular profession pay a lump sum, whatever his income. The other form is to add a further graduation according to the income, like a license tax in some cases.

A.—As an ordinary measure, I do not see that we could possibly agree to that; it might be considered in a time of emergency.

Q.—It is now almost universal in India, and your Local Self-Government Act provides for it under the name of 'the circumstances and property tax.'

Mr. *Michie*. A.—The trouble is to find out what a money-lender makes.

Mr. *Richardson*. A.—That does not strike me to be a good principle.

Q.—Without it the village money-lender and the shopkeeper escape direct taxation altogether. If you pay income-tax, you pay according to the schedule; if you do not pay income-tax, you pay an all-round tax, i.e., a profession tax or a tax on circumstances and property.

A.—I find it extremely difficult to agree with that, because it is bound to be very hard on some people and very easy on others.

Q.—The point is this: The agriculturist, however small, whether he is working or not, has to pay land revenue. The point has been pressed that either he should be exempted or that the small trader should pay.

A.—I find it extremely difficult to see the justice of an arbitrary tax on anybody, whether a lawyer, money-lender, parson or Government servant.

Sir *Percy Thompson*. Q.—Isn't the profession tax practically a general tax?

A.—That is to say, clerks and employees who have no trade will have to come into it.

Q.—I should have thought so.

A.—It approximates to a rough income-tax in addition to the income-tax, which means double taxation.

Q.—You should not call that double taxation; because income-tax is charged by the Central Government, that is no reason why the Local Government also should not levy part of its revenue by means of income-tax. If you have got a source of income in Australia and if you are taxed in Australia on that income as well as in India, that is double taxation. In Germany before the War there was always the Imperial income-tax and State income-tax. It is precisely the same thing in America to-day.

A.—It is for different services.

Q.—The local authority has got to raise its funds and I do not see why, if it is convenient in other ways, it should be barred from income-tax, merely because the central authority also raises a part of its funds by that means?

A.—The profession tax, as I understood it, is a tax at a flat rate imposed upon everybody.

Q.—I think there are various kinds of profession tax all over India; it is levied on lawyers, doctors, etc. It is a very rough income-tax.

A.—Because of its roughness it is objectionable. It would fall hardly on a number of people.

Q.—Would you prefer it to be levied in the ordinary way by the ordinary rules of the Indian income-tax, but the proceeds to be handed over to the local authority?

A.—Then, of course, the small people would come below the exemption limit.

Q.—For local purposes you would have to make the limit of exemption very much smaller than for imperial purposes.

A.—There is undoubtedly a good deal of room for argument on this point. But income-tax is not nearly so objectionable a tax as a tax which is practically a superior poll-tax.

Q.—Your objection to a tax on circumstances and property is that it is too much guess work?

A.—Not so much that it is guess work as that it falls hardly on a particular class of people.

Q.—Which particular class?

A.—The lower ranks of the profession, i.e., those who earn small incomes.

Q.—Surely that can easily be altered. You can make your ranges more accurate.

A.—You can make your ranges anything you like, but there would then be an increase in the cost of collection.

Q.—If you charge higher rates in the case of large incomes, the result would be that you get more revenue and your cost of collection would be no greater.

A.—In fact, the reason why the exemption limit was raised to Rs. 2,000 was because the cost of collection was heavy.

Q.—But I think you will find that the cost of collection of local taxes is generally much higher than the cost of collection of imperial taxes. In the case of income-tax in England, the cost of collection is 8 per cent. I do not think there is any local tax whose cost of collection is anything like as low as 8 per cent.

A.—That is probably so.

Q.—Suppose you lower the exemption limit to Rs. 1,000, you will double your number of assesses, and you might double the cost of collection. That would only bring it up to 1.6 per cent, which would be far less than the cost of collection of any local tax.

A.—It amounts to this: if any tax on a reasonable scale could be levied on people who do not now come within the level of income-tax, that should be done.

Q.—What are your views on this suggestion?

A.—Our views are that at the lower subsistence level there should be no direct taxation of that kind.

Q.—What would be your subsistence level?

A.—That, of course, varies very largely with the area. In Burma, taking the country as a whole, the existing level of Rs. 2,000 might be reduced a little.

Q.—Rs. 2,000 is approximately the same as in England. Surely, the subsistence level here would be merely a fraction of that.

A.—It is not a mere fraction. In a place like Rangoon, the subsistence level should be very near the English figure.

The President Q.—Surely the coolie can live on Rs. 20 a month.

A.—They come on a different level. I am referring to the superior clerks and assistants. They pay a house rent of Rs. 40 a month.

Sir Percy Thompson Q.—If you are looking to the subsistence level, you should not take a particular class. You should see what it is possible to live on.

A.—In the case of the coolie, he is usually housed by the employer, but the small professional man, like the clerk, has to pay rent for his house.

Q.—I agree that you must consider the cost of housing.

A.—So far as the upcountry towns are concerned, Rs. 2,000 is on the high side.

Q.—The man who has an income of anything from Rs. 800 to Rs. 1,000 pays extraordinarily little, whereas the agriculturist who has much less income pays at any rate a tax on land and land revenue. There is nothing corresponding paid by the non-agriculturist with a similar income.

Mr. Michie A.—On that line of reasoning, I think the minimum is too high.

Q.—Then the only point is how you could get at them by the income-tax. You cannot get at them by means of an indirect tax.

A.—Income-tax is the easiest way to get at them.

The President Q.—The old Income-tax Act before 1886 did impose a license tax and went down to Rs. 250. About 1886, when the present Income-tax Act was passed, the limit was put up to Rs. 500, but the bottom scales were still levied as license taxes. At the same time, local fund legislation was introduced enabling the local bodies to raise profession tax, so that you simply passed part of the old license tax into the lower scales of the income-tax and part into the local bodies tax. Since then, the local bodies extended their taxes and the license tax and the lower schedules of the income-tax have dropped out.

A.—We haven't had time to go into this. You may bring all sorts of arguments for the agriculturist and say that he does not pay customs duty, excise, etc. But speaking broadly, we have a dislike for poll-tax of a superior form.

Dr. Hyder Q.—Does your agriculturist in Burma pay nothing on import duties?

A.—He does if he has made money. He buys a good many luxuries.

Dr. Paranjpye Q.—Does he not pay anything on cloth?

A.—He probably weaves for himself.

Sir Percy Thompson Q.—With regard to graduation, you say, in reply to Q. 34, that faults could doubtless be found with both systems, but that the present Indian scheme can be said to be reasonably satisfactory. The criticism has been made of the Indian scheme that you have no part of your income free, while in England you have the margin of subsistence level, which is absolutely free of income-tax and you are only taxed on any income in excess of that.

A.—Quite so.

Q.—Have you any strong views on that?

A.—No very strong views.

Q.—You say that you would not differentiate between earned and unearned income, inasmuch as a very large proportion of unearned income is the return on savings from earned income which has already paid tax. Isn't that generally true of unearned income?

A.—Yes.

Q.—Supposing you have one man who earns a thousand a year which may be swept away at any moment by his health failing and you have, on the other hand, another man who draws a thousand a year from Consols, isn't his capacity to bear a tax considerably greater than the other man's?

A.—His capacity to bear the tax is considerably greater, but is it right that the one should pay more than the other?

Q.—I think all countries adopt the system of charging different rates with the exception of America.

A.—I rather think that Great Britain was the first to adopt it. At any rate, it was found to be such an easy way of taxing. It was originally designed to tax those people who inherited money rather than those who earned it.

Q.—I think there is almost a better argument for not differentiating in India. It is that there is very little unearned income compared with England. The other argument is that the greatest source of unearned income in India is not taxed at all, viz., rents on land. It is not taxed to income-tax.

A.—Yes.

Dr. Hyder. Q.—If you charged income-tax on agricultural income, would it not be taxing the same income twice over—by the land revenue and income-tax?

A.—But is there any question of taxing it twice over? The land is more or less a necessary material for manufacture—a manufacturing process carried out by nature and with the aid of man.

Q.—We are concerned with the income, and I was going to ask you whether, if the Government takes land revenue on the income derived from land and then subjects the same income to an additional impost by way of income-tax, it would not be subjecting it to tax twice over.

Sir Percy Thompson. Q.—I think your point is that when you make payment in respect of the land—the land revenue—you make payment for the use of a valuable asset just in the same way as you pay rent in the case of a mill.

A.—Yes.

Dr. Hyder. Q.—You are giving expression of the opinion of the Chamber of Commerce?

A.—Yes; we are trying to give their opinion.

Sir Percy Thompson. Q.—With regard to Q. 36, it is an extremely difficult question. Would it be possible—if you cannot make allowance for all children, because of the difficulty of ascertaining the number of children—would it be possible to allow for the children that are being educated?

A.—Cut away from the joint family and all that appertains to the joint family, and the difficulty disappears.

Q.—In England if a man says he has got ten children, you can go to the birth registering office and find out if it is true. But in India it is not so.

A.—Yes.

Q.—So the alternative suggestion is, if you cannot do that, would it be possible and practicable to make an allowance for children who are being educated?

A.—There seems to be something in that, but how far that would work, we cannot say off-hand.

Q.—In reply to Q. 37 you say "The English Government has been sufficiently convinced of the injustice of the handicap on industry, etc., to repeal the corporation profits tax or any form of super-tax on companies." But is it not a fact that limited companies in India have two privileges as against a private individual or a firm? First of all, they are not subject to super-tax on the reserve, and secondly they have certain advantages in the matter of corporate finance as against private individuals. In England that was the justification for the tax. It was abolished when provision was made that the tax could be levied on the reserve when a sufficient proportion of the profits were not distributed. But in India it is not so.

A.—In India we think that the incidence is inequitable.

Q.—In what way?

A.—Take two companies that make the same percentage of return on their capital. Suppose there is a small company with 5 lakhs of capital, and at the rate of 10 per cent it makes a profit of Rs. 50,000. It pays income-tax at Re. 0-1-6 and pays no super-tax. Suppose there is another company with 50 lakh. capital and it makes 5 lakhs profit. It pays super-tax on Rs. 4,50,000 and its tax is Re. 0-1-6 income-tax plus 10 pies super-tax, that is, Re. 0-2-4.

Q.—I was just going to suggest making the Indian super-tax universal on companies, irrespective of the amount of profit and making it dependent, if you like, upon the profits coming up to a certain percentage on the capital.

A.—That, in any case, cannot cure the present inequity. Then there is also the question of double or treble incidence of super-tax. We know of a company which pays the tax three times. It is practically impossible to get away from this where there are subsidiary companies.

Q.—Can you suggest any remedy?

A.—This Chamber has already put up a proposal sometime last year.

Q.—That is, to increase the rate of income-tax—a flat rate of tax on all companies?

A.—Yes.

Q.—That will not remedy the difficulty of double incidence.

A.—So far as the double tax is concerned, we agree that there should be at least some means for obtaining a refund where the charge is made twice or three times.

Q.—But that point is not covered by the suggestion you make, viz., charging additional income-tax.

A.—I do not see why that also should not be done.

The President. Q.—Would it be very difficult in the case of subsidiary companies to exempt that portion of the income of the parent company which is derived from the subsidiary company?

A.—The Government of India refuse to listen to that.

Q.—Have you put forward that proposition?

A.—We put up a case against super-tax on companies and have asked them to take legislation for remedying this inequity several times over during the past seven years, without any effect.

Q.—Did you put that in the concrete form, that Government should exempt such portion of the parent company's income as is derived from the subsidiary company?

A.—The whole thing was put up, and we were told that they could do nothing in the matter. They also gave us to understand that there was not the slightest hope of its being altered; and we hope that this Committee will appreciate our point on the question.

Sir Percy Thompson. Q.—Will you put up a concrete proposition on the point, and the possible remedy and send it to us?

A.—Yes; we will put it up on the same lines as we have already put it to the Revenue Board.

Q.—With regard to Q. 46 (last paragraph of the answer), may I understand this to be your point—that the Indian Government seek to charge income-tax on the profits of buying agents?

A.—They go further than that. They want to charge income-tax on the buying agency here and on the selling agency on the other side. Under Section 42 (1) of the Act all sorts of things are taxable here which are not taxable at Home. How the section works out in practice is this. Say the company is registered at Home. It buys rice here and ships it Home. Take the case of a resident company here. It sells its rice in the local market. Whatever profit it may make is perfectly simply arrived at; it is shown in the balance sheet as profit accruing from or arising out of the company's business in India. The other company registered at Home have to ship part

of their products Home and sell part here, and so the local value can be easily arrived at. On the Home shipment, they make loss or profit—say, more often profit. The Indian authorities claim not merely tax on the f.o.b. price of the articles sent to the other country, but they claim tax on the profits made through sale in countries outside India.

Q.—Would you take exception to charging on the profits, that is, the difference between the cost of manufacture and the invoice price to the company at Home?

A.—That is what we want to get at. We want to arrive at a fair export price and income-tax may be charged on that export price; but India should not claim Indian income-tax and super-tax on the profits made through the efforts of people who do not reside in India at all.

Q.—Are you quite sure that is done?

A.—Yes; there is no question about it. In our answer we have stated “As an extreme instance of the length to which the revenue department are prepared to go, we may say there is known to us a case where an assessment has been made on an agency commission earned by a London house on fire insurance on rice exported from India stored in Europe”. They receive a commission for insuring the stuff that has left India two months before and has been stored at Home and the Indian income-tax authorities are claiming a tax on the commission on the premium under Section 42(1).

The President. Q.—The position is that if you sell goods to your Home branch and they resell to a third party, they want to assess your profits just as if you had sold to the third party.

A.—Exactly. On broad lines, they want to charge income-tax on all profits whether made through selling at Home or selling here. There have been two contrary decisions on the point, one in Madras and the other in Calcutta. There is another case also shortly coming up here.

Dr. Paranjpye. Q.—That part of the tax which you pay here would be deducted from the amount you pay at Home. Therefore, you can have no real ground for complaint.

A.—We do not want to pay an inequitable tax just because Government says “you can get a refund either here or there”.

Q.—But the total amount is the same.

A.—Yes.

Q.—The Indian Government is robbing the British Government?

A.—Yes. There is also the difficulty that one income-tax is based on the three years' average and the other is based on the previous year's income.

Sir Percy Thompson. Q.—The provisions regarding double taxation are working smoothly?

A.—In our dealings with the income-tax department at Home, as far as I can make out, they always take a very reasonable view. That is because of the sympathetic consideration that the Inspectors give. We generally manage our English income-tax without much difficulty. But they cannot know the effective rate until everything is settled up here.

Q.—As far as England is concerned, you have no difficulty in getting a refund.

A.—We agree. We have no grudge at all against the Home administration. It may be that here they are not familiar enough with the Indian Act or with methods followed at Home.

Written memoranda of witnesses not examined orally.

Written memorandum of Mr. Gavin Scott, C.I.E., I.C.S., Municipal Commissioner, Rangoon.

Q. 106.—The classifications stated in this question appear to me, perhaps owing to the limited extent of my reading in recent political and economic speculation, absolutely meaningless. On a review of the functions performed

by the Municipal Corporation of the City of Rangoon, I cannot think of one which can be classified as national. All of them without exception can be classified as onerous, inasmuch as they have to be paid for, and all are of benefit to the locality and therefore are local and beneficial. The classification which corresponds to the facts of the case is (1) general services and (2) particular services. The general services consist in (a) direction and management including offices and secretariat; (b) construction and maintenance of roads; and (c) all the activities of the Health Department. The particular services are (1) street lighting, (2) conservancy and (3) water supply. For the particular services only those residents who benefit by such services should be made to pay. Thus, for instance, a lighting tax should only be levied from buildings on streets which are lit at municipal expense. Water tax should only be collected from persons who are supplied with water from municipal sources. Conservancy tax should be paid only by persons whose premises are conserved by municipal agency. The amount of those taxes should be so proportioned that the income should as nearly as possible equal the expenditure on the services. For all other services outside the particular services above enumerated, a general tax should be levied, which should be sufficient to cover the annual expenditure for each year.

There seems to me to be no real distinction between (a) ability to pay, and (b) measure of benefits received. Throughout Great Britain, the principal source of municipal revenue is a property tax calculated at so much per cent of the annual or rental value of land and buildings situated within the area over which the local authority exercises jurisdiction. This principle has been adopted in Rangoon with the variation noted above that four taxes are levied—(a) general tax, (b) lighting tax, (c) water tax and (d) conservancy tax. In areas in which lighting, water and conservancy services are not provided, the corresponding taxes are not levied. This method does result in certain anomalies, but a long course of experience seems to have failed to discover any other practicable method of equalizing the burden of municipal taxation in accordance with the ability to pay.

Q. 107.—The Scheduled Taxes Rules referred to in this question are not available for reference. Under the City of Rangoon Municipal Act, the Corporation is entitled to levy property taxes and a tax on vehicles. A second sub-section gives the Corporation power, with the previous sanction of the Governor-General-in-Council, to levy any other tax. At the present time, only the property tax referred to in my answer to question 106 and the tax on vehicles are being levied. The question of levying a terminal tax is under discussion, but no decision has yet been reached. There is a general feeling that the present basis of taxation is too narrow. The only proposal made for its extension has been the imposition of a terminal tax. Under the City of Rangoon Municipal Act, the levy of the general tax, the lighting tax, the conservancy tax and the water tax is made imperative.

Q. 108.—All taxes are unsatisfactory from an economic point of view, inasmuch as they diminish the income of the community from which they are levied. I cannot however think of any better system than that at present in use in Rangoon.

Q. 109.—No octroi is levied anywhere in Burma and I have therefore no experience of its working. I consider that a terminal tax is necessary in Rangoon, but I am unable to comment on the theoretical objections to it, and it will require some years of experience before the extent of the particular difficulties in collection and evasion can be duly estimated.

Q. 110.—Octroi does not exist in Burma.

Q. 111.—No tolls are levied in Rangoon, nor have I any experience of their levy in any part of Burma.

Q. 112.—The City of Rangoon Municipal Act provides that, in the absence of any agreement to the contrary between an owner or occupier of any building or land, any general tax paid by the occupier shall be recoverable by him from the owner; and any lighting, conservancy, or water tax paid by the owner shall be recoverable by him from the occupier. In practice, in Rangoon the whole of the property taxes are paid by the owner. The only exceptions to this rule are a small number of large buildings which are left for a term of years on lease, and in respect of which the tenant covenants in the lease to pay all municipal taxes. In practice likewise, the owner regards the payment of municipal taxes as

one of the burdens on the property in the same way as he regards payments for maintenance and repairs as a burden on the property, and calculates his rents, so that he may be recouped for both equally. In reality, the whole of the tax is paid by the occupier or tenant.

Q. 113.—Under the City of Rangoon Municipal Act the Corporation is not allowed to levy a general tax in excess of 12 per cent of the annual value of lands and buildings in the city. No such limitation is imposed on the amount which may be collected as lighting, water or conservancy tax. The criterion there is that no more shall be collected than is required for the necessary expenditure on the services in question. In practice, it has been found over a long series of years that the amount levied as water and conservancy taxes is insufficient for the maintenance of those services, and contributions have been required from the amount yielded by the general tax in order that the services might be maintained. In the state of public opinion at the present time in all municipalities with which I am acquainted, the limitation is meaningless. The difficulty is to get municipal authorities to impose any taxation which they can by any means avoid. There is at present no risk of excessive taxation being resorted to by Municipal Committees at the present time. The reason for the limitation being imposed was to allay the fears of people who thought that they were in danger of unlimited municipal taxation. Such fears are, in my opinion, groundless.

Q. 114.—There is in Rangoon no exemption from payment of property tax under the terms of the City of Rangoon Municipal Act. In practice, the Corporation has agreed to exempt from property taxes all lands and houses, the monthly value of which does not exceed Rs. 5. The value of houses and lands in Rangoon is perhaps higher than anywhere else in India outside the cities of Calcutta and Bombay. The number of properties exempted under this resolution is very small, and the exemption is based on the fact that such taxes are not worth the trouble of collection.

Q. 115.—I am not sure that I understand this question. The greater part of the site of Rangoon was 50 years ago uninhabitable swamp. It has been rendered fit for house sites by being raised with earth brought from a distance—a process locally known as reclamation. The undeveloped value of the land was nil. The whole value is due to the improvements which have been effected on it. If improvements were exempted from municipal taxation, the Corporation would be left without any revenue from this source whatever. If however the question refers to unearned increment, i.e., the appropriation by the local authority of a portion of the increased value of land which has been brought about through no effort of the owner, I would say that, theoretically, there is no possible objection to this course, but that, in practice, any such attempt to appropriate for the benefit of the public unearned increment has resulted in failure. I can only refer to the Land Valuation Act of 1909 in the United Kingdom.

Q. 116.—I have no experience of these taxes.

Q. 117.—It is my deliberate opinion that all grants-in-aid from Local Governments to Municipal Authorities are vicious in principle and ought to be restricted to the narrowest limits possible. Towns or cities with municipal organizations should themselves pay for such municipal luxuries as they consider necessary. The giving of grants-in-aid by Local Governments, if closely analysed, simply comes to this, that the peasantry of the country districts are being taxed in order to provide urban luxuries for dwellers in municipal towns. I should therefore vote for the complete extinction of the grants-in-aid system.

This reply also covers question 118.

Copy of letter No. 3501/11-13. dated the 19th December 1924, from GAVIN SCOTT, Esq., M.A., C.I.F., I.C.S., Municipal Commissioner of Rangoon, to THE SECRETARY, Indian Taxation Enquiry Committee, Delhi.

In reply to your letter No. 76-T, dated 10th November 1924 but which was only received in this office on 17th December 1924, I have the honour to submit the following report:—

In this report I shall confine myself to taxation imposed by the Corporation of Rangoon and to the revenues of that Corporation. The

following table gives in a short compass the actual income of the Corporation of Rangoon during the financial year which ended on 31st March 1924 :—

Ordinary or Revenue Account.

	Rs.
Land Revenue	1,94,313
Assessed Taxes	16,55,038
Law and Justice	35,998
Police	13,510
Public Gardens	6,193
Miscellaneous	15,67,406
Fire Brigade	1,568
Lighting-tax Fund	3,28,508
Water-tax Fund	14,21,498
Conservancy-tax Fund	16,85,219
Total	69,09,251

At the present day, therefore, the main dependence of the Corporation of Rangoon is upon property taxes. These are paid on percentages of the annual value of all lands and buildings inside the city boundaries. Annual value is defined in Section 79 of the City of Rangoon Municipal Act, 1922, as the gross annual rent for which buildings and lands liable to taxation may reasonably be expected to let, from year to year, and, in the case of houses, may be expected to let unfurnished.

The property taxes which are collected are the general tax at the rate of 7 per cent of the annual value. This appears in the above table as 'Assessed taxes'. The conservancy tax is levied at the rate of $8\frac{1}{2}$ per cent of the annual value in the sewered area, and $6\frac{1}{2}$ per cent of the annual value in the unsewered area within which conservancy is carried out by municipal agency. The water tax is levied at the rate of $6\frac{1}{2}$ per cent of the annual value in the area within which a supply of water is available from the municipal waterworks. The lighting tax is levied at the rate of $1\frac{1}{2}$ per cent of the annual value of all lands and buildings, any part of which is within 1,000 feet from a municipal street lamp. Of the other items of revenue, land revenue represents the collections from persons who obstruct the streets or encroach upon municipal property. Of the Rs. 15½ lakhs under the heading 'Miscellaneous', the principal items are the revenue from markets and slaughter houses about Rs. 6 lakhs, pawnshop license fees about Rs. 3½ lakhs, fees from hackney carriages and motor cars about Rs. 75,000, together with a large number of smaller items which it would take too long to detail in this letter.

Apart from property taxes, the only tax levied in Rangoon is a vehicle tax on all carts, carriages and motor cars kept within the city. The licensing of hackney carriages and taxis is carried out by the Commissioner of Police, but the proceeds are credited to the Corporation.

At one time certain excise receipts in Rangoon were credited to municipal funds. These, however, have now been resumed by the Local Government. I attach to this letter a copy of a note on this question. (vide Appendix) which I wrote for the information of the Corporation, and which gives the detailed history of a rather interesting question.

APPENDIX.

Rangoon differs from most cities in India, inasmuch as immediately after its capture in 1852, a proclamation was issued vesting the whole of the lands of Rangoon in Government. For many years the policy of Government was to sell lands in Rangoon, and with the proceeds to carry out ordinary municipal works, such as the construction of roads, water-supply and the provision of various things required to make the town fairly habitable. After about the year 1890, the policy of outright sale was stopped and all lands were let on lease. The first Municipal Committee of Rangoon entered on office in 1874. For about a year the proceeds of the sale and rent of lands were credited to the Municipal Committee. Government, however, then stepped in and vindicated its claim to these sources of revenue as against the Municipal Committee. They were, however,

credited to a special fund which was devoted to the improvement of Rangoon. The management of this fund was vested in a body named the Rangoon Town Lands Advisory Committee, of which the President of the Municipal Committee was officially Chairman. The Rangoon Town Lands Advisory Committee was in some respects treated as a Sub-Committee of the Municipal Committee, but the Municipal Committee had no control over the administration of the fund placed at its disposal. Finally, since 1921, the whole of the Government lands within the city of Rangoon have been vested in the Rangoon Development Trust, the creation of a special statute. The Rangoon Development Trust administers these revenues for the purpose of the construction of roads, the provision of house-sites and the general improvement of the amenities of Rangoon. The Development Trust is a special body completely independent of the Municipal Corporation.

In 1917 the Local Government appointed a Committee to examine and report on the possibility of introducing a terminal tax on commodities entering Rangoon. I enclose for your information a copy of the report of that Committee. So far as I am aware, no orders on that report have been issued by Government, nor has any terminal tax been imposed.

Rangoon is one of the great immigration ports of the world. On an average, nearly 300,000 deck passengers land from India in Rangoon, and a somewhat smaller number embark at Rangoon on return to India. Proposals have been put forward at various times for the increase of municipal revenues by the levy of a capitation tax on those in-coming or out-going passengers. No such tax has, however, been levied, and this source of income seems to be closed by the fact that the Development Trust is allowed to collect Re. 1 per head on all passengers leaving Rangoon, which forms a good portion of the revenues at the disposal of that body.

Written memorandum of Mr. O. M. Rees, I.C.S., Commissioner of Settlements and Land Records, Burma.

Q. 96.—The most ancient and the most modern theories of sociology make the land the property of the State. Land revenue is rent in so far as the land is State property. In Lower Burma the degree of proprietorship possessed by a landholder has never been defined juridically, nor has that of the owner or possessor of non-State land in Upper Burma. The question is partly a philosophical and partly a legal one. From the third or economic point of view, land revenue is nowhere a rent in Burma, as it is less than the full economic rent.

Q. 97.—I do not consider that the land tax has any effect whatever on the prosperity of the cultivator. For one thing* it is passed on to the consumer, for another it is a very small proportion of the total outgoings. The cost of producing a hundred rupees worth of paddy, apart from initial clearing and bunding the land, is about seventy rupees, where the revenue paid is about six rupees.

Disease, especially malaria, education, national character and pressure of population are the principal matters affecting his prosperity.

Q. 98.—(a) I do not think that land revenue ignores the ability to pay.

(b) Twenty years' settlement with precautions against sudden enhancements gives greater certainty than most taxes.

(c) There is corruption but not extortion or tyranny. The system is not responsible for the corruption. The time of payment is about the same as that which he himself fixes for his other payments; I agree, however, that he would be benefited in marketing if the date for the main assessment were a few weeks later.

(d) In Burma, the cost of the Land Records staff, which assesses land revenue and also supplies information as to crops, maintains maps and records of occupation, and performs other duties, is given in Statement II of the Land Records Administration Report. It is between five and six per cent of the revenue collected. In addition a commission, usually of ten per cent, is given to headmen on collection, and remunerates them for collecting revenue and performing numerous other duties. In many districts, however, the cost is far higher than is desirable.

Q. 99.—The inequality is only avoidable if fixed rates for the period of settlement are sacrificed. I do not consider the inequality due to this cause at all serious.

Q. 100.—Rs. 2,000 is above the subsistence level. The cultivator, even the agricultural labourer, is better off in Burma than the artisan, such as salt-boiler, *sampan-wal-ah*, blacksmith, sawyer.

It is not practicable for a taxing officer to ascertain and deal with the incomes of individual cultivators.

Exemptions of men with low incomes would have little effect on fragmentation of holdings, except fictitious gifts to members of the family for purposes of evasion.

Q. 101.—(a) No.

(b) A machinery for either voluntary or compulsory exchange could be created on the Japanese model.

Q. 102.—Yes.

Q. 103.—I have heard of no practical difficulties in the present system in Burma.

Q. 104.—(1) The total population seems to have nothing to do with the matter.

(2) Occupied area ignores the quality of the land.

(3) Soil units are largely conventional and not uniform in different provinces.

(4) I consider this the best test, as rents are fixed by economic laws and would thus give the same standard everywhere.

(5) Net produce is difficult to define and impossible to ascertain. Gross produce is difficult to ascertain and to convert at an equal price, and also ignores variations in cost of production, e.g., sugar or fruit is expensive to cultivate though the gross produce is high.

Q. 121.—I look on tobacco as a practical necessity, and do not think it should be specially taxed.

Q. 123.—The acreage duty works well. The other suggestions would not work in Burma where there is already too much officialdom.

Q. 124.—Certainly not. Tobacco cultivation in Burma is essentially a matter of small plots.

Q. 125.—By not making the tax prohibitive, and varying it where there are evident differences of soil.

Q. 129.—No. Not a fixed maximum.

Q. 136.—No.

Written memorandum of the Executive Committee of the General Council of Burmese Associations.

It is not proposed to give direct answers to any of the questions contained in the questionnaire. This note simply deals in general terms with some of the existing taxes in Burma.

In the first place, it may be said that the cost of administration is getting heavier and heavier, while the incidence of taxation seems to be on the increase every year. At the same time, the taxable capacity of people as well as the maximum amount of tax receivable under each head is practically reached now. The present system of sharing the revenues between the Central and the Provincial Governments is also to the disadvantage of Burma in several respects.

From the enclosed comparative statement* extracted from "Wealth and Taxable Capacity of India" by K. T. Shah and K. J. Khambata, it will be seen that Burma is contributing over 40 per cent of her annual income

towards taxation. The income *per capita* is given as Rs. 74, and therefore 40 per cent of Rs. 74 is Rs. 29-9-6. The balance left *per capita* is therefore Rs. 44-6-6. It therefore seems unwise to levy any fresh tax that would directly or indirectly affect the poor adversely.

On the contrary, abolition of certain taxes seems to be urgently necessary, and unless a reconsideration of the financial relations between the Government of India and the Burma Government is taken, Burma's development would be retarded in the interests of India.

Thathameda and capitation tax.—These taxes are rarely met with in the civilized world and therefore almost peculiar to Burma. Both these taxes are unpopular, especially the capitation tax which has met a very strong opposition for the last few months. No-tax campaigns (against the capitation tax) were started a few months ago in several districts of Lower Burma with some success. Besides being unpopular, the capitation tax is bad in principle as it is ungraded. In his report of inquiry into the condition of agricultural tenants and labourers in the thirteen districts of Lower Burma, Mr. T. Couper, I.C.S., Commissioner on Special Duty, writes (vide page 53):—

“Capitation tax is levied throughout the thirteen districts to which this report relates except in four towns, Bassein, Henzada, Prome and Toungoo, where land rate is levied in lieu. This tax is collected between August and October. These are the very months in which the agriculturist is most hardly pressed for money. The initial loan which he has taken at the end of April to buy implements, food-stuffs and materials for the construction or repair of his house and field hut is usually far spent by August when transplanting begins, and he is driven a second time to seek a loan, whether from his landlord or money-lender, to pay and feed those who are to plant out his seedlings. He is unlikely to receive so favourable terms as he got at the beginning of the season. His gold ornaments are already pledged, and only his personal credit and cattle is left. The Chettiyar will not usually lend to him on these, and he is lucky if his landlord makes him an advance of Rs. 3 or Rs. 3-8-0 per cent a month; if he is driven to a local money-lender in his own or neighbouring village, he will almost certainly have to give an undertaking to repay in produce at the rate of 100 baskets of paddy for every Rs. 80 or Rs. 100 lent.”

At page 54 of the same report Mr. Couper again clearly says:—

“The capitation tax is a bad tax, being ungraded; the man with Rs. 150 annual income pays as much as the man with Rs. 1,500; the daily labourer in Prome who receives 8 annas a day pays as much as his brother in Hanthawaddy who receives 12 annas. If Government cannot dispense with this tax, it should collect it at such a time as will cause the least harm to the tax-payer”.

But being an inequitable tax, the capitation tax should be done away with with the least possible amount of delay and relieve the poor labourer and tenant from its burden.

Excise revenue is not likely to yield more. The whole country is for total prohibition, and it has been expected that it will come before long. The present policy of control, concentration and gradual reduction and liberal allowances to foreigners (in respect of opium) does not meet the popular view. Higher prices of import and excise duties on liquors would tend towards temperance and ultimately towards prohibition, while they may also yield more revenue.

Forest revenue is not likely to increase for some time to come. The optimistic anticipations have failed to take place. The department is top-heavy and the system of forest administration needs thorough overhauling to reduce waste and to cut down expenditure. The present top-heaviness and increased expenditure in the Forest Department is due to the hasty re-organization just before the Reforms were introduced in anticipation of a boom which did not take place at all.

Land revenue.—The increase in land revenue on a large scale cannot be expected. The present system of settlements, while yielding good revenue, makes the position of land-owners and agriculturists in unfertile and out-of-the-way districts very hard. The capitation and *thathameda* taxes and receipts from fisheries are included in land revenue. It is found in some districts fisheries are responsible for local floods doing damage to paddy

cultivation. Such fisheries should be closed, and fishery receipts are bound to decrease for some time to come. If capitation and *thathameda* taxes are abolished, there would be a reduction of about a crore under land revenue.

Royalty on mineral and oils is also included under land revenue. At present a royalty of As. 8 per 100 *ris*s of earth oil is levied. This seems rather very low, and it should be raised to Re. 1 without allowing the burden to fall on the consumer.

The economic condition of the people of Burma (except the non-Burman element) is such that no fresh taxation touching them is desirable for the time being. Measures to improve their economic condition should be taken. But to do so capitation and *thathameda* taxes and fisheries doing damage to the cultivation and drainage system of the country will have to be abolished, settlement rates in poorer tracts modified, and unfair arrangements between India and Burma rectified. The following rectifications need urgent attention:—

(1) *Rice cess*.—The export duty of As. 3 per maund on rice, paddy and bran was originally levied to meet expenditure for communications in Burma. At present this cess is taken by the Government of India. This is unfair. It should be restored to Burma.

(2) *Salt duty*.—The present policy of the Government of India as regards salt duty tends towards killing the local industry and to burden the Government of Burma with a large portion of expenditure connected with salt administration. The Burma Government spends about 1½ lakhs every year on salt administration and in return the Government of India contributes about Rs. 56,000, while the Government of India takes all revenue derived from salt. It would be equitable if the salt administration be provincialized and made a transferred subject. Also the policy should be changed, and salt industry in Burma encouraged.

(3) *Income-tax*.—The present arrangement based upon 1922 receipts is not satisfactory; it is arbitrary and should be revised. The exemption of agricultural income from income-tax is sound and should be continued.

(4) *Land customs*.—This measure does not seem to bring much revenue but it has killed the overland trade between Burma and Siam, and has thrown hundreds of families out of employment in the Kawkaireik subdivision, resulting in increase of crime there. While the Government of India is not much benefited by this measure, Burma suffers in many ways especially in bearing the burden of suppressing serious crime.

Steel protection.—This measure, like the land custom, is doing much damage to Burma. The additional cost for the last year is, we are told, about 10 lakhs to Burma. Besides this additional cost, many works connected with buildings, communications, etc., will either be delayed or abandoned. Under the circumstances, Burma should be excluded from the operation of this measure.

In the foregoing lines we have touched in broad outline upon the present economic position of the people, upon the nature of taxes the Government is levying and also upon the financial relations between India and Burma. More reductions of taxes or readjustments of financial relations between the two countries would not bring much good to the country so long as the cost of administration remains heavy. The present system of administration is, we repeat, top-heavy. Artificial division of departments and lack of co-ordination between department and department result in over-staffing, over-lapping, avoidable mistakes and waste. It is, therefore, of utmost importance to remove these defects and reduce expenditure before any new source of revenue is investigated. If, after thorough examination and economising of the administration, it is found some fresh revenue is necessary, not for the cost of present administration, but for works of improvement and development, the following taxes may be levied—

(i) *Consumption taxes on alcoholic liquors* in addition to import duty and the license fee to sell (e.g., a graded tax of As. 4 to Rs. 3 per bottle of beer, wines, brandy and whiskies) may be levied.

(ii) A tax on betting.

(iii) *Consumption tax on luxuries*, like tobacco, cigarette, perfumery, tea, coffee, etc.

4th June 1925.

BOMBAY.*Present:*SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

SIR BLAY CHAND MAHTAB, G.C.I.E. K.C.S.I., I.O.M., Maharajahdiraja Bahadur of Burdwan.

SIR PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPEE.

Dr. L. K. HYDER, M.L.A.

Mr. G. L. MACGREGOR, I.C.S., Collector of Salt Revenue, Bombay, was examined.**Written memorandum of Mr. MacGregor.**

Q. 51.—*Salt.*—I entirely agree with the extract, which exactly describes the Government of India's policy to-day.

Q. 52.—I agree with Mr. Armitage Smith. The tax is paid by practically all; it is not oppressive. At Rs. 1-4-0 a maund it works out at less than 3 annas per head taking the standard rate of consumption at 12 lb. In the cities of Bombay and Karachi an ordinary unskilled cooly can earn a rupee a day, and in the most backward tracts it is never less than 4 annas. Evasion of the tax is difficult as production is under guard, and with so low a tax handling unexcised salt is not worth while.

Q. 53.—See answer to Q. 52. The rate of incidence—less than 3 annas a head—is far lower than the figures of any of the countries quoted. I do not think Rs. 1-4-0 is too high or too low. With salt at that figure the poorest never really buy salt; their grocer supplies them with a small quantity at the same time that they buy their condiments, it is thrown in, so to speak. With a Rs. 2-8-0 duty, the poorest had to pay for it.

Q. 54.—In the Presidency proper the issues for consumption by Government and private manufacturers for the past three years have been (in lakhs of maunds)—

	1921-22.	1922-23.	1923-24.
(a) Government salt	28-08	22-80	31-0
(b) Salt of private manufacture	87-77	82-80	101-0
(c) Rough proportion of (a) to (b)	1 : 3	2 : 7	2 : 7

At Kharaghoda Government salt is purchased from the *agaria*, who makes it, at a fixed price. It is sold at a fixed price which at the present time is slightly under cost, and the *agaria* is paid for it at the end of his manufacturing season. At Dharasna the method is slightly different. The *agaria* is paid at a fixed price but only on the sale of his salt, for which he may have to wait a considerable time.

In either case the policy of Government is to supply the salt as near cost price as possible: so the manufacturer's profits are reduced to the minimum. A private salt manufacturer would have to secure a larger profit than Government. This being the policy of Government, it may be asked then why not take over all the private salt works. The difficulties are—

- (i) a revolution in the trade,
- (ii) all the salt works would have to be taken over at once to avoid competition in the labour market, and
- (iii) sea salt works are more difficult to manage on account of—
 - (a) grading of the salt, and
 - (b) importation of labour.

It would be a heavy task to take over works producing a crore of maunds and to do it all in the time between two cultivating seasons. Kharaghoda salt is easy to manage, only one grade of salt is produced, and our labour is settled in our own village. Sea salt is produced in at least 4 and sometimes 6 grades and the labour has to be imported from various localities in Gujarat and the Konkan.

It would not be impossible to take over the private works, but it would certainly be a very big undertaking. There would be no point in doing so unless we could secure a cheaper salt for the consumer or a certainty that stocks should be kept as a sufficient reserve. It is doubtful if we could produce salt cheaper. There is an enormous amount of competition and rates are cut pretty fine at present. As regards reserves, the market is at present heavily over-stocked, and action could be taken by the Collector of Salt Revenue as shown on page 63 of the Salt Committee's Report of 1904.

As far as this Presidency is concerned, I would leave matters as they are. I am afraid I do not quite see the relevancy of this question in a taxation enquiry, nor of the next Q. 55.

Q. 55.—I do not think it would be possible to produce a purer article which would at the same time be cheaper. If by large scale manufacture is meant the employment of machinery, it would, I think, come more expensive than at present.

Such a plant would have to work for twelve months in the year to be economical and would require enormous storage sheds for the monsoon output, as the trade does not absorb salt to any extent during the five months June to October. If the salt was all manufactured at one central refinery the storage required would be for about 40 lakhs of maunds, and this would not include reserve stocks.

If by mass production concentration of production is meant, I think, we have that already. With the exception of four small works which are maintained round Portuguese India with the express purpose of keeping down smuggling, all the sea salt works are concentrated within 30 miles of Bombay.

Before the war the cost of production of sea salt was under 2 annas. It is now under 4 annas a maund. The production by mechanical processes would cost more. The Eastern Chemical Company, Matunga, opened in 1913 their works in the middle of the Dadar Salt Works with the set object of manufacturing salt on a commercial scale from sea water. They found that they could not compete with the manual worker. So they turned their plant over to the manufacture of other heavy chemicals. Even during the salt famine in the war they did not start salt manufacture. I believe Tatas considered the erection of salt plants in Bengal and on the Orissa coast but the scheme failed to materialise.

There would also be difficulties about popularising it. The Indian is very conservative in the matter of salt. An attempt was made to get Bombay and the Deccan to consume Baragera salt in 1903 and was an absolute failure. If they got a purer quality of salt, it is hardly likely that they would prefer it.

Q. 56.—This Presidency only imports a very little salt from Goa. The bulk of Indian imports are at Calcutta, somewhere in the neighbourhood of half a million tons. If a protective tariff were imposed, it is certain that Bengal would have to pay more for its salt, and not only Bengal but all the hinterland that draws its salt supplies through the port of Calcutta. Bombay would be only too glad to supply all the salt required. At present we send our lowest grade of salt to Calcutta, but it is of the nature of a bye-product and the profits are very low.

Qs. 57 and 58.—These questions appear to me to be somewhat outside the scope of this enquiry. It has been argued at great length in Chapters VII and VIII of the Report of the Salt Committee of 1904. The conclusions then arrived at by the majority of the Committee are that the question of individual taste was as much a factor in the preference for light salt as the extra profit made by the retailer. They found no proof that the introduction of Bombay salt had diminished consumption in the districts into which it had found its way or that its use generally led to a diminution of consumption and consequent loss of revenue (page 89). I agree with the report of the Committee and not with the minute of dissent of the President who seems to have approached the subject with a rooted conviction that the victory of light over heavy salt was inseparably connected with fraud on the part of the seller. It is undoubted that the retailer, as opposed to the wholesaler, does make a greater profit in selling light salt. Light salt is more expensive to prepare and it is only right that it should command a higher price.

I would not advocate the enforcement of the sale of salt by weight. It would lead to undoubted harassment. It would not be effective. We cannot

even ensure the use of standard weight, and if the retailer wanted to sell short weight he would be able to. In the case of the poorest and the most ignorant, salt is not sold by itself as I have mentioned above, and it is immaterial whether it changes hands by weight or not. Better class people do buy, but they may be presumed to know what they are buying.

As regards the revenue, the Salt Committee did not hold it proved that it was endangered by the spread of light salt.

Q. 59.—I am afraid I am not in a position to say whether the cost of transport could be reduced. It seems to me that it is a matter for the railway administrations. Although freights have been heavily increased, I believe salt is carried at concession rates.

In this Presidency there are no Government depots for the sale of salt. In the past there was a firm of Government agents which did yeoman service in pushing the sale of Baragora salt at the time when the people were in process of being weaned from the use of illicit salt, but the firm, though still known as the Government salt agents, is paid no commission by Government, but is allowed to charge the consumer 3 pies per maund. Their monopoly is now at an end and any merchant can purchase Baragora salt.

As regards sea salt, there are so many traders in the wholesale trade that a combination to force up the price is unthinkable. The price fluctuates of course in accordance with the law of supply and demand, and it would be very wasteful for Government to take a hand in the distribution.

Q. 60.—*Agricultural salt.*—This is issued at cost price on a permit from the Agricultural Department and it is denatured with $2\frac{1}{2}$ per cent crude oil and $\frac{1}{2}$ per cent bone-meal before issue. These are at least as good if not better than the continental methods.

Industrial salt.—This pays duty, but the duty is refunded after an examination of the registers of the factory. About a lakh of maunds are so issued.

I do not propose any change.

Q. 86. *Customs.*—I add a few remarks on (b) and (c) under Q. 86, with which I am immediately concerned.

(b) The coast is patrolled by a staff of peons to prevent clandestine landing, but the area that has to be covered is too great for the patrol to be really efficient. Coast Guard Inspectors of whom there are only five also patrol, but they have to cover about 1,000 miles of foreshore and the element of surprise is largely absent from their movements. A really effective patrol would be maintainable only at a prohibitive cost. I had occasion to strengthen it temporarily by putting an Inspector on a steam launch with a roving commission to watch the neighbourhood of Portuguese India. The effect was undoubtedly good, though he effected no seizures, as would-be smugglers know that it is possible to thus rapidly strengthen the preventive officers at my disposal. But the time may come when with the present high tariff smuggling will become profitable and fashionable. The presence of Portuguese ports on the coast is a source of potential danger and in some cases lately the smuggling was entirely due to their existence. Things have also been complicated by the agreement with the Kathiawar maritime States, which have been variously interpreted by their Darbars, but generally to the detriment of the imperial revenues. Cargoes are entered at Kathiawar ports from the Persian Gulf and are then sent on in the same bottom to enter our customs line as free goods. There is a case still *sub judice* in which a cargo of salt fish (15 per cent tariff) from Div in Portuguese India arrived in a coastal harbour with papers showing that she had called at a port in Kathiawar, paid duty there and come on here with a cargo which was ostensibly free goods. It has been stated in the proceedings that the master went by cart to the Kathiawar port in question to get his customs papers. In other cases shipping is attracted by the offer of extraordinary financial facilities.

(c) On land frontiers the chief difficulty is caused by the fact that Stato territory intrudes between Portuguese India and British India, but it is hoped to get round this difficulty.

The remedy for strengthening the coastal patrol lies in the provision of motor or steam launches capable of keeping the sea. It is doubtful if just at present the expense of such a step would be commensurate with the additional protection afforded. It may be found to be necessary.

Mr MacGregor gave oral evidence as follows:—

The President. Q.—You are Collector of Salt Revenue, in which capacity you have a variety of taxation functions?

A.—Yes.

Q.—You deal with salt, land customs and sea customs, and you levy certain duties for the improvement of ports?

A.—Yes.

Q.—We will take them in order: on salt. I should like to ask you three main questions. Do you think that India should be self-supporting in the matter of salt?

A.—I do.

Q.—If you do, can Bombay assist in supplying the Calcutta market, whether from its own factories or from Kathiawar or from the Runn of Cutch?

A.—It could. When the question of Bhandup was raised, the trade said "we do not want another salt works, we can raise all the salt we want" and the Collector gave them a year to see what they could do, and they raised 123 lakhs of maunds. The normal off-take is about 90 lakhs of maunds, so there were 30 lakhs of maunds there to spare. Kharaghoda could extend, but unfortunately, Kharaghoda is 177 miles from the nearest sea-port, Bhavnagar. Dharangadhra could supply large quantities too, but it is also 139 miles from Bhavnagar. It is the land-lead that increases the cost of the salt. We should have to put a big duty on importations of foreign salt to make it profitable for Bombay salt to get through into the Calcutta markets.

Q.—Is there any port on the Runn of Cutch?

A.—It is dry in the hot-weather and there is hardly five feet of water there in the monsoon. The nearest port is Bhavnagar.

Dr. Paranjpye. Q.—What differential duty would you require in order to make it pay?

A.—I have not worked out the figures, but I should think you will have to double the existing duty.

Q.—Would 8 annas a maund do?

A.—I think it should be at least Rs. 1-4-0, but I do not know what the selling rates are in Calcutta.

Sir Percy Thompson. Q.—The net result of all this will be that Bengal would have to pay more for its salt than the rest of India.

A.—It pays less in land revenue.

Q.—But the effect would be that Bengal would have to pay more.

A.—I admit that that would be the effect, because of the 530,000 tons of salt which, I believe, are imported in the year, all but the odd 30,000 go to Calcutta.

Q.—The total value of the imports of salt is about £700,000?

A.—I could not tell you. I think the price they expect to get is Rs. 35 a ton for salt landed in Calcutta.

The President. Q.—At any rate, if Kathiawar could supply the Calcutta market, you would put no obstacles in the way?

A.—None whatever.

Q.—Actually from two-thirds to three-fourths of the output of the Bombay salt factories goes out of the Presidency?

A.—That is so.

Q.—Is there any reason why they should not also take up the supply?

A.—I don't think so.

Q.—Could they make salt of the required quality?

A.—If the salt can get into the Calcutta markets, I think they will make any salt that will suit the Calcutta markets.

Q.—Actually, what they now send to Calcutta is refuse?

A.—It is the lowest grade.

Q.—No attempt has been made to make a salt that Calcutta would accept?

A.—Not as far as I know.

Sir Percy Thompson. Q.—Even supposing you can supply a perfect salt, is it not a question of price?

A.—I do not think we can turn out perfect salt with the methods at present employed.

Q.—Even assuming that you could get a salt which will suit the Calcutta market, it will be a question of price.

A.—I am perfectly certain that we could make it, because the Calcutta market is supplied 30 per cent with Aden salt.

Q.—Could you compete, as regards price, with foreign salt?

A.—I was thinking of it from the point of view of Dhrangadhra. Dhrangadhra is 140 miles away from any port; and for that distance salt has to go by railway, and that is what runs up the price.

Q.—Are there any other sources in Bombay which could compete with imported salt in Bengal?

A.—I should think so. I think what are called the sea salt works, within 30 miles of Bombay, could. To enable them to compete, it would not be necessary to put on as heavy a duty as would bring Dhrangadhra into the supply. They actually do send refuse salt to Calcutta at present.

Q.—What is that used for and who buys it?

A.—I understand it is used in hide godowns and tanneries for industrial purposes.

The President. Q.—Actually you have in these sea salt factories every year several lakhs of maunds which you throw away?

A.—It is about 4 lakhs; it is not thrown away, but thrown back into the pans and re-conditioned.

Q.—Would it be an expensive process to treat it by the Cheshire method?

A.—The Cheshire method, i.e., applying artificial heat, would be very expensive.

The main obstacles to our supplying salt to Calcutta have been (1) restriction about *gola* accommodation, because all the salt sent from Bombay to Calcutta is salt which has paid duty and therefore not qualified for admission into the *golas* unless there is room; (2) the fact that they have to pay duty beforehand, which can only be done by big men.

Q.—Would you welcome a better system of transport in bond?

A.—Yes.

Q.—I think you would probably agree that rules of that sort should be uniform for both the provinces? Madras has much more favourable transport rules.

A.—Yes.

The Maharajahbiraja Bahadur of Burdwan. Q.—You said that waste salt goes to the hide godowns, how much of the 4 lakhs of maunds goes for this purpose?

A.—None of the 4 lakhs of maunds goes to the hide godowns, they are all thrown back into the pans; we actually send to Calcutta between 2 and 3 lakhs of maunds.

Q.—Is the trade of a fairly recent growth?

A.—I suppose it is fairly recent.

Q.—Before, the two or three lakhs of maunds used to go back into the pans?

A.—Probably, but the question then arises whether the salt manufacturers in Bombay would not try and limit their stocks as far as possible to what they think their consumption would be.

The President. Q.—The next question is whether the monopoly or the excise system is preferable: you said that you do not quite see the relevancy of that. Well, it is that if it leads to a cheaper salt, there is more room for taxation on it. It is generally argued against the monopoly system that Government cannot conduct a large manufacturing business except at a very high cost.

A.—Yes.

Q.—Does your experience of Kharaghoda confirm the idea that Government management is costly and inefficient?

A.—We had the advantage at the start of having a very sound firm of agents who distributed the stuff and we got going on sound lines. They are allowed to charge the consumer a fixed price of 9 pies for what they do.

Q.—May we go back to the question of the cost price?

A.—The cost price at Kharaghoda is 4.79 annas.

Q.—It is about the same as in the sea salt factories.

A.—The price in the case of sea salt varies from about 2 annas to 12 annas according to the returns of the manufacturer. We have only got his word for it and we do not really know accurately.

Q.—How does the price at which the salt is sold in the neighbourhood compare with the price at Kharaghoda?

A.—Round Kharaghoda, the prices are lower than round the sea salt factories.

Q.—Round Sambhar?

A.—I do not know Sambhar: I think the Sambhar price of production is lower than ours. You can see from the administration report the prices in Ahmedabad, Kaira and Panch Mahals.

Q.—Is not the price in Ahmedabad half the price in Ahmednagar? The places are about equidistant from the source of supply?

A.—Ahmednagar is shown as 10 seers on this map and Ahmedabad as 20. Ahmedabad is only 50 miles from Kharaghoda, while Ahmednagar is a good deal farther, about 220 miles from Bombay.

Q.—Generally speaking, the prices in the neighbourhood of the Bombay sea salt factories are higher than those in the neighbourhood of any other source of production.

A.—The Superintendent of Thana tells me that the prices in Bombay are absolute retail prices: they are the prices of fine white salt sold by hawkers who sell by the smallest measure, whereas further afield salt is probably sold by the bag.

Q.—Are the prices reported by Collectors all arrived at by the same method?

A.—In Bombay city we find out our own prices now.

Q.—Aren't these figures posted from the Government of India fortnightly reports?

A.—I do not place much reliance on the Collectors' statistics of price returns.

Q.—If you disregard Bombay city, how are the prices based in the districts?

A.—They are probably based on a uniform system.

Dr. Paranjpye. Q.—How does Kharaghoda salt get to Bombay?

A.—It is never brought to Bombay.

Sir Percy Thompson. Q.—It has been said of Kharaghoda that the price of salt varies inversely with the distance.

A.—That is not true.

Q.—Salt is dearest at the place where it is produced: is this true?

A.—I do not think it is quite true. As one explanation, I might say that during the monsoon Kolaba salt cannot circulate, and this runs up the prices in Kolaba, there being no railways.

The President. Q.—Is it more costly to produce salt in the Bombay sea salt factories?

A.—I think the sea salt factories produce salt at about 3 annas.

Sir Percy Thompson. Q.—Your explanation of the higher price is that the basis of comparison is not uniform?

A.—That is so.

The President. Q.—A great argument in favour of the excise system is that active competition reduces the price.

A.—Yes.

Q.—Where you have competition between two Government monopoly factories, such as Kharaghoda and Sambhar, would you advocate a definition of the spheres of influence?

A.—I think so.

Q.—That is to say, you would not book Kharaghoda salt into the Sambhar sphere of influence?

A.—I would not give any facilities for it. At present you can deposit money in the treasury at various places, e.g., in the Central Provinces, the United Provinces, etc., and the stuff is sent to you. If you remove that facility which the merchant has of paying money into the treasury and force him to remit it and make his own arrangements, he would probably not sell that particular salt except at a higher price which would be for the needs of people who prefer that salt.

Q.—Would you prefer that Kharaghoda and Sambhar should work on similar lines?

A.—I don't know what the Sambhar system is.

Q.—You would agree that it would be desirable to put the two Government monopolies on the same footing in a matter like that?

A.—Yes.

Dr. Paranjpye. Q.—I think there was some discussion between the Government of Bombay and the Government of India about subsidiary products of the Kharaghoda factory, i.e., about the manufacture of magnesium chloride and the use of bitterns.

A.—Yes.

Q.—The Government of India took objection to allowing the Government of Bombay to make use of it: they claimed a royalty. Is that so?

A.—I do not think so, but I have not seen the correspondence.

The arrangement made with the Pioneer Magnesia Works of Ahmedabad was that they made bye-products and then they paid royalty to the Bombay Government, the Bombay Government acting on behalf of the Imperial Government. I am not under the Central Board direct.

Q.—Do you think it is right? The Government monopoly is only of salt and not of the subsidiary products.

A.—At present it is not a live question, because they cannot compete with Germany.

Dr. Hyder. Q.—You said that the company could not compete. I suppose that in the War they could get on.

A.—Well, before the War they could not compete: they never started then. The pressure of the War made a start possible. That is, however, a matter between the Provincial and the Central Governments. I look upon both as Government: I do not discriminate between the two. It belongs to Government. Therefore they put on a royalty, but as the company was working at a loss Government agreed to have a profit sharing scheme, in which Government shared the profits and not the losses.

The President. Q.—Between the two Government monopoly factories you advocate production on the same footing. As between licensed factories manufacturing sea salt and the Government factories, would you advocate the same thing?

A.—The difficulty is, in the one case the competition is between one Government concern and the other; in the other case it is the local merchant against Government.

Q.—I am referring to Government regulations that handicap one or the other in the competition.

A.—But the element of competition must come in with the third party, i.e., the merchant. I mean to say if my merchant is in a better position than the Madras merchant, I feel a certain amount of compunction in putting him in a worse position. If it were both Government, then they can share and share alike.

Q.—I take it, it is not desirable that you should handicap one set of people with regulations that do not apply to another.

A.—It cuts both ways. Perhaps you are asking me to put a handicap on my own people.

Q.—Put the same handicap on both.

A.—It may amount to reducing my people from a more favourable position to a less favourable position. Therefore, to that extent it is handicapping them.

Q.—The other alternative is to remove the handicap from the other people.

A.—You may do that.

Q.—I am talking for the moment of weighment into store. It is a severe handicap on the Madras man in competition with the Bombay man.

A.—I do not think it is necessary.

Q.—You have no objection to Madras dropping that handicap?

A.—Not a bit.

Q.—So, you think it is not necessary to weigh into store?

A.—I think knowing the loss through pilferage is the only advantage obtained from weighing into store. You will get accurate figures, but they have no practical value. You know how much salt you get, but this is only satisfying your curiosity.

Q.—You write off 4 lakhs of maunds a year?

A.—Yes, loss occurs when the salt is thrown back to the pans, the quantity thrown back having been brought on to the books has to be written off. Loss occurs also through bad thatching, floods, and that sort of thing in the monsoon. We have at present got about a crore of maunds that has got to go through this monsoon. There is a certain amount of wastage through floods, spring tides, etc.

Q.—The platforms are not easy to guard.

A.—I don't agree, but they are generally, I admit unfenced.

Q.—And the thatching is not controlled.

A.—All salt in store is supposed to be properly thatched. The Sazedar has to see to that.

Q.—It is nothing like the Madras system of storing.

A.—There will be 200 to 400 maunds in a heap.

Q.—The Madras heap runs to 3,600 maunds and the smallest is 1,200 maunds. 3,600 maunds is put in a heap, and that makes it impossible to grade. That is where the whole trouble comes in. With heaps like yours you cannot possibly weigh. So that it all comes back to weighing into store, in the absence of which you write off 5 lakhs of rupees.

A.—But the stuff never gets into the market. The market would not take it. It is 4 lakhs of maunds and not 5 lakhs of rupees.

Q.—But 4 lakhs of maunds at Rs. 1-4-0 is 5 lakhs of rupees.

A.—But the market can only swallow a certain amount.

Q.—You write off 4 lakhs of maunds; that is to say, you write off salt to the duty value of 5 lakhs of rupees.

A.—That duty value is only a potential value. The market would not swallow it.

Q.—It is unaccounted for.

A.—It depends on consumption. If it cannot go into legitimate consumption, it does not get into the accounts.

Q.—At the end of the year it disappears.

A.—I do not really see why it should get into the accounts, except from the point of view of wanting to know how much salt has been produced. It is only an estimation, it has no practical value and does not serve any useful purpose.

Sir Percy Thompson. Q.—Suppose you do write off, you still get the loss caused by the rains and other causes. I want to know the errors of estimation. You say that there is a loss by rains and manufacture, which amounts to 4 lakhs of maunds.

A.—The loss would not be as much as that.

Q.—The rest is misestimation?

A.—Yes.

Q.—You are satisfied it is not stolen?

A.—Practically it is never stolen once it comes into the store. There may be pilferage in the course of manufacture, but once it comes into the store, the heap is so stacked that you can detect any tampering with it.

Q.—When you say you write off 4 lakhs of maunds, you write it off from an estimate and not from actuals?

A.—Exactly.

The President. Q.—Taking the cost of production at three annas a maund, the cost of the 4 lakhs is Rs. 75,000 to Rs. 80,000. If all the 4 lakhs passes into consumption, the loss to Government would be 5 lakhs of rupees.

A.—Yes, but as much salt passes at present into consumption as is required by the consumer; this would not be additional salt which would pass into consumption.

Q.—As much salt passes into consumption as is required by the consumer?

A.—Yes.

Q.—What is the amount required for the individual to keep him in health?

A.—In Travancore I believe it is about 17 to 18 lb.

Q.—It is 28 lb., but I am not asking what is the amount consumed. What is the amount that the doctors prescribe as necessary?

A.—I do not know.

Q.—Would you take it from me that it is 16 lb.?

A.—That is about what we give them at Kharaghoda. We give 12 lb. per head for man, woman and child. It amounts to about 16 lb. for an adult.

Q.—That is, for a family of five, it would be 60 lb.

A.—A family we take to be four, two adults and two children. That would work out to about 16 lb.

Q.—Now, your reports have recorded for a long series of years a consumption of 12 to 13 lb. per head in the Bombay Presidency, whereas consumption in Madras is 20 lb., and in Travancore 28 lb.

A.—I do not think you can find out any standard of consumption, because you do not know the opening and closing balance of the bazar stocks. What you do know is the issues for consumption.

Dr. Paranjpye. Q.—Don't you think that in Bombay except in the coastal districts, people require less salt?

A.—I do not know, Sir.

Q.—People who eat rice require more salt than people who eat *jowari*. People who eat *jowari* take salt only with their curries; rice-eating people take salt both for rice and for curry.

A.—That may be so.

The President. Q.—With the salt duty jumping up and down, taking a long period of years, the amount of variation in issues and consumption should be enormous from year to year. There is little variation in your case. What is the variation of consumption per head?

A.—The figures of consumption per head include all opening balances and all closing balances.

Q.—But you take all issues outside the Presidency?

A.—Yes. But we do not know what stocks there are in the bazar at the beginning of any particular period, and we do not know what stocks are there at the end. For instance, if the bazar anticipates an increase in the duty, it promptly fills its stocks as fully as it can in the two months before that rise has come into effect, and when the rise comes into effect they have got enough stock to carry over for the next two months, and after that if at the end of the financial year they think there is sufficient agitation going round to warrant a hope of a reduction of taxation, they do not take salt for the last two months of that year and that means a tremendous rush in the beginning of the next year.

Q.—If you take the last twenty years, you do not find any wild fluctuation?

A.—I have not gone into those figures.

Q.—The point I am trying to make is this. You have on the one side an admittedly lower consumption per head, an admitted absence of fencing, and admitted inaccuracy of the accounts, and other special provisions of the Act which tend to encourage these things.

A.—It may be so. These special provisions were all instituted at a time when it was necessary to wean the general public from illicit consumption to licit consumption.

Q.—Your last report records a gang robbery in which 49 people participated.

A.—That was a smuggled lot: not in my time. That may be in the year before 1924.

Sir Percy Thompson. Q.—There is an entry of 'clandestine removal of natural salt'—1 maund 26 seers, and 'miscellaneous' 2,627 maunds.

A.—I know that figure is rather puzzling. I meant to enquire into it before I came here.*

The President. Q.—“There was one gang smuggling case detected on the Banda Beas in which 49 men took part in actually smuggling salt with an escort of a further number” (page 15 of the report).

A.—That relates to salt coming from Goa into the Presidency, which we failed to seize.

Q.—It has nothing to do with thefts of salt?

A.—No. That could not be included in the figures. That was a seizure which we failed to effect.

Q.—In past years there have been gang robberies?

A.—There used to be up to 1922, and that was very, very, occasionally, and would not account for any difference in consumption.

Q.—May I draw your attention to another difference in practice? You say in your report (1923-24), “As at Kharaghoda the announcement by the Finance Member in the Imperial Assembly of the reduction of the rate of duty on salt was the signal for a heavy and unprecedented rush for the removal of salt within the short period available for the purpose. It was a race against time. During April 1924, 2,813,918 maunds of sea salt were removed; during May 2,030,017 and during June 270,763 maunds. In less than 2½ months no less than 5,114,698 maunds of sea saltwere removed.....” Then you go on to show that pride of place was taken by Shewa taluk, from which were removed as many as 1,932,484 maunds of salt. That means as soon as the Government of India announced that the duty was going to be raised from a particular date.

*I have since discovered that this figure refers to consignments in which excessive excess was discovered in the check weighments. The whole quantity in the permit is treated as offending.

A.—In the months of April and May there was a rush to get the salt into consumption before the rains came. When the tax was reduced, supplies in India had been depleted in anticipation of a drop in the duty.

Q.—It is not a rush to get the salt before the increase of duty?

A.—No. It was in May.

Q.—When the Salt Committee made its recommendations you used to have 6 lakhs of maunds in the beginning of March, and they recommended that you should have a larger supply. Are you better off now?

A.—Oh, Yes. The salt from Dadar taluk comes in in November and other stocks come in before March.

Q.—You begin manufacture in October?

A.—Yes.

Q.—But then you are selling too.

A.—There is not much take-off during the monsoon. During the five monsoon months it is a fairly dead market. The salt as a whole begins to come in February.

Q.—The whole question before the Salt Committee of 1903 was what is going to be done if you had bad seasons. During the course of 20 years you had three bad seasons, which prevented starting the year with six lakhs, that is, with practically no stock. If you had heavy rains in May, as in 1903, that knocks off your stock completely. Suppose you had early rains in May, would you be able to carry on with your present stock throughout the cultivating season?

(No answer was given.)

Q.—You practically exhaust your stock in March?

A.—I do not think so. I am not quite certain that they really do that.

Q.—From 1883 to 1904, you were having only five or six lakhs. Let us take the years from 1909. In 1909 you had six lakhs; 1911-12, six lakhs; 1912-13, twelve lakhs; 1913-14, nine lakhs. You are much in the same position as you were when the Salt Committee reported.

A.—In April there is hardly any rain. It is most unlikely that we will get any rain in April. We may get a storm in April which will stop manufacture for a fortnight, and if we get an early monsoon then manufacture will have to be stopped for another fortnight.

Q.—That was the state of affairs that led to one of the few unanimous recommendations of the Salt Committee. The recommendation of the Committee was to have something in the shape of a modified excise. You have not introduced that?

A.—No. We have leased the pans. In Bhandup manufacture is on a payment of 4 pies a maund on the salt issued for consumption. The merchants are strongly averse to keeping large stocks of salt in balance, because salt loses much of its value after one monsoon.

Q.—The Committee recommended various plans of a modified excise or monopoly.

A.—None of that has been done here.

Q.—Now I come to fish-curing. Can you give us any idea of what the amount of salt issued is?

A.—Appendix J of the report for 1923-24 gives that. Last year it was 82,396 maunds.

Q.—Have you any views on the question? Is it justifiable to issue that salt free of duty?

A.—From a health point of view, yes. The original idea was to induce the man to cure his fish properly instead of selling an unwholesome article.

Q.—Where is the logical defence for making a man who eats salt with his fish pay duty and not the man who eats salted fish? It has been put to us that it actually comes to this, that the fish-eaters more or less are benefiting at the expense of the rest of India.

A.—That is correct.

Dr. Hyder. Q.—There is one interesting calculation. You say that the consumption of salt per head is 12 lb.

A.—It varies all over the place.

Q.—Now that will be about six seers. The duty paid by one man will be three annas, at Rs. 1-4-0 per maund. Taking a family at five persons, it will be about 15 annas. Now, taking the wages of the agricultural labourer at 4 annas a day, roughly speaking, he pays four days' wages for his salt.

A.—A good deal less than that. The present wages are more than 4 annas.

Q.—Do you think it is fair on the majority of the people?

A.—I think it is a fair charge for the security which they obtain.

Q.—Security of what?

A.—Security of life and property.

Q.—Property they have none.

A.—I suppose they call it property.

Q.—You say there is no possibility of cheapening the cost of manufacture. You mean in the private salt works?

A.—In the private salt works competition is so keen that I do not think there is any margin.

Q.—Do you think it possible to reduce the cost of manufacture by introducing mechanical appliances?

A.—So far as Kharaghoda is concerned, we store with the aid of a railway, but I do not think it would be economical to introduce machinery for the manufacture of salt.

Q.—I shall read to you a note by Mr. Fergusson:

“Other recommendations are all designed to save labour and expedite the work of storage. The later manufacture can be continued, the larger the crop, and as the date of closing it is determined by the time needed for storing the salt before the monsoon breaks, the simplification and acceleration of the methods of storage by mechanical means or otherwise is essential.”

A.—As regards storage, we carry the salt by rail and empty the waggons on to the heaps underneath.

Q.—Is there no difficulty about labour?

A.—There is usually no difficulty about labour. Our labour supply is partly resident *agaris* and partly from the agricultural classes; and in a bad monsoon any quantity of labour is available. As a matter of fact, this year we got a good supply of labour and had room to store all our stock by utilising the railway. We have got enough space to stock 40 lakhs of maunds by mechanical means. If we have to store more, we have to build the heaps for it by manual labour which is very expensive.

Q.—Would it not be possible to reduce the cost of bagging?

A.—You cannot obviate that. Each bag costs 12 annas and the cost will fall on the consumer.

Q.—Let me again refer to Mr. Fergusson's note. About the fluctuation in price he says:

“Salt which was selling at 1½ to 2 annas a *pauli* before the War was in March 1918 at about 3 annas, and in November and December 1917 was up to 9 annas.”

A.—That is due to the different qualities of salt.

Q.—Leave aside the quality. Take the ordinary salt. Does this fluctuate in price?

A.—As regards the price of salt at Kharaghoda, it is fixed, and the retail prices vary according to the distance to which it has to be carried.

Q.—Mr. Fergusson says in his note that owing to the special circumstances of the War the price rose to 9 annas. Does any such circumstance exist now?

A.—It does not exist now.

Q.—Could you give us some instance to show that the introduction of machinery in the manufacture of salt would not be economical?

A.—Tatas wanted to use machinery and they gave it up. The Eastern Chemical Works at Matunga were going to introduce machinery, but they found that they could not compete with manual labour. There was another man who wanted to introduce mechanical manufacture of salt at Bhandup, but he did not come forward at all.

Q.—Would it not reduce the cost of manufacture, if you turn out 10,000 maunds instead of 5,000 maunds from one pan?

A.—No. We pay *agaris* a fixed rate; we can now get up to 10,000 maunds from one pan, but we get all we want from one crop.

The President. Q.—I now come to the question of land customs. May I just take the law first before you explain the map? The law under which you work is partly the new Government of India Act and partly the Act of 1857.

A.—Yes. The customs line between Sawantwadi and the Portuguese territory, sixty miles along the north side of Goa is worked under the old Act. The new Act has not been passed there. The State is moving rather slowly; but there is no obstruction.

The witness at this stage explained the area under the administration of the department by referring to the map and said:

“The northern frontier line runs from the Luni river bordering on Jodhpur down to the Gulf of Cambay. The two end-beats are worked on a system of outports. The rest of the line is a cleared line 30 feet wide running for the greater part of its length between the States and estates of Palanpur Agency and the Rann of Cutch; and later on between the States of Kathiawar and British territory—Ahmedabad district. On the Daman frontier there are 31 crossing places and 6 places where customers are taken.”

Q.—Don't you think it reasonable that you should improve your Act on the lines of the Government of India Act?

A.—We have no special Land Customs Act. The old Bombay Land Customs Act had not been repealed, but it is not to be enforced. The new Government of India Act carefully excludes all Indian States and foreign possessions in India. They had a tremendous discussion over that in the Assembly, because they were afraid that the Viramgam line was going to be revived and they specially stipulated that the new Act should not apply to frontiers between British India and Indian States. Except the small section in Sawantwadi, the new Act is applied.

Q.—Under the existing Act, have you got the power to punish and confiscate if a person smuggles?

A.—He can be convicted by a magistrate, he can be arrested and if he does not give security, he can be sent to jail.

Q.—As regards Kathiawar, you still maintain your customs line?

A.—It is a preventive line. It prevents salt from going from Kathiawar to Ahmedabad and opium from Malwa, and Jodhpur to Kathiawar.

Q.—What are the articles prohibited?

A.—The importation of matches, spirits, cigarettes and sugar from Cutch is prohibited into British India by land.

Q.—Can you tell us how the cost of the land customs force compares with the land customs revenue?

A.—Very badly.

Q.—Could you give us the figures?

A.—I have got figures with regard to land customs revenue. But my Northern Frontier line is a preventive force and does not collect revenue. It can only effect seizures.

Q.—The land customs revenue does not come into account generally. The Government of India show a very little percentage on cost of the collection, because they take the Imperial customs into account, and your land customs and sea customs form part of the Salt Report.

A.—They do come into the Customs Report. They are incorporated in the Sea Customs Administration Report.

Q.—I do not think that the cost of the customs line comes into the cost of collection of revenue.

A.—I think I have mentioned it in my note.

Q.—Do numerous seizures of any particular class of article suggest that the rates of taxation have been raised above the point of maximum return?

A.—Matches; but the match trade is now being killed by the Swadeshi matches. I have not had any information about smuggling of saccharine. I have heard that saccharine is obtainable at Rs. 8 in Bombay, though the duty is Rs. 20.

Q.—That is a case to show how the increase of duties can prove disastrous?

A.—Yes.

The Maharajahdiraja Bahadur of Burdwan. Q.—The match that is smuggled comes from other countries?

A.—Yes.

The President. Q.—Have you got any good Swadeshi matches here? Are they made of imported materials?

A.—There is a Swedish factory in Ambarnath, where the wood is Swedish and the direction is Swedish.

Q.—One suggestion was that the trade which is growing up behind the tariff wall is highly artificial and that the best way was to establish a match monopoly.

A.—Yes; Ahmedabad started a factory fifteen years ago; and they had to grow their own trees for wood.

Q.—If at any time the tariff was reduced, the Swedish match factory would break up at once?

A.—Yes.

Q.—With regard to sea customs, how much do you collect and what is the cost of collection?

A.—I can't say what the cost of collection is. The revenue from the sea customs is very small, and I will get the figures for you later on.

Q.—You describe the arrangement by which the coast is patrolled. You do not use the village officer for coast guards?

A.—No; not a bit.

Q.—The patrols are scattered about on the coast?

A.—We have individual sepoys at Rs. 20 a month. He picks up waif cargo and does things that will not bring him into unpopularity with the villagers.

Dr. Hyder. Q.—You cannot use motor cycles on the Northern Frontier?

A.—We have our inspectors on cycles when the Frontier is suitable, in which case a cycle allowance is given, but cycles are no use on the Northern Frontier. The beats are small—about 20 miles.

The President. Q.—On the Northern Frontier, you have a regiment.

A.—Yes; 3 camels, 50 sowars and about 800 men. There are also now 800 round Goa and 200 round Daman.

Q.—With regard to sea patrol, you speak of steam launches?

A.—Yes. I had one last year; and though it affected no seizures, it had a beneficial effect on country craft.

Q.—How many coast-guarding vessels are there?

A.—Six.

Q.—What is the cost?

A.—They cost a good deal. It is the Indian Marine that is expensive. They charge Rs. 60,000 to Rs. 80,000 for overhauling these boats every year. We could do it much cheaper.

Q.—Are they used for any other purpose?

A.—Only for conveying officers up and down.

Q.—Is so large a fleet necessary for conveying officers?

A.—Yes; I have five coast-guarding boats. The patrol is by land and also by water.

Q.—You say these boats never actually do any seizing work.

A.—They do sail at night and they do search a number of vessels, but nothing like what they ought to do.

Q.—It is the only coast-guard in India.

A.—That may be. The coast-guard could be made ever so much more efficient and when you have got a 30 per cent tariff, you must have a means of communicating with vessels afloat.

Q.—Could all your vessels take the whole of the west coast—down to Travancore?

A.—No. The longest beat possible is about 250 miles, a man cannot cover more than that effectively. In addition to the guarding of the coast, he has to see to the lights and buoys.

Q.—Does the multifariousness of duty work satisfactorily?

A.—Yes.

Q.—Salt and marine are both imperial functions. But minor ports are still provincial?

A.—Yes.

Q.—And land customs?

A.—It is an Imperial Act which was passed the other day.

Q.—Is there any point in the ports remaining provincial?

A.—That is how it is.

Q.—In the matter of machinery, it will be much more convenient if the duty is entirely imperial.

A.—Yes; but the funds that finance the ports are collected from local craft. The Legislative Council is always putting questions as to what became of their money. For instance, the Landing Wharfage Fund, and it is only fair that they should be more in touch with the spending of it.

Q.—You levy the fees mainly on passengers?

A.—It is on passengers and also on wharfage of goods. In the Northern Group, it is not on passengers because there are no passengers. It is only on goods. In the Southern Group it is largely on passengers.

Q.—All the money collected from the passengers is applied for services for the passengers?

A.—Yes.

Q.—That is all in your sole administration?

A.—Yes; but I have an Advisory Committee.

Q.—You were a witness before the Bombay Excise Committee?

A.—Yes.

Q.—They say with regard to smuggling: "As to smuggling, the customs and police arrangements, enforced by the strong hand of the British in India, are so thorough and perfect that, except the officers of the excise and revenue departments, very few people in India would subscribe to the view that means cannot be devised to put an effective check on smuggling, if the mighty Government desire it."

"In India a law passed is in almost every case a law enforced. India has the finest civil service and judiciary in the world. She has the best revenue officers in the world. Her statistics are the simplest and the most reliable. If Government wish, they certainly can suppress the liquor traffic".

Having regard to your experience as regards smuggling, would you endorse those statements?

A.—Not one of them.

Q.—Surely you could stop smuggling.

A.—Not except by methods which will be too expensive.

Q.—You have introduced denatured salt for agriculture?

A.—Yes; but only two or three thousand maunds have been taken. It is used for mangoes and cocoanuts as manure. I do not know why it is not used more. They use it in Kanara.

Q.—There again it is a case where it is desirable that the practice should be uniform for all provinces.

A.—Yes.

Q.—But at present it is confined to Bombay?

A.—Yes; I think it will be very sound if it is used everywhere. There is no control after issue. One of the reasons why the figures show a slight increase over last year's is that owing to the duty then being Rs. 2-8-0, people applied for denatured salt; before that they used the duty-paid salt to avoid the bother of bringing it from the central point where it was stored, generally the Sakakun's office or a fish-curing yard.

APPENDIX.

Statement showing the monthly issues of salt in maunds from January to May in 1922-23, 1923-24 and 1924-25.

	1923.	1924.	1925.
	MDS.	MDS.	MDS.
January	1,196,962	760,381	1,152,517
February	1,698,411	312,605	1,138,452
March	417,190	2,077,244	1,556,974
April	1,462,424	3,303,144	2,037,895
May	1,177,419	2,676,480	1,617,377

The duty on salt which was increased from Rs. 1-4-0 to Rs. 2-8-0 per maund with effect from 1st March 1923 was lowered to Rs. 2 per maund from 1st March 1924 and by a subsequent order, dated the 18th March 1924, the rate was restored to Rs. 1-4-0 with effect from 1st March 1924; all excess duty collected being refunded.

The larger removals of salt in January and February 1923 were due to anticipation of increase in duty.

The current rate of duty on salt is Rs. 1-4-0 per maund.

Mr. J. P. BRANDER, I.C.S., Collector and Superintendent of Stamps, Bombay, was next examined.

Written memorandum of Mr. Brander as Collector of Bombay.

Q. 87 and *Annexure K*.—In the absence of details about the taxes in Annexure K, it is difficult to make recommendations. The broad principles should be that any tax, which will not yield much, be easy to evade by the dishonest, troublesome to assess, require a large staff and one expensive in proportion to the collections, be unduly inquisitorial, or fall on a limited class of the population, should be avoided. Hence in India we can on one or more of these grounds rule out taxes on advertisements, armorial bearings, auctions, bicycles, club subscriptions, luxuries, safe deposits, and tourists.

2. *Betting*.—A tax such as is levied in Bengal on the totalizator and on book-makers would be legitimate and easily collected.

3. *Banking transactions*.—Cheques and letters of credit pay stamp duty already. It is not known to what other banking transactions it is suggested to extend taxation. I should be against such extension for India, as this would discourage the spread of banking which is so necessary for the development of India.

4. *General taxes on turnovers, receipts, sales, etc.*—These would be easy to evade, and would require a vast staff. Various commercial transactions are already taxed under the Indian Stamps Act.

5. *Entertainments*.—This tax exists.

6. *Insurance* is taxed under the Indian Stamps Act.

7. *Railway travelling, and railway and steamer transport*.—Any tax which can be collected by a public utility company in the collection of its fares or freights is a good and easy method of collection. Such a railway tax is believed to have been levied in Bengal for the local purposes of Calcutta. In Bombay we have the wharfage dues on coast steamer passengers collected by the steamer companies. This tax yields revenue for providing conveniences at landing ports.

8. *Telegrams* could similarly be easily taxed. The whole tax would then go direct to the State and the Post and Telegraph Department, which the Press are criticising as wasteful and extravagant on account of its recent demand to be subsidised by the State, would not be able to absorb the money into its general receipts.

9. *Telephones*.—These are used by few, and a tax on them is not worth while.

10. *Motor cars*.—These pay to the Government of India heavy import duty, a tax on petrol, and considerable wheel taxes to municipalities. They are taxed enough and should, for the development of trade and commerce, be encouraged and not be hampered by more taxation.

11. I do not recommend any of the above taxes to be substituted for existing taxes, but some of them, as the remarks above indicate, appear *prima facie* suitable as additional taxes, if required.

12. Q. 95.—The statement attached shows the Bombay Entertainments Duty Act results for 1924-25 for the Bombay Presidency and Bombay city. The Act is applied outside Bombay city to five large towns. The Turf Club is the main source of revenue and furnishes 41 per cent of the revenue for the Presidency and 42 per cent of the revenue for Bombay city. The total revenue for the Presidency is Rs. 9,06,711. As a luxury tax, no doubt the tax can easily be afforded. I consider, however, it is not a good tax, as it tends to put a premium on the dishonest and penalise the honest. The defects in the Act facilitate this, as no limit can be put on the issue of complimentary tickets, and these can easily be sold by the persons to whom they are issued in lots. No amount of supervision can prevent this. The supervision too in Bombay city is specially good as the Supervisor is a European ex-Superintendent of Police. A reputable body like the Turf Club can of course be relied on, and the larger theatres and cinemas, especially those which sell booked seats through agencies. I consider an increase of older taxes would be preferable to an entertainment tax, except as regards the Turf Club, which owing to the unique position of that body and its monopoly of an apparently irresistible attraction, might well continue to pay. The Turf Club pays the tax without having to be supervised.

13. The amount spent on supervising staff in the five mofussil towns, varying from nil to Rs. 980 a year, is so small that, humanly speaking, a considerable amount of evasion is probable. I have, however, no knowledge of the actual working of the Act in these towns.

14. Q. 120. (i) *Universal income-tax*.—It is not worthwhile having such a tax. The evasion, expense and staff required would be enormous, especially when the bulk of the population is illiterate. The irritation created would be intense. To make the tax vary with the size of the family is also not practicable in India. It would prove impossible to collect any tax from the poorer classes. Income-tax should not go below a certain level of income. The salt tax is a convenient rough income-tax as regards the poorer classes.

(ii) and (iii). I agree that agricultural income should be taxed like any other income. The agriculturist, as I shall show below, gets off far too lightly compared with the town-dweller. His expenses on rent, clothes, food, etc., are far lower. The land revenue assessment is not a tax but only a rent, and usually a very low rent too.

Succession duties.—These ought to be universal, instead of as now confined to a few minorities, mainly Europeans and Parsis, in the shape of probate duties. My views of the subject have been given at length elsewhere in my report No. 4996 of 17th December 1924 to the Finance Department. Hindus and Muhammadans, however, will oppose change.

Tobacco monopoly.—I am entirely against any Government monopoly of manufacture or sale of tobacco, such as exists in France.

Inhabited house duty.—It is quite right that the Provincial Government should, in addition to the local authorities, be able to tax houses, as is, I think, done in the United Kingdom for the Central Government. The taxation should not go lower than the houses of the middle classes.

Tax on marriages, horses, servants, betel and areca, and dowries.—These are not worth serious discussion, and are of the nature of freak taxes.

(iv) *Tax on patent medicines.*—This would not bring in much revenue, I think.

Tax on costly imported articles.—The customs dues already are very heavy and should not be increased.

Increment value duty, vide Q. 115.—Attempts in India, e.g., Bandra, to levy such taxation have ended in a fiasco as correspondence printed in a recent Government Resolution No. 272-B of 25th March 1924, Revenue Department, showed. Mr. Lloyd George's taxation in 1909 of unearned increment in land at once generally stopped, it is said, the construction of houses in the United Kingdom, and is largely responsible for the house shortage thereof to-day. The speculative builder, who provides or provided most houses, will not build, with the fear of such duties before him, especially as the valuations are bound to be more or less arbitrary. The Lloyd Georgian policy of taxing unearned increment in land has, I believe, been recently abandoned entirely in the United Kingdom. It was all based on the plausible theories of Mr. Henry George in his "Progress and Poverty" and his other books.

(v) Export duties on monopoly or semi-monopoly products such as jute and cotton are feasible, and have in some cases been used, e.g., on Burma rice in 1919 and on jute. The one on hides has not, I think, been a success but hides are not a monopoly product.

(vi) This proposal is unworkable as any one who knows anything about land is aware and merits no serious discussion. Also one-sixth of the gross value would in some cases be excessive, in others too little. The land revenue system of India is based on centuries of experience, and many of its features come down from pre-British times.

15. I have not been asked but venture to give my views on some sources of additional revenue which seem to have escaped the attention of the Committee in their questionnaire.

16. *Land revenue.*—I regard the under-taxation of the land and the cultivators, and the resulting proportionate over-taxation of town-dwellers and of non-cultivators in rural areas as one of the greatest anomalies of India. The permanent settlement of Bengal is the worst instance. No good results from permanent settlement. The only effect is that the landlords take all the unearned increment as increased rents. The labouring classes multiply up to the margin of subsistence, and the landlord or renter class, usually a parasitic class of little or no value to the community, do the same. The nation thus makes no progress in civilisation. The result is increase in quantity and quality. Permanent settlements should be done away with by any province that wants to progress. Long term settlements such as 30 and 20 years, and limitations of revision increases to a certain percentage, are similarly wrong in principle, only in a lesser degree. They were only suited to a period when there were few or no roads and railways, where life and property were insecure, and it was necessary to tempt cultivators to take up uncultivated land. They were also only suited to a time when prices were fairly steady over long periods. All these conditions have changed. In the last thirty years we have seen an enormous decrease in the value of money and corresponding increase in that of agricultural produce. Roads and railways have sprung up everywhere. Life and property are far more secure, valuable export crops have in great measure replaced cheap food crops, and the ever-increasing world prices affect Indian prices similarly. Clearly, a more frequent readjustment of the incidence of land revenue taxation is needed, so that the cultivating and land owning classes may bear their fair share of the national taxation. There should be resettlement at least every ten years, and perhaps oftener.

17. Practical illustrations are not far to seek. The rich cotton tracts of Khandesh with fairly certain rainfall are assessed far too low and more on the basis of the Deccan tract of scanty rainfall which has cheap food crops only. Sale prices and rentals in Khandesh testify to the large margin there for taxation. The Khandesh land revenue should be much nearer the Gujerat scale. Yet the 30 years' settlement and the rule of a 33 per cent limitation of enhancement for a taluk as a whole prevent the anomaly being properly rectified. The extension of the settlement period in the rich province of Sind from 10 to 20 years, was similarly from the economic point of view, a step in the wrong direction and contrary to all modern views of taxing unearned increments. Some day the town-dwellers will realise how the policy of letting off the cultivators so lightly makes the town-dwellers pay unduly.

18. *Forest and grazing revenue—Forest dues.*—The cultivators again get off unduly lightly in the absurdly low grazing fees they are charged both in the Forest Department and the Revenue Department lands. A very large additional revenue could be raised if the fees were raised nearer to the scale charged by owners of private forests and grazing grounds for similar facilities.

19. *Excise revenue.*—Excise revenue and temperance policy are matters difficult to keep distinct. It may be accepted that it is sound to cause or induce the poorer classes, i.e., the vast bulk of the population to drink as little alcohol as possible, provided the result is not to drive them to worse substitutes. But to reduce drinking facilities so much—either by making the price too high, or the strength too low and unattractive, or the quantity available not equal to demand, or abolishing shops where they are in demand—that such a policy drives people to drink an equivalent amount or more of illicit liquor obviously increases intemperance and the habit of law-breaking, and also sacrifices uselessly large quantities of Government revenue. This seems to be happening of late in various parts of India. The excise system, if scientifically managed, can be made to secure the maximum reduction in consumption and the maximum revenue at the same time. In fact, excise revenue and consumption both of licit and illicit liquor vary inversely in amount, and the enhancement of the excise revenue to the maximum pitch can be made the main instrument of reducing consumption and of increasing temperance. Well-meaning temperance reformers, from inexperience of administration, do not realize this, or shut their eyes to it, but in time the public as a whole may come to realize it.

20. My view is that a deliberate policy of securing the maximum excise revenue will be the most successful method of reducing liquor consumption and also secure very large additional revenue, and promote temperance and may enable additional taxation to be avoided.

21. These remarks do not apply specially to the Bombay Presidency, but are largely based on Government reviews of excise administration in various provinces which have appeared in the Press, but of which I have not kept a note.

22. *Excise revenue as affected by monopoly of shop-sites especially in towns.*—A very large increase of revenue could be secured, probably all over India, by the adoption of the following policy described in my evidence given to the Bombay Excise Committee and published on page 505, Vol. II of their report as follows:

"26. I have one important suggestion to make. It is understood that Sir George Curtis who did not much to perform the excise system in Khandesh once suggested something similar there.

"27. The country liquor shops in Bombay city have largely become something like the 'tied' public houses and vested interests unfortunately grown up in the United Kingdom in connection with the liquor trade. Owing both to the Rent Act and the difficulty at any time of getting a new shop-site for a license, the present country liquor shops have largely become a monopoly of the present holders. There is no real competition at the auctions. Competitors do not bid, as they know that they cannot secure shop-sites. Thus Government secure far less license fees than they would under a system of free competition. This is clearly proved from the fact that in the rare cases when there is real competition for a license, the bidding at the annual auctions goes up enormously and sometimes two or

three times the price of the average run of shops is secured. The present system favours capitalists. It is well known that some capitalists held 20 to 25 shops though not in their name. This also favours rings. In some localities licensees combine to keep up price of liquor. This monopoly system should be effectually stopped and Government, i.e., the public secure their legitimate share of the liquor revenue, by Government acquiring either by agreement or if necessary by the Land Acquisition Act, either permanently or on lease for a term of years, shop buildings equal in number to the present number of shops, both for country liquor, toddy, foreign "on", and refreshment rooms. The right of selling liquor or toddy in those shops should be put up to auction annually. Government and the public will be astonished at the enormous increase of revenue that will thus be secured. It can be guaranteed that twice or thrice the existing license fees, now about thirty-eight lakhs per annum for Bombay city, will be secured. The same system should be applied all over the Presidency. The increased revenue thus obtainable will solve the problem for compulsory primary education for the Presidency and efficient secondary education. There will of course, be great opposition by the present monopolists, attempts to create prejudice, and so on. But the principle of State management of the liquor traffic has been adopted, it is believed, in some countries of Europe. We have it partly in India in the State supply of country liquor to shops. From this to the State supply of premises is a short step. Better control over the retail trader and over location of shops would be the result. Nor would the price to consumers be increased. Licensees would restrict their bids so as to be able in their selling prices to compete with possible illicit liquor supplied.

"28. I have no doubt that, novel as the above suggestion may seem, public opinion will soon cease to be content with the bulk of the profits going as now to the liquor sellers, and will insist on securing them for public purposes. The above system is the way to secure them."

23. It will be seen that conditions similar to those of Bombay City prevail in Calcutta, vide page 33, Vol. I of the Excise Committee's Report, where the remarks of the Excise Commissioner, Bengal, to the same effect are set forth.

24. It is almost impossible or very hard in Bombay city for a new successful bidder for a license to get a site for his proposed shop. The old licensee refuses to give over the shop-site, and at once moves heaven and earth stirring up opposition to the proposed new site, approaching the members of the Advisory Committee, fomenting objection petitions by residents near the proposed site, many of whom would otherwise be indifferent. The result is that new bidders do not come forward, Government and the public are defrauded of the proper license fee which should be realized in auction if there were free competition, and the liquor business tends more and more to become the exclusive property and the vested interest of a limited number of rich capitalists.

25. It will be observed that the policy suggested of providing Government premises does not prevent Government from going in for as much prohibition or restriction as they desire. It merely means that what shops are allowed shall as a rule be Government premises leased to the successful bidder.

26. *Court-fees.*—The increase of court-fees is an obvious means of securing more taxation. For example, it is said that the court-fees of the Bombay High Courts are far less than those of mofussil courts. Bombay litigants, a much wealthier class as a rule than mofussil ones, could easily afford to pay fees equal to mofussil fees if not higher, and large extra revenues could possibly be realized by raising the High Court fees. It is argued that to keep fees low will not save litigants much if any expenditure, as the lawyers probably secure from their clients in some form or other the balance, and to increase High Court fees will merely transfer to public revenues money which now enriches lawyers. I have not investigated the fees of the High Court, Sind Judicial Commissioners' Court, Bombay Small Causes Court, and the mofussil courts. It is suggested that Government may get this done by the Home or Legal Department. It is understood that the Bombay High Court can fix their own fees.

Statement showing receipts and expenditure on account of Bombay Entertainments Duty for the Bombay City, Ahmedabad, Surat, Poona, Sholapur and Karachi for the year ending 31st March 1925.

	Gross Receipts.			Total.	Expenditure.			Total.
	Entertainments.	Turf Club.			Establishment charges.	Other charges.	Refund.	
Bombay City	RS. A. P. 3,89,541 13 0	RS. A. P. 2,88,328 5 4	RS. A. P. 6,77,870 2 4	RS. A. P. 15,623 12 0	RS. A. P. 96 0 6	RS. A. P. 3,249 1 0	RS. A. P. 18,968 13 6	
Ahmedabad	41,168 9 0	..	41,168 9 0	980 0 0	..	..	980 0 0
Surat	7,512 5 0	..	7,512 5 0	480 0 0	..	208 14 0	888 14 0	
Poona	32,103 1 0	85,696 0 0	1,17,799 1 0	623 0 0	90 8 0	35 12 0	749 4 0	
Sholapur	5,928 15 0	..	5,928 15 0	..	..	..	..
Karachi	56,432 13 0	..	56,432 13 0	..	..	189 12 0	189 12 0
Total ..	5,32,687 8 0	3,74,024 5 4	9,06,711 13 4	17,705 12 0	186 8 6	3,683 7 0	21,576 11 6	

Percentage of expenditure on gross receipts for the whole Presidency excluding Turf Club. 4.05.
 " " " " " " including " 2.38.
 " " " " " " including " 4.87.
 " " " " " " including " 2.8.
 Percentage of total receipts of the Presidency furnished by Turf Club .. 41.25.
 " " " " " " total revenue for the Bombay City only .. 42.53.

* This includes Rs. 1,30,022 on account of stamp duty.

**Written memorandum of Mr. Brander as Superintendent
of Stamps, Bombay.**

Q. 88.—The rates of stamp duty prescribed by the Indian Stamp Act II of 1899 were enhanced by Bombay Stamp Amendment Act of 1922, with a view to secure additional revenue for the Province of Bombay. Non-judicial stamps, although transferred to the provinces as a source of revenue, are subject to legislation by the Indian Legislature, under item 20 in Part II of Schedule I of the Devolution Rules. With a view to secure uniformity of duty, the following articles of the Schedule to the Indian Stamp Act were reserved for all Indian legislation:—

Article	1 Acknowledgment.
„	13 Bill of exchange.
„	19 Share certificate.
„	21 Cheque.
„	28 Delivery order in respect of goods.
„	36 Letter of allotment of shares.
„	37 Letter of credit.
„	47 Policy of insurances.
„	49 Promissory Note.
„	52 Proxy.
„	53 Receipt.
„	60 Shipping order.

2. By Government of India Act, No. 43 of 1923, the rate of stamp duty on the following instruments, which was Anna 1 under the Act of 1899 was enhanced to Annas 2:—

Article	19 Share certificate.
„	36 Letter of allotment of shares.
„	37 Letter of credit.
„	52 Proxy.

By the same Act (No. 43 of 1923) insurance covering goods, merchandise, personal effects, crop, and other property against loss or damage was made chargeable with the same rate of duty as was leviable on policies of fire insurance, viz., Annas 8, when the amount of the insurance money did not exceed Rs. 5,000; in any other case Re. 1. To the reinsurance of the above class of insurance, by insurance companies, the rate of duty (one quarter of the duty payable in respect of the original insurance but not less than one anna, or more than one rupee) which was applicable to the reinsurance by insurance companies of sea or fire insurance risks, was extended.

3. The duty on demand promissory notes (Art. 49) which was Anna 1 has been enhanced to Annas 2 when the amount or value exceeds Rs. 250, but does not exceed Rs. 1,000. In any other case, it has been fixed at four annas.

4. The remaining reserved items (acknowledgments of debt bill of exchange, cheque, delivery order in respect of goods, receipts and shipping order) were left untouched, and therefore the duty prescribed for them by the Act of 1899 holds good.

FREE DISTRIBUTION OF PROPERTY.

5. An instrument of gift (Art. 33) is under the Bombay Stamp Amendment Act of 1922, liable to 1½ per cent scale of duty, the rate having been enhanced from 1 per cent.

6. Duty on settlement (Art. 58) has also been enhanced to Annas 12 per cent from Annas 8 per cent.

7. The above rates of duty on similar instruments in other provinces are almost the same as in Bombay. Although it is desirable in every community to encourage provision for one's family and dependants or for charity, it is noticed that wealthy persons resort to instruments of Settlement to avoid payment of comparatively heavier probate duty after their death. Under the Indian Court-fees Act of 1870, Art. II, Schedule I, probate duty at rates ranging from 2 per cent to 3 per cent (up to Rs. 10,000, Rs. 2 per cent; above Rs. 10,000 up to Rs. 50,000, Rs. 2½ per cent; above Rs. 50,000, Rs. 3 per cent) is recoverable. If, therefore, the 'settlement' duty is enhanced from Annas 12 per cent to Re. 1 per cent, the same as on gifts, the increase will not be felt by the public.

TRANSFER OR LEASE OF PROPERTY.

8. By the Bombay Stamp Amendment Act of 1922, the rates of stamp duty on almost all documents in this group have been enhanced by 50 per cent, except that in the case of Articles 6, 61 and 64 (Agreements relating to deposit of title deeds, pawn or pledge, surrenders of lease and declarations of trust) the duty has remained unchanged. The duty Anna 1. on Certificates of Shares (Art. 19); Composition Deeds (Art. 22—Rs. 10); Releases (Art. 55—Rs. 5) has been doubled. The duty on reconveyances of mortgaged property (Art. 54) for sums below Rs. 1,000 has been reduced to that payable on a Bond (Annas 12 per cent) retaining the maximum at Rs. 10.

9. Agreements relating to the deposit of title deeds and pawn or pledge of movable property (Art. 6) are liable to the same stamp duty as Bills of Exchange. Bills of Exchange are instruments of the class reserved for all Indian legislation, and the duty payable thereon under Act II of 1899 has not been enhanced. The Bombay Stamp Amendment Act of 1922 has not touched the duty on "Agreements relating to the deposit of title deeds to secure loans, and pawn or pledge of movable property". In other provinces (Bengal, Madras, the Punjab and Assam) the duty charged on these instruments has been fixed at about 50 per cent over the Bill of Exchange rate. Agreements of the class described in Art. 6 belong to the class of 'mercantile documents' and it is desirable not to increase their duties to such an extent as would make the same a burden on the commercial community. It must also be remembered that equitable mortgages are created merely by deposit of title deeds and no instrument is necessary. The duty, therefore, ought not to be increased to such an extent as to drive the public to resort to expedients of dispensing with writings of this kind. On the whole, it seems that the duties on these instruments (Art. 6) may be increased by 50 per cent only, which the commercial public would not much mind. At present the duty is Rs. 9 for every Rs. 10,000 and if it is increased by 50 per cent to Rs. 13½ for every Rs. 10,000, the increase would be very lightly felt. As compared with duty on legal mortgages, which is Rs. 75 for Rs. 10,000 when possession is not given and Rs. 150 when possession of the mortgaged property is given, the duty of Rs. 13½ on Agreements regarding deposit of title deeds would be very light.

INHERITANCE.

10. Instruments relating to this kind of transactions are Administration Bond (Art. 2) and Adoption Deed (Art. 3). The rate of duty on both these instruments has been doubled. The old rates were Rs. 5 and Rs. 10, respectively.

LEGAL TRANSACTIONS.

11. By the Bombay Stamp Amendment Act of 1922, the rates of duty leviable on instruments falling under this head have been enhanced in all cases. A cent per cent increase in the rate has been made in the case of the following instruments:—

Article 4 Affidavit.

„ 5 Agreement.

„ 7 Appointment of trustees or of property in execution of power.

Article	24	Copy or extract given by the public officer.
„	25	Counterpart or duplicate.
„	26	Customs bond.
„	*28	Delivery order in respect of goods.
„	29	Divorce.
„	42	Notarial Acts.
„	44	Notes of protest by masters of ships.
„	48	Power of attorney.
„	50	Protest of bill or note.
„	51	Protest by master of a ship.
„	*52	Proxy.

12. In the case of Awards (Art. 12) the duty has been enhanced from the maximum of Rs. 5 to Rs. 20.

13. Further increase of the rates of duty on the above instrument will not, it is thought, be reasonable.

COMMERCIAL TRANSACTIONS.

14. The instruments under this head are in almost all cases charged with a fixed duty which has been enhanced under the Bombay Act of 1922. The only instruments which are liable to *ad valorem* duty are Bills of Exchange, article 13; Bonds, article 15; Certificates of Sale by Court, article 18. Bills of Exchange belong to the reserved group. The duty on Bonds has been enhanced by 50 per cent and that on 'Certificates of Sale', which is the same as for 'Conveyance', has also been increased by 50 per cent. Articles of Association, article 10, were under the old Act (1899) chargeable with a maximum duty of Rs. 25, but by the Bombay Act the duty has been enhanced to a maximum of Rs. 100. Memorandum of Association, not accompanied by Articles of Association was liable to Rs. 40. This rate has been enhanced to Rs. 80.

ENTRY INTO A PROFESSION OR APPRENTICESHIP.

15. The duty on an Apprenticeship Deed which was under the old Act Rs. 5 has been enhanced to Rs. 10. The entry as an Attorney of the High Court, which was formerly liable to a duty of Rs. 250, has now been made chargeable with a duty of Rs. 500.

The present rates are sufficiently high.

Q. 89.—The Court-fees should not be so limited as proposed by Bentham. It is legitimate to tax ability to pay as exhibited by resort to the law. In India people are very unwilling to pay taxes at all, especially direct taxes. So, in practice, Government are forced to raise revenue by taxing along the line of least resistance. The levy of substantial court-fees is an obvious practical means of effecting this. Such action also has the effect of discouraging the excessive tendency to litigation in India. People in India spend in their law suits the maximum they can afford. If Government do not secure a substantial share, I think it will only be devoured by the lawyers, and the litigants will save nothing by the tenderness of Government to them. It is better that Government have the money for the public welfare than lawyers.

Q. 90.—Hobson's criticism would equally apply to all forms of taxation and to stamp duties on all kinds of transactions. There is nothing in the criticism, I think. The transactions in question still go on in spite of the stamp duties. Taxation has to be raised somehow, and to levy it on these transactions has the force of long custom and convenience. It is only if the duties were raised so high as to discourage the transactions that exception could be taken to them. This state has not been reached in India, and is not likely to be.

Q. 91.—The Chamber of Commerce as representing the interests of companies favoured the abolition of blank transfers of shares, on the ground that the vendor, until the transfer was effected and the vendee registered as the holder, was still held responsible as trustee for the vendee as regards the dividends. The Stock Exchange Enquiry Committee, adopting this point of view, thought that the blank transfer should be abolished, or at any rate its life limited, and they thought that the duty payable on blank transfers should be reduced at the same time from $\frac{1}{4}$ per cent. This question has been fully gone into. The ownership of shares passes many times before transfer is effected. There is in Bombay no fortnightly settlement, which in the London Stock Exchange makes transfer compulsory each fortnight. It was held that it would be impossible to abolish blank transfers, or if they were abolished the Stock Exchange business would be greatly hampered or come to a standstill. The Government of India have finally given up the idea of legislation to stop blank transfers, and hold that nothing is to be gained by further consideration of the proposal, but reform can only be introduced by reform in the Stock Exchange itself.

Statement regarding question No. 88—*contd.*

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other province.	Possible enhancement in Bombay.
2. Transfer or lease of property—contd.				
35. Lease including an under-lease or sub-lease and any agreement to let or sublet— <i>co. tid.</i>	The same duty as a conveyance (Rs. 1 per cent) for a consideration equal to one-fifth of the whole amount of rents which would be paid or delivered in respect of the first fifty years of the lease.	The same duty as a conveyance (Rs. 1-8-0 per cent) for a consideration equal to one-fifth of the whole amount of rents which would be paid or delivered in respect of the first fifty years of the lease.		
(a) Whereby such lease the rent is fixed and no premium is paid or delivered— <i>contd.</i>	The same duty as a conveyance (Rs. 1 per cent) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease.	The same duty as a conveyance (Rs. 1-8-0 per cent) for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease.	Rates of duty on leases for terms in excess of ten years are higher in all other provinces than in Bombay.	Provincial rates of stamp duty on leases for terms in excess of ten years may be adapted in Bombay, retaining the Bombay rate of duty for perpetual leases
(v) Where the lease purports to be in perpetuity.	The same duty as a conveyance (Rs. 1 per cent) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease.	The same duty as a conveyance (Rs. 1-8-0 per cent) for a consideration equal to the amount or value of such fine or premium or advance as set forth in the lease.		
(b) Where the lease is granted for a fine or premium or for money advanced and where no rent is reserved.	The same duty as a conveyance (Rs. 1 per cent) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered.	The same duty as a conveyance (Rs. 1-8-0) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered.		
(c) Where the lease is granted for a fine or premium or for money advanced in addition to rent reserved.	The same duty as a conveyance (Rs. 1 per cent) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered.	The same duty as a conveyance (Rs. 1-8-0) for a consideration equal to the amount for value of such fine or premium or advance as set forth in the lease, in addition to the duty which would have been payable on such lease if no fine or premium or advance had been paid or delivered.		

40. Mortgage dead with possession. Mortgage deed without possession.	Rs. 1 per cent	Rs. 1-8-0 per cent .. .. .	.. .. .	All provinces—Rs. 1-8-0 per cent.
41. Mortgage of a crop— (a) When the loan is repayable within three months for every Rs. 200.	As. 8 per cent	As. 12 per cent .. .. .	.. .. .	All provinces—As. 12 per cent.
(b) When the loan is repayable after three months of date of instrument for every Rs. 200.	Anna 1	As. 2 .. .. .	.. .. .	Madras—As. 2.
45. Partition	As. 2	As. 4 .. .. .	.. .. .	Madras—As. 3.
54. Reconveyance of mortgaged property— (a) If the amount of mortgaged debt does not exceed Rs. 1,000.	As. 8 per cent	As. 12 per cent .. .. .	.. .. .	Punjab, Assam and United Provinces—As. 12 per cent.
(b) In any other case.	Rs. 10	As. 12 per cent .. .. .	.. .. .	All provinces—Rs. 1½ per cent.
55. Release— (a) If the amount of claim does not exceed Rs. 1,000.	Rs. 10	Rs. 10 .. .. .	.. .. .	Rs. 15
(b) In any other case.	As. 8 per cent	As. 12 per cent .. .. .	.. .. .	All provinces—As. 12 per cent.
57. Security bond or mortgage-deed executed by way of security for the due execution of an office— (a) when the amount secured does not exceed Rs. 1,000.	Rs. 5	Rs. 10 .. .. .	.. .. .	Rs. 7-8-0.
(b) in any other case	As. 8 per cent	As. 12 per cent .. .. .	.. .. .	As. 12 per cent.
61. Surrender of lease	Rs. 5	Rs. 10 .. .. .	.. .. .	Rs. 7-8-0.
	Rs. 5	Rs. 5 .. .. .	.. .. .	Rs. 7-8-0.

Statement regarding question No. 88—contd.

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other provinces.	Possible enhancement in Bombay.
<i>2. Transfer or lease of property—contd.</i>				
62. Transfer of—				
(a) & (b) Shares, debentures.	As. 8 per cent	As. 12 per cent	Bengal—As. 12 per cent.	
(c) any interest secured by a bond, mortgage-deed or policy.	Rs. 5 maximum	Rs. 10 maximum	All provinces—Rs. 7-8-0.	
(d) any property under the Administrator-Generals Act, section 31.	Rs. 10 fixed	Rs. 10 fixed	All provinces—Rs. 15 ..	Rs. 15.
(e) any trust property.	Rs. 5 fixed	Rs. 5 fixed	All provinces—Rs. 7-8-0.	Rs. 7-8-0.
63. Transfer of lease	Rs. 1 per cent	Rs. 1-8-0 per cent	All provinces—Rs. 1-8-0 per cent.	
64. Trust (declaration of).	As. 8 per cent. Maximum Rs. 15 ..	As. 12 per cent. Maximum Rs. 15 ..	All other provinces—Rs. 22-8-0 maximum.	Rs. 22-8-0 maximum.
Revocation of trust	As. 8 per cent. Maximum Rs. 10 ..	As. 12 per cent. Maximum Rs. 10 ..	United Provinces—As. 12 per cent. Rs. 15 maximum.	Rs. 15 maximum.
3. Inheritance.				
2. Administration bond—(a) where the amount does not exceed Rs. 1,000.	As. 8 per cent	As. 12 per cent	All provinces—As. 12 per cent.	
(b) in any other case	Rs. 5	Rs. 10	Rs. 10.	
3. Adoption deed	Rs. 10	Rs. 20	All provinces—Rs. 20.	
4. Legal transactions.				
4. Affidavits	Rs. 1	Rs. 1	All provinces—Rs. 2.	
5. Agreement—(a) if relating to the sale of bill of exchange.	As. 2	As. 4	Punjab—As. 4.	

(b) if relating to the sale on Government security of share.	Subject to a maximum of Rs. 10--Anna 1 for every Rs. 10,000 of the value of the security.	Subject to a maximum of Rs. 20--As. 2 for every Rs. 10,000 of the value of the security.	Maximum Rs. 15.
(c) if not otherwise provided for.	As. 8	Rs. 1	Central Provinces--Rs. 1.
7. Appointment in execution of a power--			
(a) of trustees	Rs. 15	Rs. 15	All provinces--Rs. 25
(b) of property	As. 6 per cent	As. 12 per cent	As. 12 per cent and As. 8 for every Rs. 1,000 in excess of Rs. 5,000 with Rs. 50 maximum.
12. Award--			
(a) when property in dispute does not exceed Rs. 1,000 in value.	Rs. 5	Rs. 20 maximum	As. 12 per cent
(b) in any other case	As. 8	Rs. 1	All provinces--As. 12.
24. Copy or extract certified to be a true copy or extract by any public officer--	Rs. 1	Rs. 2	Rs. 1-8-0.
(i) if the duty on the original does not exceed Rs. 1.			
(ii) in any other case	Stamp duty as is payable on the original.	Stamp duty as is payable on the original.	
25. Counterpart or duplicate--			
(a) if the duty on the original does not exceed Rs. 1.	Rs. 1	Rs. 2	All provinces--Rs. 1-8-0.
(b) in any other case	As. 8 per cent	As. 12 per cent	United Provinces--As. 12 per cent.
26. Custom-bond--			
(a) where the amount does not exceed Rs. 1,000.	Rs. 5	Rs. 10	United Provinces--Rs. 10.
(b) in any other case			

Statement regarding question No. 88—contd.

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other provinces.	Possible enhancement in Bombay.
4. Legal transactions—contd.				
28. Delivery order in respect of goods.	Anna 1	Anna 1 .. .. .	....
29. Divorce (instrument by which dissolution of marriage is effected).	Rs. 1	Rs. 2	Punjab and United Provinces—Rs. 5.	
42. Notarial Act, i.e., any instrument, note, etc., made or signed by a notary public.	Rs. 1	Rs. 2	Bengal, Punjab, Assam and United Provinces—Rs. 2.	
44. Note of protest by the master of a ship.	As. 8	Rs. 1	All provinces—Rs. 1.	
48. Power of attorney—				
(a) for registration of a document.	As. 8	Rs. 1	Punjab—Rs. 1.	
(b) for suit in the Small Causes Court.	As. 8	Rs. 1	Punjab—Rs. 1.	
(c) for a single transaction.	Rs. 1	Rs. 2	Punjab—Rs. 2.	
(d) for general purpose.	Rs. 5	Rs. 10	Punjab—Rs. 10.	
(e) for authorising more than five persons but not more than ten jointly.	Rs. 10	Rs. 20	Punjab—Rs. 20.	

(f) when given for consideration and authorizing the attorney to sell any immovable property.	Rs. 1 per cent	Rs. 1-8-0 per cent	Punjab—Rs. 1-8-0 per cent.
(g) in any other case for each person authorized.	Rs. 1	Rs. 2	Punjab—Rs. 2.
10. Protest of bill of note, i.e., any declaration made by a notary public attesting the dishonour of a bill of exchange of pro-note.	Rs. 1	Rs. 2	All provinces—Rs. 2.
11. Protest by the master of a ship.	Rs. 1	Rs. 2	All provinces—Rs. 2.
12. Proxy	Anna 1	As. 2	All provinces—Rs. 2.

5. Commercial transactions.

1. Acknowledgment of debt.	Anna 1	Anna 1	All provinces—Anna 1.
8. Appraisalment or valuation—			
(a) where the amount does not exceed Rs. 1,000.	As. 8 per cent	As. 12 per cent	Punjab—As. 12 per cent.
(b) in any other case	Rs. 5	Rs. 10	Punjab—Rs. 10.
10. Articles of association of a company—			
(a) when share capital does not exceed Rs. 2,500.	Rs. 25	Rs. 25	All provinces—maximum Rs. 50.
(b) when it exceeds Rs. 2,500 but does not exceed Rupees 1,00,000.	Nil	Rs. 50	
(c) when it exceeds Rs. 1,00,000.	.....	Rs. 100	

Statement regarding question No. 88—*contd.*

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other province.	Possible enhancement in Bombay.
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5 Commercial transactions—*contd.*

13. Bill of exchange— (a) where payable on demand.	Anna 1	Anna 1	If drawn		
			singly.	in set of two, for each part of the set.	in set of three, for each part of the set.
	Es. A. P.	Es. A. P.	Es. A. P.	Es. A. P.	Es. A. P.
400	0 3 0	0 2 0	0 3 0	0 2 0	0 1 0
600	0 6 0	0 5 0	0 6 0	0 5 0	0 4 0
800	0 9 0	0 8 0	0 9 0	0 8 0	0 7 0
1,000	0 12 0	0 11 0	0 12 0	0 11 0	0 10 0
1,200	0 16 0	0 15 0	0 16 0	0 15 0	0 14 0
1,400	1 2 0	0 9 0	1 2 0	0 9 0	0 8 0
1,600	1 8 0	1 2 0	1 8 0	1 2 0	1 1 0
1,800	2 4 0	2 4 0	2 4 0	2 4 0	2 3 0
2,500	4 8 0	3 6 0	4 8 0	3 6 0	3 5 0
5,000	6 12 0	4 8 0	6 12 0	4 8 0	4 7 0
7,500	9 0 0	6 12 0	9 0 0	6 12 0	6 11 0
10,000	13 8 0	9 0 0	13 8 0	9 0 0	8 8 0
15,000	18 0 0	11 4 0	18 0 0	11 4 0	11 3 0
20,000	22 8 0	13 8 0	22 8 0	13 8 0	13 7 0
25,000	27 0 0	16 0 0	27 0 0	16 0 0	16 0 0
30,000	31 6 0	18 4 0	31 6 0	18 4 0	18 3 0
And for every additional Rs. 10,000 or part thereof in excess of Rs. 30,000	4 0 0	4 8 0	4 0 0	4 8 0	3 0 0

(b) If the amount of bill or note does not exceed Rs. 200.

If it exceeds Rs.	200 and does not exceed Rs. 400 ..
400	800 ..
600	1,000 ..
800	1,200 ..
1,000	1,500 ..
1,200	2,500 ..
1,400	5,000 ..
1,600	7,500 ..
1,800	10,000 ..
2,000	15,000 ..
2,500	20,000 ..
3,000	25,000 ..
3,500	30,000 ..

Same in all provinces.

Same in all provinces.

(e) where payable, at more than one year after date or sight.	As. 8 per cent	As. 12 per cent .. .. .	....
14. Bill of lading	As. 4	As. 8	Punjab—As. 8.
15. Bond	As. 8 per cent	As. 12 per cent	All provinces—As. 12 per cent.
16. Bottomry-bond	Do.	Do.	All provinces—As. 12 per cent.
18. Certificate of sale— (a) where the purchase-money does not exceed Rs. 10.	As. 2	As. 4	All provinces—As. 3.
(b) where the purchase-money exceeds Rs. 10 but does not exceed Rs. 25.	As. 4	As. 8	All provinces—As. 6.
(c) in any other case	Rs. 1 per cent	Rs. 1-8-0 per cent	All provinces—Rs. 1-8-0 per cent.
20. Charter party	Rs. 1	Rs. 2	All provinces—Rs. 2.
21. Cheque	Anna 1	Anna 1	All provinces—Anna 1.
34. Indemnity-bond	As. 8 per cent	As. 12 per cent	All provinces—As. 12 per cent.
35. Letter of allotment of shares.	Anna 1	As. 2 (Act 43 of 1923.)	All provinces—As. 2.
37. Letter of credit	Anna 1	As. 2 (Act 43 of 1923.)	All provinces—As. 2.
38. Letter of licence	Rs. 10	Rs. 10	All provinces—Rs. 12-8-0.
39. Memorandum of association of a company— (a) if accompanied by articles of association.	Rs. 15	Rs. 30	} The same in other provinces.
(b) if not so accompanied	Rs. 40	Rs. 80	

Statement regarding question No. 86--contd.

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other province.	Possible enhancement in Bombay.
<p>43. Note or memorandum sent by a broker or agent to his principal intimating the purchase of sale on account of such principal--</p> <p>(a) regarding sale of goods exceeding in value Rs. 20.</p> <p>(b) of any stock or marketable security exceeding in value Rs. 20.</p>	<p>As. 2</p> <p>Subject to a maximum of Rs. 10-- Anna 1 for every Rs. 10,000 of the value of the security.</p>	<p>As. 4</p> <p>Subject to a maximum of Rs. 20-- As. 2 for every Rs. 10,000 of the value of the security.</p>	<p>All other provinces--As. 3.</p> <p>All other provinces-- Rs. 15 maximum.</p>	
<p>46. (A) Partnership--</p> <p>(a) where the capital of the partnership does not exceed Rs. 500.</p> <p>(b) in any other case</p> <p>(B) Dissolution of</p>	<p>Rs. 2</p>	<p>Rs. 5</p>	<p>Same in other provinces.</p>	
<p>47. Policy of insurance--</p> <p>(A) Sea insurance upon any voyage--</p> <p>(a) where premium does not exceed Rs. 1-8-0 per cent of the amount insured.</p>	<p>Rs. 10</p> <p>Rs. 5</p>	<p>Rs. 20</p> <p>Rs. 10</p>	<p>Same in other provinces, Same in other provinces.</p>	
			<p>Same in all provinces.</p>	

5. Commercial transactions--contd.

(b) in other cases for every full sum of Rs. 1,000 or part.

(2) For time—

For every 1,000 or part for any time not exceeding 6 months.

For any time exceeding six months but not exceeding 12 months.

(B) Fire insurance and other classes of insurance not elsewhere included in this article—

(i) In respect of an original policy when the sum insured does not exceed Re. 5,000.

(ii) In any other case . . .
(ii) In respect of each receipt for payment of premium on renewal of an original policy.

(C) Accident and sick insurance and sickness insurance—

(a) Valid for a single journey only—
In any other case.

As. 2 (if drawn singly), Anna 1 for each part (if drawn in duplicate).

As. 2 (if drawn singly), Anna 1 for each part (if drawn in duplicate).

As. 4 (if drawn singly), Annas 2 for each part (if drawn in duplicate).

As. 8.

Re. 1.
One-half of the duty payable in respect of the original policy in addition to the amount, if any, chargeable on the receipt (article 88).

Anna 1.

As. 2.

Same in all provinces.

Same in all provinces.

Statement regarding question No. 88—concl'd.

Items of Schedule of the Indian Stamp Act.	Rate of duty under Act II of 1899.	Enhanced rate of duty under Bombay Act, 1922.	Highest duty in other province.	Possible enhancement in Bombay.
<p>47. Policy of insurance—<i>ceazid</i>.</p> <p>(CC) Insurance by way of indemnity against liability to pay damages on account of accidents to workmen employed by or under the insurer or against liability to pay compensation under the Workmen's Compensation Act, 1923, for every Rs. 100 or part thereof payable as premium.</p> <p>D. Life insurance for every sum insured not exceeding Rs. 1,000 and also for every Rs. 1,000 or part in excess of Rs. 1,000—</p> <p>(a) If drawn singly</p> <p>(2) If drawn in duplicate for each part.</p> <p>E. Re-insurance</p>	<p>Rate of duty under Act II of 1899.</p> <p>Anna 1 (Act XV of 1925).</p>	<p>Enhanced rate of duty under Bombay Act, 1922.</p>	<p>Highest duty in other province.</p>	<p>Possible enhancement in Bombay.</p>
5. Commercial transactions—concl'd.				
<p>One-fourth of the duty payable in respect of the original insurance but not less than 1 anna or more than Re. 1.</p>				

49. Promissory note— (a) When payable on demand—					Same in all provinces.
(1) When the amount does not exceed Rs. 250.	Anna 1.	..	..	..
(2) When the amount exceeds Rs. 250 but does not exceed Rs. 1,000.	As. 2.	..	..	..
(3) In any other case.	As. 4.	..	..	..
(b) When payable otherwise than on demand.	The same duty as bill of exchange (article 13).				
53. Receipt for any money or other property.	Anna 1.	..	..	..	Do.
56. Respondensia-bond.	As. 8 per cent.	..	..	..	As. 12 per cent in all provinces.
59. Share warrants.	Rs. 1-8-0 per cent.	..	..	..	Rs. 2-4-0 per cent in all provinces.
60. Shipping order.	Anna 1.	..	..	..	All provinces, one anna.
65. Warrant for goods.	As. 4.	..	..	..	Other provinces, As. 6.
6. Entry into a profession or apprenticeship.					
79. Apprenticeship-deed.	Rs. 5.	..	..	..	Punjab—Rs. 10.
10. Articles of clerkship or contract to serve as a clerk for admission as an attorney in any High Court.	Rs. 250.	..	..	..	Madras—Rs. 375.
30. Entry as an Advocate, Vakil or Attorney on the roll of any High Court—					
(a) in the case of an Advocate or Vakil.	Rs. 500.	..	..	..	Bengal, Punjab and Assam—Rs. 750.
(b) in the case of an Attorney.	Rs. 250.	..	..	..	Rs. 500.

Mr. Brander gave oral evidence as follows :—

The President. Q.—You are the Collector of Bombay?

A.—Yes, Sir.

Q.—What are the taxing functions which you perform in that capacity?

A.—First of all, collection of cotton excise for the Government of India, that is, Rs. 1,87,00,000 per annum. Then there is sale of stamps, that is, management of the whole of stamps for the Presidency except Sind, including the supply of stamps, which comes to about Rs. 80,00,000 under the Court-fees Act and about the same under the Indian Stamp Act. Then there is the Abkari revenue for the City of Bombay which amounts to Rs. 1,18,00,000. Then there are also some minor things, such as the cotton cess, which amount to Rs. 3,00,000.

Dr. Paranjpye. Q.—Is it three lakhs or thirty lakhs of rupees?

A.—No. This is only the cess for the Indian Central Cotton Committee. Then there is the Bombay entertainment tax which I manage only for the City of Bombay, the revenue for which is Rs. 6,50,000. Then there is also the Steam Boiler department, the revenue of which is Rs. 1,56,000. There is also the land revenue of Bombay City which consists of a fixed revenue amounting to Rs. 3,70,000 and Rs. 2,00,000 fluctuating; of course, that is comparatively an unimportant item. Then there is the tobacco department. The tax on country tobacco is for the benefit of the Bombay Municipality. It amounts to about Rs. 4,00,000. These are all round figures.

The President. Q.—Then the taxes that you collect are cotton excise, stamps, entertainment tax, land revenue for the City of Bombay, tobacco, abkari, etc. Do you perform any other function besides this?

A.—I have other departments which do not collect any tax, e.g., the Factory Department. There is no tax collected in connection with that. There is a special tax, collection of survey fees for the Bombay survey which was made in the year 1914; that is a special item amounting to about Rs. 3,50,000 which will expire within about a year. That is a town survey under a special Act. These are all the actual items of taxation which I administer.

Q.—You have nothing to do with the income-tax?

A.—No.

Sir Percy Thompson. Q.—You collect cotton excise duty?

A.—Yes, I do.

Q.—You know the case against it?

A.—I know it very well.

Q.—Is that case very much exaggerated by the Bombay Millowners' Association? Is it really such a heavy tax?

A.—I do not think myself that it is really a very heavy tax. It is only 3½ per cent.

Q.—Is it a very bad tax? I ask you this because I see even Hon'ble Members in the Legislative Assembly seem to have condemned it. I do not quite know the reason why. I can understand the grievance that the taxation system of India is being dictated by Lancashire. But on the merits this 3½ per cent excise duty involves a measure of protection. What is the fundamental ground for the very strong objection that appears to exist against, this 3½ per cent excise duty, which, according to the Bombay Millowners' Association, would not be removed even if the import duty were 30 per cent?

A.—This seems an exaggerated view. Of course, they wish to get rid of this tax which is a charge on production, and naturally they advance all the arguments against it, political, historical and other, that they can bring forward.

Q.—Do you think it is an engineered agitation or is the tax really felt all over India?

A.—You mean felt by the producer or the consumer?

Q.—No, I mean by the consumer.

A.—No. I do not think it is felt by the consumer. This 3½ per cent duty is a very low charge.

Dr. Hyder. Q.—Will you please tell us whether the English goods compete with the goods manufactured by the mills under your administration?

A.—I do not think they do to any extent, because they are mainly of higher counts which are not produced in India.

Q.—Are there any foreign goods which compete with the goods manufactured in the Indian mills?

A.—Yes, Japanese goods compete.

Q.—They are more or less of the same quality as the Indian-made goods?

A.—Yes.

Q.—You say Japanese competition has been felt by the Indian mills.

A.—Yes.

Q.—Do you think that the competition will be less if the 3½ per cent excise duty is taken off?

A.—To a certain extent there will be a slight relief to the Indian industry, but I do not think it will affect the real weight of the competition.

Q.—So far Lancashire does not come in the matter at all, it is purely a matter against countries which are outside the British Empire. If this cotton excise duty is taken off, then it will hamper foreign countries and perhaps benefit the Indian mill industry. Is that your opinion?

A.—It would certainly improve the position of the Indian mill industry as compared with that of Japan. Japan is the only country which occurs to me.

Sir Percy Thompson. Q.—If you leave this 3½ per cent duty and raise the import duty to 14½ per cent, would it have the same effect? I mean if it is necessary to assist the Indian manufacturer, would you have the same result if you had a 14½ per cent import duty?

A.—I have not considered this point. I was not aware that I was going to be questioned on cotton excise duties. *Prima facie* one would think the effect would probably be the same.

Dr. Hyder. Q.—Then, according to Sir Percy Thompson's idea, if you have a uniform 14½ per cent import duty, it would mean that the price of goods which are not ordinarily produced by Indian mills would also go up.

A.—Yes, it would.

Q.—That is to say, there would be a loss inflicted on the consumer and no corresponding benefit to the producer against that loss. You would be raising the price of all cloth; as a matter of fact, you want to raise that of one particular kind of cloth manufactured by the mills in India; is not that the object?

A.—I presume that would be the object.

Q.—According to Sir Percy Thompson's theory, you would have the incidental disadvantage—if the dut. were raised to the uniform level of 14½ per cent—that it would raise the price of all cotton cloth.

Sir Percy Thompson. Q.—My point would be met if you put 14½ per cent on the non-Empire produced cloth.

A.—Of course, it occurs to me you could discriminate. Impose only this extra 3½ per cent or so on the cloth which is actually competing.

Dr. Paranjpye. Q.—Then if the higher counts were also taxed higher there would be the tendency for the substitution of lower counts for the higher counts; is it not so?

A.—There might be a slight tendency, but I do not think it would be very important.

Dr. Hyder. Q.—It is said that this is a tax on production; can you explain what precisely is meant by that?

A.—If you take the ordinary process of manufacture up to the actual sale, that is, to the wholesale dealer, this is so much added to the selling price. Therefore, it is an addition to the cost of production.

Q.—All taxes, if they did not fall on the surplus, must add to the cost of production. You have here a tax of $3\frac{1}{2}$ per cent and one meaning you can attach to the phrase 'tax on production' is that if the output increases the weight of the tax also increases. Do you think with a uniform rate of $3\frac{1}{2}$ per cent duty, this can occur?

The President. Q.—The phrase is Sir Malcolm Hailey's, is it not?

A.—I do not know that.

Dr. Paranjpye. Q.—How do you collect the duty?

A.—The returns come in every month from the mills showing what amount of cloth is issued from the mills and we calculate on that.

Q.—After it has been sold? Do you have any bonded warehouses and collect the tax only after sales?

A.—No, only on the actual issue from the premises of the mills. There are no such warehouses.

Q.—As soon as it is sold do you charge for it, or when it is produced?

A.—When it is actually issued from the mills, we do not care whether it is sold or not. We charge only when it is actually issued from the mills.

Q.—They can very well postpone the payment by not issuing the cloth for a very long time.

A.—That is not possible. In practice, they have only a limited amount of godown space, so they cannot stock a very large amount of goods. They regulate their production according to the demand.

Q.—Do you think this charge on the excise duty would be to a certain extent alleviated if the mills were allowed to have bonded houses outside and charged only on the amount of goods actually sold?

A.—Well, they had provision for the bonded warehouse system ever since the Act was framed, but they never used it. There is no case known to me of a bonded warehouse having been created.

Dr. Hyder. Q.—Does this tax of $3\frac{1}{2}$ per cent interfere with the increase in the output?

A.—I do not think so.

Q.—So the phrase is inaccurate so far as that matter goes in that it does not interfere with the capacity to produce.

A.—No, I do not think it really does because the charge is very light.

Q.—Suppose it is abolished, what economic consequences would follow? Who would gain?

A.—I should think the producers and the consumers are bound to share in the gain, but I cannot say in what proportion.

Sir Percy Thompson. Q.—This is the view of Mr. J. A. Wadia with regard to this duty. He says: "If you remove this duty which is a sore point with the whole of India, more out of sentiment than anything else, you will be remitting a tax which the poor consumers of Indian-made cloth are paying. I think Indian sentiment ought to be respected; but if the Indian millowners think that this duty, partly or wholly, will remain in their pockets, they are very much mistaken. I was told by an Indian salesman, who sells goods every year made by over 9,000 looms, that the Indian buyer is already asking for a concession, as he looks upon the excise duty as good as removed". That means the effect of abolishing cotton excise duty would be to reduce the price of Indian-made cloth by $3\frac{1}{2}$ per cent, and if it reduces the price by $3\frac{1}{2}$ per cent, how can the Indian manufacturer be better off except that it may mean that he sells more cloth, because the effect of the $3\frac{1}{2}$ per cent reduction may cut out certain lines of Japanese goods.

A.—Yes, I am inclined to think the greater part of the benefit would go to the consumer.

The President. Q.—May I give another quotation from the Bombay Millowners' Association memorandum? "In the years of 1910-11 and 1913 the mills in Bombay, according to the annual statement prepared by Mr. J. A. Wadia, made a net loss of 111 lakhs of rupees, but, in spite of this, had to pay almost 125 lakhs of rupees as excise duty. In other words, the payment of excise duty converted what would have been a net profit of 14 lakhs of rupees into a loss of 111 lakhs." Obviously he assumes that the millowners would take the whole of the remission.

A.—I think he is rather trying to prove a case of his own. He is not quite a disinterested person as you see.

Sir Percy Thompson. Q.—One passage clearly states that the tax is borne by the consumer and the other states that it is borne by the producer.

A.—Yes, I see the point.

Dr. Paranjpye. Q.—It amounts to this. When the mills are working at a loss they will pocket the duties, and when they gain, the consumer will pocket the duties.

A.—I am not prepared to give an opinion on that point.

Dr. Hyder. Q.—It was stated before the Indian Fiscal Commission that the prices of Indian mill-made cloth are governed by prices in England. Is that statement correct.

A.—I should say you will have to go much deeper to facts such as the world prices of cotton. They are generally regarded as governing the price of cloth, and of course the prices in England are based upon the world's price of cotton both in America and India.

Q.—His point was this, that although English goods do not compete with Indian goods, still the prevailing price here is more or less under the influence of the prices of English cotton.

A.—I should say it is only a fluctuating sympathy. One is not a direct cause of the other.

Dr. Paranjpye. Q.—That is likely to happen at any rate because if the Indian mill-made cloth is dearer, people would buy cheaper English cloth. So there is the tendency to substitute one for the other.

A.—I am not aware of that.

Q.—It is quite possible to substitute one for the other according to the change of prices.

A.—I do not think the millowners have much fear of English competition. Now it is Japanese competition they are afraid of.

Q.—Since when has this taken place? After the War?

A.—I think it has been gradually increasing in the last ten years.

Q.—Had you any occasion to investigate the accounts of mills? Can you tell us if the contention is true that over and above this 3½ per cent duty the mills pay large sums in the shape of customs duty on the machinery, etc., because they have to consume a large number of imported articles?

A.—I have nothing to do with it. Of course, they do pay something on imported stores.

Q.—Although 3½ per cent is the direct excise duty, I would like to know what amount is further paid in customs duty.

A.—They only pay as any other industry is paying on imported machinery, etc.

Q.—The foreign manufacturers have not to pay this duty, so they are better off?

Q.—Of course, they have to pay charges such as freight, insurance, etc.

Sir Percy Thompson.—This always happens with protective duties.

The President. Q.—At one time the mills had their stores duty-free.

A.—Did they not pay the usual revenue duty of 5 per cent? I thought they had a remission on tallow.

Q.—There was a long catalogue of mill stores which were free of duty.

A.—There used to be a rebate on tallow used in the mills.

Q.—Let us pass on to excise on liquors and drugs. You were a witness before the Excise Committee of Bombay?

A.—Yes.

Q.—You gave a strong opinion against rationing. You said that "prohibition would be regarded by the masses as having no moral basis, but being simply an attempt by the educated classes who do not drink to interfere with the customs and pleasures of the masses." Are you still of the same opinion?

A.—I am.

Dr. Hyder. Q.—Have you served in a district?

A.—Yes.

Q.—Are you familiar with the habits of the rural population of the Bombay Presidency?

A.—Yes, in the districts where I have served.

The President. Q.—Do you think that "illicit trade would die a natural death and the public would give a whole-hearted and natural support to prohibition which would make secret distillation impossible"?

A.—There is no sign of it.

Q.—Do you agree that illicit distillation in the town of Bombay is an impossibility?

A.—I do not think it is an impossibility. They detected eight stills in the town of Glasgow some time ago.

Dr. Paranjpye. Q.—Have any cases been detected in Bombay?

A.—Not in the town of Bombay itself. Up-country it is still going on.

The President. Q.—You also said that you entirely oppose local option at present, as the local people concerned are not yet alive to general considerations of the policy which Government have to take into consideration.

A.—Yes, I am still of that opinion. The Bombay Government have decided against local option.

Q.—You said that "rationing is partial prohibition" and you attributed to it all the evils stated to result from prohibition and considered it to be unnecessary, "inasmuch as the present system of raising the stillhead duty as high as possible is in effect a kind of rationing which works automatically and gives no trouble to anyone".

A.—That is my opinion and I still adhere to it.

Dr. Paranjpye. Q.—Do you think that rationing has led to more illicit distillation?

A.—In the districts it undoubtedly has: it is stated in the published report.

Q.—You will find it stated in the published report that in districts in which the ration has not even been reached the number of cases has not increased.

A.—It may be so in some districts.

Q.—So that there is no correlation between rationing and illicit distillation cases.

A.—I think you will find that in certain districts there is a correlation between the two. I would suggest a reference to the report of the Excise Commissioner.

The President. Q.—Personally, I find it very difficult to see where the advantage of rationing comes in as compared with the steady increase of prices. As prices go up, consumption goes down: in one case Government puts it up, in the other, it is left to the shopkeeper to sell at a higher price to a few favoured customers.

A.—You could get the same results in cutting down illicit consumption by putting up prices without any rationing. Of course, in Bombay City itself we are still not selling the whole amount of the ration which is made available, because trade is bad and foreign liquor is available without rationing.

Q.—What is your rate of duty now?

A.—It is something over Rs. 7.*

Q.—It is not nearly as high as it is in some other provinces.

A.—I am not aware of the rate in other provinces.

Q.—The rates of duty in Bombay vary very largely throughout the Presidency?

A.—Yes.

Q.—Could you give us any idea as to how this rationing works? It is stated here in the Report of the Excise Committee that "it must have worked satisfactorily in 1922-23 as Government continued it the next year with a further proportionate reduction in the quantities issued to shops." Is that correct?

A.—I do not think that is the reason. Government embarked upon the policy and they continued it for several years.

Q.—In Bombay City itself you have not yet come to the point when the ration has been exhausted.

A.—Not yet.

*1. The rates of still-head duty in force in Bombay city are as follows:—

	RS. A. P.			
40 U.P.	7 12 0 per gallon.
60 U.P.	5 0 0 " "

Per proof gallon:—
On basis of

	RS. A. P.			
40 U.P. rate	12 14 8
60 U.P.	12 8 0

2. Tariff duty on foreign spirits is Rs. 21-14-0 per proof gallon. Whiskies and Brandies are imported usually of the 25 U.P. strength and duty on this per gallon would be Rs. 16-6-8.

Tariff duty on 40 and 60 U.P. would be as follows:—

	RS. A. P.			
40 U.P.	13 2 0 per gallon.
60 U.P.	8 12 0 " "

In addition vend fee at the following rates is levied on foreign liquor consumed in this Presidency.

When the liquor is in bottle:—

RS. A. P.	
1 8 0	per dozen quart bottles of spirit other than rectified spirit.
1 0 0	per proof gallon (6 quart bottles) of rectified spirit.
0 12 0	per dozen quart bottles of wine.
0 6 0	" " " " " " beer.*

When the liquor is in wood:—

RS. A. P.	
1 0 0	per proof gallon of spirit,
0 6 0	" bulk " " wine
0 3 0	" " " " " " beer,

3. The following rates were fixed for upset prices of country liquor shops at the last auctions, March 1925:—

	RS. A. P.			
1. Shop selling up to 10 gallons a day	2	6	0	per gallon.
2. Shop selling from 10 to 15 gallons a day	2	8	0	" "
3. Shop selling above 15 gallons a day	2	10	0	" "

Q.—Can you transfer allowances from one shop to another?

A.—To a minor extent we have done that, because there has always been a reserve out of which the deficiency of one shop can be supplied. There is always the safety-valve of foreign liquor and also of toddy: there is no rationing of toddy.

Q.—Bombay City maintains the highest consumption in India.

A.—Yes, it has a very large industrial area.

Q.—Has any attempt been made to push the limit of duty to Rs. 10 or Rs. 12 as elsewhere?

A.—There has not been any increase to speak of during the last few years.

Q.—I think you made some remarks about the difficulty of getting sites in Bombay: you say that Government are losing an enormous amount of revenue owing to particular people having control of all the shops.

A.—Yes, there is a great deal of monopoly.

Dr. Hyder. Q.—Would you favour this proposal of Government building sites for liquor shops?

A.—I think an experiment should be made of providing premises.

Q.—Don't you think that Government would tie themselves to the policy?

A.—Government have always to take risks of this kind: they would have to explain that the policy is experimental. In a way, it gives Government some control, Government can shut down shops as Government like. I think a similar situation existed in Calcutta where there was a monopoly.

The President. Q.—It is a very old proposal.

A.—It seems to be.

Q.—In Burma there was a proposal to build Government shops with quarters for the Sub-Inspector in the upper storey: in Madras I remember a local municipality wishing to build shops and lease them in order to get the large income which went to the capitalists.

I think you say that if Government did take steps to get control over shop sites, you could guarantee twice or thrice the existing license fee.

A.—I think so, judging from the competition we have.

Sir Percy Thompson. Q.—How do you explain this: in other provinces where the same system obtains, the sum paid at auction for the right to vend liquor is such that you could prove that the man must be making a loss?

A.—There are various dodges in the trade to get over any such loss. They give short-measure, etc.

Q.—If that is the case, it does not look as if very much higher prices could be got at auction.

A.—I think they can.

The President. Q.—One witness before the Bombay Excise Committee said that "kasir or short measure yields to some shopkeepers more income than the pay of the Collector of the district".

A.—It is quite possible."

Q.—Have you any experience of the closing down of shops in Bombay City? The number has been reduced.

A.—There has been no special reduction in the last few years.

Q.—Elsewhere it has been found that when you close down shops and limit their numbers, there is such an enormous crowd that the few remaining shops become an intolerable nuisance.

A.—I saw that in the Madras report: it is not the case in Bombay.

Q.—I see that you told the Committee that reduction of shops does not decrease consumption, but it causes, especially in the mofussil, illicit practices and disorder.

A.—Yes.

Q.—Would you tell us how you levy the cotton cess?

A.—It is four annas a bale on cotton consumed in the mill. It was a tax brought in a year or two ago.

Q.—The reason why I am asking you is this: when we were discussing the question of levying a tax on tobacco, we were told that we could adopt the same method as for the cotton cess. Would you let us know as to how you get hold of the cotton?

A.—A return is made by each mill of the amount of cotton consumed by them.

Q.—Is no cess levied on exports?

A.—I do not think so.*

Dr. Hyder. Q.—The cess is levied for the benefit of the body known as the Cotton Committee?

A.—Yes, the Indian Central Cotton Committee.

The President. Q.—Are not the Committee trying to work up better cotton in the interests of the trade as well as of the manufacturers? I thought they were getting it at the ginning centres.

A.—I think it is not so: we get the return from each mill.

Sir Percy Thompson. Q.—With regard to the loss of duty on transfers, here you can have innumerable sales of shares and only one transfer duty. In England they have fortnightly settlements and you get duty at the end of the fortnight for all the transactions you have in the fortnight. In India you have no such fortnightly settlements: you say that "the Government of India have finally given up the idea of legislation to stop blank transfers, and hold that nothing is to be gained by further consideration of the proposal, but reform can only be introduced by reform in the Stock Exchange itself." When the question was being considered, do you know whether this possible remedy was put forward: viz., to provide a penalty if a transfer is not registered within three months after its first execution?

A.—That was one of the recommendations of Sir Wilfrid Atlay's Committee.

Q.—Why is that impracticable and what is the objection to it?

A.—I do not really know anything about the Stock Exchange, but it is just the habit of the local Stock Exchange: they like to carry on without coming to any final transfer until a dividend is due to be paid.

Q.—They like to do it, because they save the stamp duty: would it interfere with their business if you had a provision of this sort?

A.—It would interfere to a slight extent.

Q.—It would simply mean that when you get within a measurable distance of the time limit the broker concerned would see that there was a transfer: it would not interfere with any subsequent transactions.

A.—I suppose it could be done.

Q.—At any rate, as I understand it, these open transactions go on for years and very often the dividends, if any, are paid to the original vendor and it has been held by the courts that the original vendor stands in the position of a trustee to the purchaser for the time being.

A.—That was the real reason why the Chamber of Commerce wanted blank transfers done away with.

Q.—You say that this suggestion that you should have a time limit to the operation of a blank transfer was definitely considered and abandoned.

A.—Yes, it is mentioned on page 12 of the Atlay report.

The President. Q.—Do you know if any action has been taken on the recommendations of Sir Wilfrid Atlay's Committee?

A.—The Government of Bombay brought out a resolution on the subject. Mr. Dalal will tell you all about it.

*I see now from the Act that the tax is also levied on all cotton exported to any port outside British India. I have nothing to do with this collection on exports, so was not aware of it.

Mr. Dalal. A.—We have not yet taken any action on the question of raising the duties on transfers, but we have taken action on the question of blank transfers. We moved the Government of India to legislate about blank transfers: they said that it was impossible to do anything by way of legislation, but the rules of the Stock Exchange would have to be altered. They were very vague in their reply; they simply said that there were numerous legal difficulties in the way.

Sir Percy Thompson. Q.—There is a time limit in every country for numerous transactions which need registration. I do not know why there should not be a time limit in this country for blank transfers.

Mr. Dalal. A.—There is what is called the *budla* business going on, according to which transactions are carried forward from one month to another: if that business were stopped, there would be no living for half the brokers in Bombay.

The President. Q.—Will you please let us see the papers on the subject?
A.—Certainly.

Q.—I shall read to you what the report of Sir Wilfrid Atlay's Committee says on the subject.

"A more serious question, however, arises in the evasion of transfer duty. By article 62 (a) of Schedule I of the Indian Stamp Act, II of 1899, the stamp duty payable on the transfer of shares for value is half that payable on a conveyance, as provided by article 23 of the Act as amended by Bombay Act II of 1922, and may be taken as 12 aunas per cent. A blank transfer in London is bad delivery, but in Bombay a transfer which is not blank is bad. The Bombay Chamber of Commerce are in favour of the abolition of the blank transfer or the limitation of its life. Many witnesses, including one of experience and standing, Sir Dinshaw Wacha, are in favour of its total abolition. We are informed that these transfers sometimes pass from hand to hand for months or even years and that shares, with blank transfers, are hawked for sale round the bazaar: while we had put in evidence a transfer in which the only details available were the signature of the transferor and the name and residence of the witness. It is also suggested that, if the total abolition of the blank transfer is too drastic, its life might be limited to two months. It is, however, generally agreed that if the blank transfer is abolished, the duty payable on transfers must be reduced, for it is contended that otherwise there would be no forward dealing, and we think there is no doubt that forward dealing would be much restricted. The interest payable on loans, commission to the broker and the duty payable on transfer would, it is argued, render necessary so large a rise in the price of the security purchased before a profit could be secured as to deter the speculative investor from entering into transactions involving considerable risk. It is obvious, therefore, that a more rigorous enforcement of the present transfer duty might curtail legitimate business. The question is, after all, a matter of policy for the Government of India to determine, though the present attitude of the Association is that they, as an association, will not object. It is suggested that, if the transfer duty were reduced from three-fourths to one-half per cent. and concessions were made in certain cases, such as where a purchaser takes into his own name shares he had previously pledged or carried on *budla*, the revenue of the Government of India would be increased, and at the same time an undesirable practice would be suppressed. A necessary incident of the effective abolition of the blank transfer is, we consider, the provision of facilities in or near the Exchange for the embossing of stamps on transfer deeds, and the abolition of the adhesive stamp. This work is done in London with great facility and despatch."

Actually, the duty was raised in 1899, because the system of blank transfers resulted in fees being paid only on a few occasions.

A.—That is admitted by the Government of India.

Q.—Can you tell us what they say?

A.—The Bombay Government had suggested the abolition of blank transfers and the Government of India replied to this effect:

"I am to say that the question of rendering the passing of blank transfers of shares illegal was brought before the recent Conference of

*Mr. A. R. Dalal, I.C.S., Deputy Secretary, Finance Department, Government of Bombay, was present when the evidence was taken.

Finance Members held at Delhi and it was recognized that the matter had been so fully discussed on several occasions in the past, on all of which it had been concluded that it was impracticable, in present circumstances at all events, to legislate in order either to render such transfers void, or even to render them void unless completed after a definite period, and nothing was to be gained by any further consideration of the proposal. The Government of India accept this conclusion and, though they are in sympathy with the object in view, they consider that a reform in this respect can only be introduced by the salutary influence of the Stock Exchanges themselves.

"The Government of India doubt whether the suggested prohibition would have any important effect on the revenues. Moreover, if any attempt were made to increase the revenue from this source either by prohibiting blank transfers or by increasing the duty on contract notes and rendering the latter obligatory, the objection would certainly be raised—and with reason—that the rates of duty on contract notes and share transfers were fixed at the present pitch explicitly with the object of covering any loss of revenue due to the practice of passing blank transfers.

"Legislation prohibiting blank transfers or rendering contract notes obligatory could easily be evaded by devices that amount to an infringement of the law, and if the law were actually infringed, it would be difficult to detect such infringement. Even if blank transfers were regarded as deeds of transfer, they would still—the Government are advised—remain operative as equitable transfers of ownership subject to any superior equity. Such transfers are not illegal in England, and the Government still adhere to the view that in such matters India should rather follow the lead of England than attempt to show the way. If the system of blank transfers has not been found to create a necessity for legislation in England, it would be difficult to make out a convincing case for suppressing it by law in India."

Sir Percy Thompson. Q.—With regard to following the lead of England I can only say this: if the Stock Exchange did not insist on a fortnightly settlement in England so as to ensure getting a duty every fortnight, Government would have been bound to legislate. Here the Stock Exchange does not help at all. It seems to me that in matters of this sort Government is bound to step in and legislate. The reason you do not follow the English practice or would not follow the English practice is that in England it simply is not necessary.

A.—I quite see that.

The President. Q.—Leaving the details of your most useful note, may I take one or two more general points. The revisions recently effected in the Stamp Act, which goes back to the seventies, were directed towards a mechanical increase of the rates. Do you think anybody in Bombay re-examined the schedules from the point of view of general equity?

A.—That was all done I believe in the Finance Department. I do not remember being consulted at all on this point.

Q.—They led to a good many anomalies. In a good many cases it has been found that the rates are very high and that it will drive people to evasions.

A.—Personally I am not aware of that.

Q.—With regard to court-fees, is it a fact that the High Court imposes its own fees?

A.—Yes, they have a special scale.

Q.—The Excise Committee among other things recommended that the scale should be raised. Looking to the revenue from court-fees in Bombay, one would think that your court-fees are rather low. While in the Bombay Presidency the revenue is 73 lakhs, it is 2 crores in Bengal. There must be a large number of big money suits in Bombay. There must be a large number of commercial suits.

Q.—The High Court distinctly follows a policy of keeping the cost of justice down to the lowest point. They have generally shown great unwillingness to raise the fees. They say they are successors of the old King's Courts and not of the Company's Courts, and believe that justice should be given at as low a price as possible.

Q.—That results in the litigants getting justice cheaper in the High Court than in the subordinate Courts.

A.—Personally I do not agree with that policy.

Q.—Actually the court-fees in Bombay are on a lower scale.

A.—Yes.

Q.—Do you think that court-fees should be uniform as between provinces?

A.—It is probably desirable. Well, I think it should be more uniform. Of course, I think there is no doubt that if more revenue is required there is a possibility of raising the court-fees.

Q.—You would not do it indiscriminately.

A.—No.

Q.—You would choose the class of suits which are in the nature of a luxury, and which indicate a desire for litigation.

A.—I do not know if that will be possible.

Q.—Well, it has been suggested to us that we should raise the fees on suits for declaration, suits relating to religious and charitable endowments, and other suits the institution of which generally indicate a desire for litigation.

A.—I would not pronounce any opinion on that.

Q.—In suits taxed *ad valorem*, should the tax be proportionate or progressive?

(Dr. Paranjpye: Or regressive as it is actually in some cases?)

A.—Court-fees were not one of the points referred to me for opinion. So I do not consider it safe to give an opinion. I will, however, draw attention to one suggestion that has been made by a High Court official, and that is there should be an *ad valorem* tax on the actual amount decreed. Supposing the decree is for one lakh, there should be an *ad valorem* tax on that. It seems to be rather a good idea.

Q.—What if the decree-holder cannot get execution?

A.—There may be practical difficulties about it.

Q.—One suggestion made is that the more the amount in issue, the higher should be the rate—just as in death duties. But when there is settlement out of court or *ex parte* decrees, you would allow a rebate. Would you like to give an opinion on that?

A.—I would not like to give an opinion.

Q.—One other point. You have to do with probate, I suppose.

A.—We have a lot to do with probate in Bombay.

Q.—You have to do mainly with Anglo-Indian, Christian, Parsi and Jew wills?

A.—Yes. There are not many wealthy Europeans on this side of India. The mass of the wealthy estates are usually Parsi, Hindu and so on. The question of probate has been very carefully investigated by Mr. G. Davis, a special officer lately appointed, and his report on that is worth reading.

Q.—Do you find difficulty in assessing the value of immovable property?

A.—We find no trouble in investigating the value of immovable properties. That is all done for the Bombay City by the Bombay City Survey. We have a good survey office. The difficulty is in estimating the business assets. One would require a special trained staff similar to that of the income-tax office, but we have not got it. Until quite recently the High Court paid no attention to this item. They simply accepted the statements in the affidavit as correct.

Q.—Do they not send it to you for verification?

A.—It did not rest with us sufficiently to see that they were correct. It is only recently that Government have been taking any interest in the recovery of probate duties. It is only in the last year or two that special interest has been devoted to it, along with the general question of succession duties. The High Court, in sending these things on to us, intended us to verify the value of immovable property.

Q.—Do you take any penalty when there has been deliberate undervaluation?

A.—When there are such great fluctuations in value as in the past few years, it is very difficult to say what the exact value of a property is in Bombay.

Q.—When you think there is a deliberate omission of any item?

A.—The Collector has no powers of causing production of documents, of taking evidence on them on oath or anything of that kind. As Mr. Davis' report shows very clearly, the Collector is an almost helpless individual.

Q.—Does not the Collector get somebody to make the inquiries?

A.—The solicitors in a Calcutta case mentioned by Mr. Davis flatly declined to give evidence. We call the parties and ask them to show their documents and so forth, and that has been done especially during the last year or so. I do not think that immovable property is kept out of the will, because it is very important for a man who wills to give a good heritable title.

Q.—Have you any special land revenue law in the City of Bombay?

A.—Yes. We have a special Act, the City of Bombay Land Revenue Act, 1876.

Q.—What is the principle of levy of land revenue in this town?

A.—The Bombay land revenue is a very peculiar one. There are about five or six different tenures, some of which date back to the Portuguese time, 1660 A.D. There are all sorts of tenures. It is quite a special study by itself. But the greater part of the land is held by the owners as almost freehold on payment of a nominal assessment.

Q.—And you cannot increase that?

A.—Not the great bulk of it. There are certain lands, called 'toka lands' of which there is to be a revision in the year 1927.

Q.—You have given them on lease for 99 years?

A.—No, for 50 years.

The Maharajadhiraja Bahadur of Burdwan: Q.—Have you any book which gives a description of the different land revenue tenures in the city?

A.—A former Deputy Collector, Mr. Vaidya, has written a good book on the Bombay tenures. If you like to read it, I will send it over.

Q.—Yes. I would like to have it. Are there large tracts of building lands which are practically rent-free?

A.—Well, the assessment is so small as to be practically nominal.

Q.—In most cases that assessment has, so to speak, become stationary?

A.—Yes. You cannot increase it. Of course, the municipality levy a property tax on the value of it.

Q.—That is a municipal tax: we are now talking of Government tax. Do I understand you to say that we should increase the tax on the value of urban sites in Bombay?

A.—There is an old revenue assessment: it is a very nominal one: it is not worth considering.

Q.—What I want to know is this. You have this land which is subject to a nominal land revenue. On the other hand, you have Government-owned lands which are let out on something like rack-rent.

A.—We have only a small amount of Government land at present, but a good many leases expire in 1927.

Q.—Then, I suppose you will let it at rack-rent.

A.—But that *toka* land is a peculiar tenure. It was formerly agricultural land. Government took half the gross produce and the cultivators took the other half. Now, in about 1877, it was given out for small money rents: the rent used to be in kind before. These leases will lapse in the year 1927, when I suppose Government will take not the rack-rent, but two-thirds of it. That is the tendency looking to the High Court decisions. A great deal of this land has been acquired for the City Improvement Trust, and we have put in our claims in court for the Government share on the basis of two-thirds of the full rack-rent.

Q.—There is no attempt to equalize the difference in rents between those lands which are let out at nominal rents and lands which are let out at something like full rent.

A.—The other lands at nominal rents are practically freehold. They are not the property of Government. They are to all intents and purposes freehold, subject to a small assessment which cannot be increased.

Q.—But you will admit that some people have got lands valuable for building purposes at a rental which was applicable to agricultural purposes, and those people have profited a good deal.

A.—But there have been so many changes of ownership that in practice you cannot get at that increment.

Q.—In other words, increment duties are impracticable.

A.—That is what I consider. I have quoted the Government Resolution which gives the history of a number of experiments which have been failures.

Q.—You want to tax telegrams?

A.—It is a feasible kind of tax. That is all I say.

The President. Q.—Then, on land revenue generally you say: "I regard the under-taxation of the land and the cultivators and the resulting proportionate over-taxation of town-dwellers and of non-cultivators in rural areas as one of the greatest anomalies of India"?

A.—I think the cultivator in a good many tracts is under-taxed.

Q.—Now, take to begin with the non-cultivator in rural areas. What taxes does he pay?

A.—I am thinking of the money-lender and the Marwadi, and so on.

Q.—What does the Marwadi pay in rural areas?

A.—He pays income-tax and the salt tax.

Q.—So, he is not over-taxed.

A.—I should think the regular town-dweller is to some extent.

Q.—The town-dweller in a small town gets a return for all he pays. Does he not?

A.—A sort of return.

Q.—He pays nothing that the agriculturist does not pay.

A.—What I was thinking of was, if you could take more from the cultivators who could afford it, you could afford to reduce general taxation especially on imports and so on.

Q.—Your proposition is the exact opposite of what we usually hear. We have heard that the one class that does not pay its fair share is the small non-agriculturist in the villages.

A.—I might have expressed myself more clearly.*

Q.—You are rather comparing the agriculturists with the inhabitants of Bombay.

A.—Yes: that is what I do.

Q.—But you do think that land revenue is extraordinarily light in Bombay?

A.—Yes. As a rule, I think it is in the Bombay Presidency.

Q.—The Deccan has commercial crops?

A.—Yes: the Khandesh cotton crops.

Q.—I suppose in Khandesh the commutation rates during settlement are based on the price of food-grains.

*In referring to non-cultivators in rural areas being over-taxed as compared with cultivators, I had in mind the fact that the cultivators pay no tax except salt-tax; for their land assessment is, I consider, not a tax but rent, also the cultivators with incomes over Rs. 2,000 pay no income-tax, whereas the non-cultivators such as traders pay income-tax on incomes over Rs. 2,000. I was not thinking of small rural traders with incomes under Rs. 2,000. I agree that the latter have no reason to complain.

A.—It must be so.*

Q.—You never take commercial crops into account in the settlement?

A.—Yes. Everything is taken into account in the revision settlement.

Q.—When you calculate the price of crops for a number of years, you calculate the price for the staple food crop.

A.—We do not restrict ourselves to food crops nowadays.

Q.—How do you arrive at the commutation price?

A.—In the Bombay revision settlements we do not go into those details of individual fields, commutation prices, and so on. We just go on general considerations. For example, a tract is near the railway, good markets, and so on; or rental and sale values of land are now so many more multiples of the assessment of such land than at the beginning of the settlement period, and therefore this tract ought to pay so much per cent more. Of course increase in general prices is taken into account.

Sir Percy Thompson. Q.—There is quite a distinct difference between Madras and Bombay. We are told that in Madras when settlement of land revenue takes place, they do not take into account non-food crops. What is done is that the quality of the land is assessed and put in various categories, and the productive power is ascertained for that category, and then the commutation is fixed by reference to the price of some standard food crop, notwithstanding that that crop has never been grown in that land. It may have been growing profitable cotton crops. People who grow some profitable crop get off with an assessment which is suitable for a less valuable crop.

A.—We have not got that in Bombay. What happened in Bombay was, there was a classification of soil, at the earliest settlements, and that is our basis of our increase or decrease in revisions. The revision increase never exceeds 33 per cent for a taluk.

Q.—But the yield of cotton must have increased enormously.

A.—Yes, also its price.

Q.—Suppose the quality of the soil had been ascertained with reference to the growing of a particular food crop. There is an extension of cotton crop or sugarcane crop in that land, and the soil value becomes quite different. You do not take that into consideration in ascertaining the soil value?

A.—The soil value for every kind of crop must be pretty much the same.

Q.—There is some land which happens to be growing sugarcane. You cannot grow sugarcane anywhere. Suppose for 10 or 20 years no sugarcane was grown and sugarcane came to be grown only after some irrigation facilities were brought within reach. You do not take that into consideration?

A.—That has not been done in this presidency. We do not, in revision, touch the soil valuation, because if you begin to do that you may be taxing improvements. The principle of the Bombay settlement is you never touch improvements of that kind.

Q.—If that is the case, how are you going to eliminate improvements? How would you get at the capital value of land without the improvements?

A.—Well, the area so improved is pretty much limited. The vast bulk of the land in a village is not improved. It is very much in the condition it was before. You take the rental or sale value of dry crop occupied land where there was no well, or anything of that kind, and you will not be misled.

Dr. Paranjpye. Q.—Where you have a well, you have a special rate for that. Take the *bagayat* lands.

* The term and practice of commutation prices are not known in the Bombay survey settlement system. I meant in this reply that the basic rates in the original settlements must have been made, keeping in view food-grain prices much more than prices of export crops.

A.—The assessment system for *bugayat* varies so much in different areas. I am not familiar with the Gujarat assessment.

Sir Percy Thompson. Q.—Well, compared with the original classification he will get a higher soil value if he digs a well.

Dr. Paranjpye.—The well is taxed.

A.—*Bagayat* land under wells may have been rated higher than dry crop land originally.

Dr. Paranjpye. Q.—If ordinary dry land is changed into *bugayat* land by the sinking of a well, would it pay a higher assessment?

A.—No. That has been recognized all along. Improvements are not taxed.

The President. Q.—Even in the next settlement after that?

A.—Nothing. Improvements are exempted from all tax.

Dr. Hyder. Q.—When a settlement officer sees that cotton is grown in a particular tract which used to grow *jowar* before, does he not pitch the rate of assessment higher?

A.—If there are such conditions, I have no doubt that he will.

The President.—You say: "The rich cotton tracts of Khandesh with fairly certain rainfall are assessed far too low and more on the basis of the Deccan tract of scanty rainfall which has cheap food crops only."

Dr. Hyder. Q.—I was asking whether the pitch of the assessment was not higher in Khandesh than in other Deccan areas.

A.—It is pitched higher than in the poor Deccan tracts. But at the same time I consider it is not as high as it might go, the object of the Government being to equalize the taxation as much as possible.

Q.—Equalization of taxation of land. How do you do it?

A.—I do not mean that. I mean to put the burden on those who are best able to bear it.*

The President. Q.—Now, we come to the question of tobacco duty. You told us that it is levied for the benefit of the Corporation. Would you tell us how it is collected?

A.—We have a bonded warehouse; the country tobacco is brought there and issued there. The duty is charged upon that.

Q.—The country tobacco comes in by rail?

A.—By rail or in any way.

Q.—You have posts on every road?

A.—We have a number of peons who watch the roads and railways and try to prevent it being smuggled in. Except the railways, there are only two roads to the Bombay Island. The Government would be very glad to abolish the tax, but the municipality do not want to lose the revenue.

*In the questions and answers about land assessment, the fact that assessment is a rent, not a tax, has, I consider, been overlooked.

From the questions, the nature of the Bombay revision settlements seems not clearly grasped. At revisions, individual fields are not considered at all, neither soil nor kind of crop produced by them, nor the value of such crop. The soil of a village was not the original settlement classified according to quality into, say nine classes, i.e., the dry crop land. A village, looking to its position as regards roads, railways, markets, and to its rainfall, etc., was, let us say, put into the group of similar villages in which the maximum dry crop rate was, let us say, Re. 1. The best dry crop soil in this village was rated at Re. 1 per acre, the worst at a few annas. If at revision time, general prices have increased, and sale and rental values of land as measured in multiples of the assessment have increased, the village might be raised, say from a Re. 1 group to a Rs. 1-2 or Rs. 1-4 group, i.e., the best dry crop land in this village will be rated, at Rs. 1-4 instead of Re. 1. Similarly in proportion for the inferior fields. The alteration in the assessment of each field is thus a mere paper sum in proportion. Improvements made during the settlement to particular fields are entirely disregarded, and are not taxed at all, nor inspected.

Q.—It is a sort of octroi or terminal tax. There is no refund on export.

A.—No.

Q.—It is entrusted to you to collect?

A.—It is collected by the Excise Department.

Q.—How much do you collect?

A.—It comes to 4 or 5 lakhs.

Q.—What does it cost?

A.—The revenue was Rs. 4,11,000 and we have one supervisor, six inspectors, five inferior staff (they will be clerks) and 89 menials.

Q.—They have to inspect every part of the city?

A.—They have to.

Q.—Is there a very large amount of smuggling?

A.—I do not think so.

Q.—Is there any smuggling by means of country boats?

A.—Country tobacco is imported into Bombay, under Customs supervision, at Mazagaon Bunder, by country craft, and usually from the Ratnagiri district only.

The only country boats that are watched and examined are those that touch and land goods at Dharavi, Mori, Mangalwadi and Worli, where we have four tobacco outposts.

Q.—What is the rate?

A.—It is heavy. It varies from 25 per cent to 50 per cent.

Q.—How is it that the collection is entrusted to a provincial officer?

A.—This tax dates back to 1857. The Commissioner of Excise can entrust this to any officer he chooses.

Q.—Have the municipality got their town duties?

A.—They have got their own town duties.

Q.—You do not collect them?

A.—No.

The Maharajadhiraja Bahadur of Burdwan. Q.—I take it that you have now in Bombay an entertainment tax which brings you an income of Rs. 6,00,000.

A.—Yes. I have to collect it.

Q.—That is from theatres and cinemas?

A.—Theatres, cinemas and miscellaneous entertainments of any kind.

Q.—You propose a tax on betting at the race-course?

A.—There is already a tax on admission to the race-course. I think Government are contemplating applying it to the totalizator also.

Dr. Paranjpye. Q.—Who collects the tax in the mofussil?

A.—The local Collectors.

The Maharajadhiraja Bahadur of Burdwan. Q.—I wish to have statistics for this six lakhs—as to how much you get from the mofussil and how much from the city?

A.—I have given it in my reply.

Q.—In Calcutta there has been more than one attempt to get the tax taken off cinemas on the ground that they cater for the poorer classes. Of course, we did not consider the matter very seriously. But once there was a proposal to make some distinction with regard to four anna tickets.

Dr. Paranjpye.—I think there is no tax up to 8 annas.

The Maharajadhiraja Bahadur of Burdwan. Q.—I want to know whether there is a growing opposition to this kind of tax.

A.—The public do not mind the tax at all. The theatre and cinema people have become accustomed to it.

The President. Q.—Is the tax collected by means of stamps?

A.—We do so, when we think the man is cheating, as a sort of penalty. In the up-country places, stamps are more used. In Bombay we follow the Bengal system, of paying on the returns of tickets used.

Q.—Is there no limit put on complimentary tickets?

Dr. Paranjpye.—I think there is in the Act some rule specifying the number of complimentary tickets.

A.—You cannot restrict the number.

Q.—I believe there is a proviso about the number of complimentary tickets.

A.—There is a rule made under the Act that up to ten per cent of any class complimentary tickets can be issued unrestrictedly, but that the names of recipients are to be mentioned. Under the Act, you cannot prevent them from issuing as many complimentary tickets as they like. Under the Act, the tax can be levied only on charges made for admission.

5th June 1925.

BOMBAY.*Present:*Sir CHARLES TOWNHURST, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajahdiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPYE.

Dr. L. K. HYDER, M.L.A.

Prof. C. A. BUCH, Representative of the Buyers and Shippers Chamber, Karachi, was examined.**Written memorandum of the Buyers and Shippers Chamber, Karachi.**

Never before the witnesses before a committee had been so thoroughly handicapped for want of materials of a co-ordinated study of the problems set before them in the questionnaire as those who are invited or who have volunteered to appear before the Taxation Enquiry Committee. When the very fundamental question as to whether the taxation system in India is based on any scientific principles or not is disputed on many sides, it is extremely difficult for the person or the body undertaking to furnish replies to the questionnaire to make them definite.

In the absence of a thorough inquiry into the economic conditions of the people, it even would seem presumptuous to attempt giving any definite opinions on more particular inquiries set therein. We therefore, have attempted to restrict ourselves to a general criticism of the present policy and practice on taxation and to recommendations and suggestions for certain unexploited or ill-exploited sources of revenue, and an outline of a definite policy that we think the Government in all conscience should adopt to enrich the trades and commerce of this country through taxation, instead of allowing the system of taxation to impoverish them at the bidding of interested parties. We consider the present system of taxation very defective and its policy very objectionable.

For reasons given above, and because the present system of revenue in India is so elaborate and varying according to the needs and usages of different provinces, we have not found it possible to make even our recommendations and suggestions very exact and exhaustive: we have all the same made them, because we think that they must be regarded as indicating the lines of which the system of taxation in this country should be remodelled.

In criticising the present system—or rather want of system of taxation—the very first undesirable aspect we like to emphasize is that the expenditure to meet which taxes are levied have been indulged into without taking into consideration the taxable capacity of this country as a whole. Thus, the very bases of this system are at fault. Expenditure of the Government should be limited by the amount of revenue that the country can afford to pay without being overburdened. On the contrary, in India the practice has been to go on increasing expenditure without regard to the material prosperity of the country and then force the country to pay for this expenditure by the levy of taxes all round. The position of the Finance Member of the Government of India is hardly enviable. He has got to find means to feed certain white elephants that are there waiting for their crores, deficit or no deficit. The Army, is a case in point. Home charges is another. Then there are the expensive commissions that tour round the country to find out what they can do to get up a fine report, which at best is seldom more than an attempt to illustrate the obvious, though all of them are not so harmless from the tax-payer's point of view. The liabilities are further increased, because the Government would not for long keep

its hands off the exchange. The artificial appreciation of the rupee has often proved an indirect burden on the tax-payer. Then there are the fat allowances to the heaven-born service, whose Oliver Twistean prole service. While millions of people are deprived of their pinch of salt, the handful of fat people are fed to be fatter. To him that hath shall pencies to clamour for more have justified even the worse criticism of more be given seems to be the practical text of the Government—and all this misplaced vanity and charity at the expense of the tax-payer. And the Finance Member has to make him pay. He has to provide for the Imperial Delhi. He has to carry out the paying side of the Lee recommendations. He has to pay the Army. He has to do much more. He therefore spends all the ingenuity at his command in devising more ways of taxing people, and be it said to his credit he does find them. That is why there is no science behind the system of taxation in India. That is why the tax-payer regards the revenue officer as his natural persecutor whose apparent function appears to him to get most out of him. The heavy amount of case work that is being done in the revenue offices and the jolly practice of income-tax experts in big cities are evidence in point.

The second very serious aspect of the taxation system in India is that the motive of taxation is very questionable. The ideal system of taxation among other things should have the following characteristics:—

It should not strain the taxable capacity of the people.

It should be least felt by the poorest classes.

It should be perfect in its incidence, being spread over classes of different degrees of material prosperity in proportion to their incomes and general affluence.

It should be completely returned to the country paying it in the forms of service done, amenities supplied, protection rendered and so on.

It should lead to a greater prosperity of the common wealth. It should aim not at equality of payment but at the equality of burden and sacrifice.

The achievement of the above and other like ideals should be the motive of a scientific system of taxation. The taxation of India is among other things guided by the following factors:—

It is inevitably called upon to meet certain recurring drains as pointed out above with the legislature having no power to modify them.

Its motive to protect indigenous crafts and industries is conspicuous by its absence.

It has been guilty of trying to rob Peter of a tax-payer to pay the stronger Paul of the vested interest.

It has often allowed foreign influences like the Lancashire merchants to bluff it successfully.

In this connection, we cannot help emphasizing the last-named feature as illustrated in the notorious cotton excise duties. That the Indian merchant opposes it, not because he is instigated by the interested politicians, is proved by the following very frank admission coming from a very competent authority:—

“The Indian cotton duty has always been politically, economically, and morally indefensible. Opposition to it unites every class in India from official members of the Government to all grades of the Indian community. It has made a grave breach in the moral bases of the British control in India. It was deeply resented from the outset and has remained an open sore.”

“India considers that the excise was imposed out of fear of the Lancashire vote, and no one can say that the India is wrong in belief.”
[*The Times*, London, 5th March 1917.]

This only when the paper was trying to do the liberal stunt as dictated by necessity. Indians had loyally stood by the Empire and out of sheer gentlemanliness, the most anti-Indian papers had to support in her just fight. But the attitude of the Government has all along been apologetic to the Lancashire merchants and their supporters in the Indian Legislature, and the latter have more than once tried to bluff the Government, and not unsuccessfully at that, into sacrificing Indian industry to

Manchester. The Government have rather fallen back upon the jaded course of increasing the obnoxious salt duty and thus justified the worst fears of Government critics, than displease these high jingoes of trade, who like the proverbial devil quoting the Bible always begin their song with the eternal free-trade chorus, the sincerity of their belief in which will be examined presently. On one such occasion Sir Ibrahim Rahimtulla, March 1916, said:—

“Sir, it appears to me that it is rather hard that when the Government of India want the revenue, when the country is willing to agree to give them that additional revenue from a source which is agreeable to themselves, that they should be debarred from doing so and in that way necessitate the proposal for the increased salt tax.”

The cotton manufacture is only one out of many indigenous crafts and industries that suffer because of adverse and unprotective tariff that puts them in very unfair competition with the imported articles. That the Government should therefore accept as a definite policy the principle of protective tariff in respect of all those crafts and industries that are in infancy, is a proposition that needs only moral courage to be accepted. The imperial protectionists of England with their agitation for imperial preference are the very men that oppose protection in India. India is regarded by the average politicians of the imperial persuasion, as the common exploitation ground, and hence what is proved to be a sauce for the gander of a Dominion, is according to him poison for the goose of India.

We therefore strongly recommend the transference of all the so-called reserved subjects to the popular control, pending that the expenditure should be controlled within bounds of the most unavoidable taxes and revenue. That the Home Government should contribute largely towards the maintenance of the Army whose activities on the frontier are as much a matter of foreign Middle East policy of England as the protection of India. That the Home charges should be considerably reduced immediately, and that the Indianisation of all Government services should be aimed at to eliminate the expenses under overseas and travelling and other allowances.

With these drastic reductions in the expenditure, the problem of taxation will be much more easy to solve, and the only motive for the same will be the material prosperity of the country. This alone should justify the proud assertion that the British control in India has moral bases.

We are, however, aware that under the present mood of the Government, the above very simple and natural demands will be regarded as impracticable, and so to give the authorities no handle to say that the Indians do not desire co-operation with them, we beg to submit the following specific suggestions:—

We do not regard the cadastre prepared as adequate and comprehensive. The official surveys and estimates should be checked and augmented by inviting estimates from non-official agencies wherever possible. To do this, the Government through the co-operative institutes or otherwise should encourage the starting of small rural societies for the purpose, and should co-ordinate their work throughout the province. These units will be useful in many ways and will help a more accurate estimate of the rural produce in the year. We do not regard the income-tax collections in India as thoroughly reliable for the estimates of the material prosperity even of the classes that pay them. First because this tax more than any other is based on the unscientific principle of equality of payments instead of equality of burden or sacrifice. Apart from this, the repugnance that every tax-payer, the petty trader, the merchants, the profiteer feel for this tax is known all over the world. For the above reasons and for want of a uniform system of accounts, this collection of revenue becomes difficult and often the tax-payers pay more, but at times they pay less than their dues.

If, however, succession duties are levied in India on a graded scale increasing from 0.25 per cent to 2½ per cent, the same being operated under the registration laws, they would be a better indication of the wealth of the community. But under present circumstances, the incidence of taxation should be determined by undertaking a vast economic enquiry by dividing all provinces in small economic areas and making a patient and thorough investigation in family budgets, checked by post office savings, lands, ornaments, etc.

The statistics of trades and commerce as contemplated under the Bill in Bombay Council are bound to be useful if an India Legislation is contemplated. The present results of the statistical department of the Indian and Provincial Governments are disappointing in the extreme. We will first mention what we think they should do in this matter to deserve support from the commercial communities of this country.

These statistics should contain among other things information of the needs of various foreign markets for raw and other products of India.

Data regarding tariff changes, taxation and other information useful to the exporter and the manufacturer.

These bureaux should carry our special investigations of benefit to the entire industries of the country in their struggle in foreign markets.

They should maintain correspondence and agent in all important places and markets of the world.

They should always publish vital information if any new field of commerce offers for the trade in India, and it should act in full co-operation with the various chambers and associations of the country.

The collection of these statistics, etc., should be done efficiently, adequately, systematically and promptly.

They should be presented, in an accessible manner, and they should be supplied to all and sundry without discrimination between classes, etc. We do not think it advisable to undertake a census of products as taken in England, and its utility for determining the incidence of taxation would not be served if the figures take a considerable time in collecting and become a record of the past by the time they are published. In the absence of the statistics so efficient as we might have if the above suggestions are carried out, we are not inclined to accept the estimates of the taxable capacity of India as given in annexure D as absolutely correct. But that does not prevent us from asserting that the terms "happy India" or "prosperous India" as used by our friends Messrs. Lupton and Digby respectively are optimistic to the degree of being utopian for India. We are inclined to accept the estimate of Messrs. Shah and Khambata as most approximate, though for reasons in which we need not enter we regard even that slightly exaggerated. The methods used by them in arriving at this figure is described below. They have calculated the gross income of India including Burma and Native States on the bases of production and yield. The extent of this production is taken from the statistics.

These are then evaluated by the help of prices and wages and statistics bearing on them. A similar process is gone through with regard to the items of forest and mineral produce and manufactures, including crafts and industries. The whole is then summed up allowing for double counting. The drawbacks in the above calculation are the unreliability of the so-called statistics in all cases, the inclusion of Indian States in the considerations and the high average reached in the years between 1914-1922 as the above calculations have taken three periods in account as under: 1900-1914, 1914-1922, 1910-1922.

Tax on luxuries.—Adam Smith did not include the consideration of the human temperament in his statement about tax on luxuries being voluntary taxes. The classification of a majority of things as necessities or luxuries is very difficult and requires several considerations. The opinion of Mill, though verging upon abstruse, is yet sound in principle, indirect taxation is only less felt but it is none the less paid, in a conscious manner mostly through a third party.

It would not be impertinent here to remark that no articles should be regarded as that of luxury or otherwise to begin with. Everything that enhances the value of an article, because of the satisfaction of vanity or of love of ostentation or of pride of a class, etc., should no doubt be termed luxuries, but to regard everything that is not extremely necessary for the existence of life as luxury is ridiculous. Cigarettes, for example, should not be termed luxuries though millions perhaps never smoke. At the same time, a very costly brand of cigarette can be styled as a luxury.

There is a fallacy in the argument to say that the tax on tobacco or liquors falls heavily on the immoderate smokers or drinkers only. It would rather be a better plan to tax both tobacco (loose or in the form of cigars and cigarettes) and liquors, spirits, etc., in the graded scale. Up

to a certain limit, which should include some wholesome and popular smokes and drinks, only a nominal tax should be levied. Then for each higher brand group an increased tax might be levied. If it deters the sale of the higher brand, it will surely increase that of the lower ones, and there will not be any serious loss of revenue.

Q. 24.—We should certainly advocate a tax on entertainments including races, betting, etc. A tax on the higher-class railway tickets is not inadvisable.

Q. 27.—Every member of the community has to pay the taxes or has some taxes paid on his behalf. The modern system of taxation is very far-reaching. Even a lunatic in an asylum provides the State with revenue by using taxed cloth, etc. His keeper finds them on his behalf. The poorest agrarian labourer with his less than a yard of loin cloth and his daily piece of coarse bread and a pinch of salt pays his share of taxes.

Thus, it is futile to suggest any cases that should be exempted from bearing the burden of taxation till the Government can do away with the salt tax, with the taxes on coarse cloth, etc.

Q. 28.—Yes. No taxation without representation.

Q. 29.—That tax is better that is least felt by all. Such are indirect taxes. That system of taxation again is best that assess least the person who is least able to pay, and gets the most of its revenue from those that do not feel the payment as a pinch though the payment might vex them.

Q. 30.—We regard capitation tax in India very mischievous and not possible to be collected. There are millions who will be defaulters out of sheer inability to pay even a trivial capitation tax.

Regarding the direct taxes on income we have to offer the following remarks and suggestions:—

Salaries and pensions paid out of Indian treasury should be taxed in India.

Interest paid out of Indian revenues on the sterling securities should be taxed in India.

All those concerns that have their main field of operations in India but are incorporated in England or any other country except India and Burma should be made to contribute to the income-tax in India. The concessions that they enjoy at present are at the cost of Indian treasury and are unjust. Among such concerns can be mentioned the guaranteed railways, shipping companies, tea-planting companies, banking and all other firms that are not incorporated in India.

The system of differentiation as between incomes that are due to personal exertion and incomes that are not so earned should be adopted in India, and the rate of tax on the former should be smaller than that of the latter.

The system of allowances and reliefs should be introduced by adopting among others the following measures:—

In cases up to a certain limit, the tax should be calculated on that amount which is left after deducting from the general income an amount equal to the taxable minimum. The method of graduation should be adopted by which this abatement should decrease in amount as the income increases, so that after a certain limit no abatement is granted. The taxable minimum of a married man should be greater than in the case of a bachelor.

Allowances should be made for the first child and then for each subsequent child to the extent of four children (if Malthus is to be respected in an already over-populated country like India) and certain allowances should be made for dependants, relatives, widows in the family, etc.

Servants should not be classed as dependants.

The minimum should be raised to Rs. 5,000 per year.

An extra increase of 25 to 50 per cent on incomes of Rs. 50,000 and upwards should be made and the super-tax should be abolished.

Q. 39.—Though the agriculturist in this country is seriously burdened by taxes, much of his woe is still traceable to insufficiency of water-supply, inefficiency of the methods of cultivation and the inordinate waste of money in the caste customs, etc., introducing the usurious *sawcar* in his calculations. With the progress of the educative work that the co-operative

societies are carrying out in several provinces aided by the further developments of agricultural colleges and Government departments, there is no reason why the big farmer that commits economical suicide in the caste expenditures should escape bearing the just burden of revenue. In this connection it should not be necessary to change land revenue into a land tax, but in provinces where careful inquiries show that the farmer has benefited by the above ameliorating influences a tax on higher agricultural incomes should be levied. We are not in a position to test the figure given by Messrs. Shah and Khambata as the resulting increment but we are sure it cannot be much less. If the revenue thus raised is ear-marked for the promotion of agricultural interests, handicrafts, cottage industries, etc., revenue will neither be unjust in levy nor ill-spent.

Qs. 41, 42 and 43.—The considerable variety of forms and efficiency to be met with the different systems of accounts maintained in different provinces and in the same province by different people is surely not helping the accuracy of assessment; added to this the feelings of mutual distrust between the income-tax office and average tradesman are seldom conducive to honesty par excellence. The Government, in any case, should not be taking the honesty of the assesses or even the petty assessor for granted, and should adopt the following measures to get still better results from this department of revenue, namely, by appointing non-official assessors judiciously selected as not to make the assessee suspicious that his trade secrets will be revealed. We do not favour the publication of the income-tax returns. It will be seriously resented by the mercantile community of India.

Qs. 46 and 49.—In the list appended here we would advocate duties on the following articles: cartridges, motor-cars, perfumery, playing-cards and pleasure vessels. But this is not sufficient. We further advocate duties on the following articles of consumption of luxuries or means of ostentatious display:—

Income-tax on higher agricultural incomes.

Income-tax on the absentee landlord.

Tax on inheritance or succession duties.

High-class railway or steamer travelling.

On all monopolies.

Registration fees on marriage.

Tax on other vehicles as well as motorcars imported.

Tax on horses for races.

Tax on servants after a minimum number as required according to the income of tax-payer.

We advocate on principle a tax on dowries advisable of a nature, but would not suggest its immediate adoption as we do not know how it can be operated.

A tax on advertisements other than short advertisements.

Tax on betting, horse racing.

On tourists from foreign countries, including Dominions.

On hotels.

On cigars and cigarettes.

On wines and liquors.

The fees for registration in India of trade-marks of imported articles should be considerably increased. No protection should be extended to such articles, unless they are a means of supporting the revenue by channels other than import duties.

A tax per ton, loaded and exported for foreign countries by steamers flying British colours and a greater tax for those flying foreign colours.

Some of the taxes should be earmarked for special purposes. The agricultural taxes as well as the last-named taxes should be utilized for the promotion of agriculture and Indian mercantile marine respectively. All these taxes should be on a graduated scale.

Articles that are of utility in a much greater degree than of ostentation should be tax-free. Thus, a petty inheritance, a small house, an ordinary vehicle, a necessary horse, the required number of servants, wanted advertisements, cheaper varieties of cigars and cigarettes, etc., should be tax-free or only nominally taxed. After a certain limit, the tax should increase in an ascending ratio to the costliness, etc., of the articles, or the

amount of ostentation involved. While determining these rates, the present standard of necessities and luxuries as obtaining in India to-day should not be considered as sufficient, but the attainment of a higher standard of life by the smallest tax-payer should be aimed at. This raised standard of existence is bound to greater efficiency of the people and will favourably react on the revenues.

Q. 51.—It is no use replying to this question about salt tax. The Government has a very strongly defined attitude towards this commodity. It debars the Government from the consideration even of a question like 27, where the exemption of even the poorest of the community is contemplated. Salt is the only accompaniment of a piece of very coarse bread to millions of people in this country, and callous indulgence in heavy expenditures of the Government shall never allow the Government to do the human and abolish this tax, which is probably the only tax paid by the semi-starved farm labourer of India. He does not pay anything even in cloth, which for his annual consumption is less than a yard round his emaciated loins.

Q. 59.—Yes, especially in rural centres.

Q. 61.—No, we do not think it practicable at this stage.

Q. 62.—We favour the recommendations of the Bombay Excise Committee, and would recommend measures calculated to facilitate prohibition in future.

Q. 63.—There are three stages, roughly speaking, in the consequence produced by heavily taxing liquor, etc.

Up to a certain extent the commodity bears taxation very easily and is a good source of income to the State. After that limit is reached, a still higher tax might act as a deterrent of manufacture or exports, after that stage dishonest evasions and smuggling become rampant.

We therefore advocate gradual taxation as explained above.

Q. 89.—Court-fees should not be increased. They, if increased, will not deter litigation but will make justice dear.

Registration fees can be profitably increased to bring in return more than for the service rendered.

There is no restraint of trade in this.

Q. 94.—Owner-driving licenses for cars can be charged more. Renewal fees can be increased in all cases.

Q. 95.—Entertainment tax should be more universally applied. Its application should be extended to horse racing. A gradual increase with higher class tickets in a show or a theatre should be adopted.

Prof. Buch gave oral evidence as follows:—

The President. Q.—You represent the Buyers and Shippers Chamber, Karachi?

A.—Yes.

Q.—You were formerly a Professor of Economics?

A.—Yes, in St. Xavier's College in Bombay.

Q.—And you are now engaged in business?

A.—Yes.

Dr. Hyder. Q.—How long were you engaged in teaching Economics?

A.—For four years.

The President. Q.—Your Association rather insisted on our hearing their representations.

A.—Yes, on the ground that Karachi should have its say.

Q.—I should like to know the nature and the composition of your Chamber. Do you represent the whole of Karachi or only a section of Karachi?

A.—Ours is the only Indian Association that takes a keen interest in public affairs. Very recently we have been recognized by the Government and we have got two special seats on the Port Trust. It is also recognized by the people. It represents all the shippers and all the steam navigation companies including one English company. It has a membership of about 250 members.

Dr. Paranjpye. Q.—Who is the President of your Association?

A.—Mr. J. N. R. Mehta.

Q.—Why did he not come here?

A.—He is very busy there.

The President. Q.—The Karachi Chamber of Commerce is not confined to Europeans?

A.—No.

Q.—Yours is not exactly a Chamber of Commerce?

A.—In essence it is; only the name is different. It does the same business as any other Chamber of Commerce in India is doing.

Sir Percy Thompson. Q.—It represents the wholesale trade?

A.—It represents the retail as well as wholesale trade.

Q.—Not manufacturing interests?

A.—In Karachi there is not much manufacturing.

Dr. Hyder. Q.—You begin by saying that the taxation system in India is not based on any scientific principle. That is rather a large statement to make. Will you please explain what you mean by it?

A.—To quote from my own memorandum, I have given four or five items which, I consider, ought to be the component parts of a scientific taxation system.

Q.—You say: "It should not strain the taxable capacity of the people. It should be least felt by the poorest classes. It should be perfect in its incidence, being spread over classes of different degrees of material prosperity in proportion to their incomes and general influence. It should be completely returned to the country paying it in the forms of service done, amenities supplied, protection rendered and so on. It should lead to a greater prosperity of the commonwealth. It should aim not at equality of payment but of the equality of burden and sacrifice." Now what do you mean by saying, "It should be completely returned to the country paying it in the forms of service done, amenities supplied, protection rendered and so on"? Don't you think that this country gets what it pays for?

A.—No; the Indian tax-payer does not get the proper equivalent of what he pays.

Q.—Don't you know that in the matter of taxation, you cannot get the exact *quid pro quo*?

A.—We must get the greater part of it in one form or another.

Q.—There is no rule of economic science which will support you—that the persons who pay the tax should get exactly so much measure of service and benefits from the State.

A.—I do not understand what you aim at. If you mean that some part of the taxes go out and that you cannot get any return in any form, I do not agree. I do not think it is the correct view.

Dr. Paranjpye. Q.—You mean the individuals who pay any particular sum should get a return?

A.—When I use the word 'tax-payer' I use it as a common term.

Dr. Hyder. Q.—Are you referring to the question of Home charges?

A.—I am referring to many other charges.

Q.—What others?

A.—The Army charges, for instance.

Q.—That is a large matter. Whether the charges are high or low, that is entirely a different matter. But the fact is that this country does get protection.

A.—Up to a certain extent, right. But it pays much more than it ought to if the protection of India is merely the protection of India alone. My point is, as I have pointed out, that the huge Army charges on this country are inflicted on account of the imperialistic policy of the English Government and the English Government should be made to contribute towards the Indian Army charges.

Sir Percy Thompson. Q.—That is a question of expenditure which does not concern us.

A.—We have mentioned expenditure merely to show that it is out of proportion and therefore the taxable capacity of India is over-strained.

Q.—We have to find out whether the taxes levied in this country are in accordance with economic principles; and we shall be very much obliged if you will help us in the matter. We have got nothing to do with the other extraneous matters.

A.—There should be a complete overhauling of the taxation system in India.

The President. Q.—You say, “The ideal system of taxation should be perfect in its incidence, being spread over classes of different degrees of material prosperity in proportion to their incomes and general influence”. You advocate proportionate and not progressive taxation?

A.—I advocate progressive taxation.

Q.—But you say it should be in proportion to the incomes.

A.—That should be taken in its context. If I am asked to describe it by one technical name, I should call it ‘progressive’ taxation.

Q.—How do you charge ‘general influence’?

A.—It should be ‘general affluence’.

Dr. Hyder. Q.—You do not think that the taxes as levied in India are in accordance with the criteria you have laid down?

A.—I think they are not based on equality of burden; income-tax, for example.

Q.—Income-tax is levied on people with large incomes and small incomes, and the rates vary in accordance with the size of the incomes. Then wherein lies the unscientific nature?

A.—It lies in this: that it is based on equality of payment and not on equality of burden or sacrifice. I take one concrete example. Just as a man begins drawing Rs. 165 a month, he starts paying income-tax. Income-tax is collected from him without any consideration whether he is a bachelor, whether he has got a large family, whether his income is distributed among his relatives and dependants and so on.

Sir Percy Thompson. Q.—How many of those who get an income of Rs. 2,000 and above a year are bachelors? Do you know any bachelors who get an income of Rs. 2,000 and above?

A.—The assessment merely due to that may come to about 1½ crores.

Q.—Supposing you have a man with an income of Rs. 2,005, how much does he pay by way of tax?

A.—I should like to suggest that with regard to this particular tax, we must give allowances for dependants, relatives, children, as they are given in England.

Q.—How are you going to ascertain that without making enquiries of an inquisitorial nature? Have you got a perfect system of birth registration here?

A.—I should say so. The municipalities in Karachi and in Bombay do keep them.

Dr. Paranjpye. Q.—In Poona the birth register is not worth the paper on which it is written.

A.—In that case we shift to a reorganization of the municipalities. It is so much the worse for the municipalities. If we reconsider the taxation, pure and simple, we should bring these considerations into the subject.

Sir Percy Thompson. Q.—Only if they are practicable.

A.—They are practicable in England.

Q.—Certainly, because there, if a man says that he has got 25 children, you have only to go to the registration office and find out. You do know there with absolute certainty. But if a man here says that he has got 25 children, what check is there?

A.—There is provision here for a fine if the birth of a child is not registered.

Q.—That is only in Karachi and Bombay. You cannot have one income-tax law for Karachi and Bombay and another for the rest of the country; elsewhere there is no security that the birth is registered.

A.—The security must be ensured.

Q.—That is a very large order for the purpose of making a small income-tax allowance.

A.—The only other remedy is to raise the minimum limit to Rs. 5,000 a year.

Q.—Have you made any calculations of its cost?

A.—I do not want it to be so really. The minimum might be kept where it is and at the same time some allowance may be made.

The President. Q.—Then your proposals under Q. 30 are alternative and not cumulative? You make three proposals there. The first is that "the tax should be calculated on that amount which is left after deducting from the general income an amount equal to the taxable minimum. The method of graduation should be adopted by which this abatement should decrease in amount as the income increases". Then in the second place, you would make an allowance "for the first child and then for each subsequent child to the extent of four children". Thereafter, you propose no further allowance. And you want to stop further increase of population.

A.—I cannot stop it. As Malthusian, I believe that after the fifth child, in an over-populated country like India, no allowance should be made.

Q.—Then you propose to raise the minimum to Rs. 5,000 a year.

A.—That is an alternative.

Q.—You have not indicated that in the answer. You say "among others, the following measures".

A.—Yes. I have not indicated it. You are right.

Sir Percy Thompson. Q.—Is that really your greatest quarrel with income-tax, that in a country where almost every man who earns is married and almost everybody has a child, allowances are not given?

A.—No; that is not the most important. The most important it is what I have mentioned on page 279, where I say that those firms and those bodies that are incorporated outside India and yet make most of their profits in India should be taxed.

Q.—I suggest they are taxed.

A.—Only on their incomes here. Suppose there is a shipping company incorporated in England doing its trade in India. The income-tax assessment is made upon the salaries of managers that are serving in India and on the profits that have accrued in India. But the dividends that are paid to the shareholders who are away in England or elsewhere are taxed in England.

Q.—The whole of the profit made in India is taxed. What do you want more? Do you know of any country in the world which taxes a foreign personality which carries on part of its trade in the country on the whole of the profits wherever made?

A.—The question is not one of foreign personality.

Q.—You are taking a case of an English company which carries on part of its activities in India.

A.—No; all its activities in India.

Q.—Then it is taxed on the whole of its profits.

A.—Let me develop the illustration. There is a shipping company started in India, which pays income-tax on its profits, on the salaries paid out; and further, the income-tax is reduced from the dividend that is paid out to the shareholders.

Q.—No; you have got it absolutely wrong. The company is taxed on the whole of its profits, and then it is entitled to recoup it by deducting its tax from the dividends. You have got this English company which carries the whole of its activities here. It is charged to income-tax on the whole of its profits.

A.—If that is so, my point is granted.

Q.—Then according to your admission, your greatest quarrel with the income-tax is gone.

A.—You will have the next greatest now, that is, about the middle classes not being exempted even though the burden on them does not entitle them to be assessed. A man drawing Rs. 2,500 or Rs. 3,000, with a large family, does not get any allowance for marriages, dependants, etc. If that is granted, I think one of the biggest quarrels with regard to income-tax would be remedied.

The President. Q.—Is not the exemption limit in England practically the subsistence limit?

A.—I should say so.

Q.—And the exemption limit in India (which is at much the same figure) is considerably above the subsistence limit in India?

A.—I should like to differ there. I believe that the standard of subsistence in India should be greatly increased, and it is being increased among those middle classes who are trying to lead or have succeeded in leading a Western sort of life.

Q.—But at the same time you say that Rs. 2,000 is the average subsistence limit in India. You quarrel with Messrs. Shah and Khambata with regard to their estimate of Rs. 116.

A.—That was after considering labour and other things. But we are talking about the income-taxable classes.

Q.—In England we do not talk of income-taxable classes. We only get a subsistence limit.

A.—I should put it this way: that the minimum being Rs. 2,000, a man drawing Rs. 2,000 in India really does not save anything.

Dr. Paranjpye. Q.—When I was studying in England I was getting a scholarship of £200 a year. It was not enough for my maintenance, but I was taxed on that scholarship because it was above the taxable limit.

A.—You were alone and you were studying.

Q.—Yes; my expenses were far greater than what I was getting from the scholarship.

A.—I do not know how you got on like that.

The President. Q.—If you are going to give allowances you should reduce the minimum. Then you will have the two countries on an equal footing.

A.—I do not think the minimum could be reduced; if anything, it should be increased.

Dr. Hyslop. Q.—On the very first page of your memorandum you say, "We, therefore, have attempted to restrict ourselves to a general criticism of the present policy and practice in taxation and to recommendations and suggestions for certain unexploited or ill-exploited sources of revenue, and an outline of a definite policy that we think the Government in all conscience should adopt to enrich the trades and commerce of this country through taxation". I suppose this would also be one of the tests of an ideal system.

A.—Yes.

Q.—Then it comes to this: that the Government should put on certain duties, one of the principles as laid down here being that "It should be least felt by the poorest classes". Are you aware that the one aim conflicts with the other? How do you get out of that?

A.—Now if you take the example of cotton excise duty, I know that the foreign imported manufactured article is much cheaper to the poorer classes than the article which is manufactured here. But I think the poorest man must be prepared to sacrifice something, if ultimately it is going to make the cotton trade prosperous.

Q.—If the Government adopted an all-round policy of putting on these duties

A.—I do not say 'all-round'.

Q.—To enrich trade and commerce by using this instrument of taxation really comes to this: that the Government should tax those who have got nothing for the benefit of the people who have got everything.

A.—Not exactly that. Suppose we keep some countries like England or other countries of the Empire outside the purview of this taxation and severely tax the imports from Japan or any other country that does not belong to the Empire, we will be doing much good to the imperial preference question as well as no harm to Japan or any other country that wants to trade with us. The man who is out in the market to buy one yard of cloth has got a wide choice among the foreign cloth. Between the cloth manufactured at Manchester and Tokio or Kobe, I should see no reason why Tokio or Kobe should beat the Indian goods simultaneously with Manchester or Lancashire goods. Up till now, protection or a protective tariff as a matter of policy has not been considered very seriously by the Government except perhaps for the discussion that is being held now. I have said somewhere in the evidence that those industries that are in infancy and require such protection must be given that.

The President. Q.—You say that the Government should lay it down as its policy the adoption of the principle of a protective tariff in respect of all industries that are in their infancy?

A.—Yes.

Sir Percy Thompson. Q.—Do you know of any industry that is not in its infancy when it comes to protection?

A.—I am sorry there is no such industry. I will take now the industry with which I am connected—the shipping industry. I live at Karachi. Suppose I come to Bombay; I am a deck passenger. I pay Rs. 10-12-0 as fare, the distance being about 500 miles. Between Cutch-Mandvi and Bombay I have to pay the same fare, because there is no competition. On account of the free-trade policy, it allows the shipping company that runs between Cutch-Mandvi and Bombay to charge whatever it likes.

The President. Q.—Why should not the Indian shipping companies reduce the fare?

A.—When Indian companies tried to meet unfair competition, for want of protection they were driven to liquidation.

Q.—Perhaps the number of passengers between Cutch-Mandvi and Bombay is less.

A.—No; the number of passengers is not less than 18,000 per year while the number of passengers between Karachi and Bombay is no less than 6,000. This question has been well threshed out. There are many industries which deserve protective tariff without putting the consumer to any extraordinary loss.

The President. Q.—You then want to tax all foreign shipping companies. Will it cheapen the cost to the passengers?

A.—We are talking about foreign shipping companies. Karachi is visited by all colours—especially Dutch, Italian and Japanese. There are British lines also coming to Karachi. Wheat and other grains are exported in very great quantities from Karachi to German ports or English ports and sometimes to America also. If we impose a certain tax per ton on wheat exported from Karachi out of India, that will fall on the consumer, either in America or Germany and not on the consumer in India.

Sir Percy Thompson. Q.—Would it not tell against the producer in India?

A.—It will not. The freight has been fluctuating very violently. Last year, from 6 shillings in one case and from 16 shillings it went up to 42 shillings per ton.

The President. Q.—Then you are a whole-hearted supporter of imperial preference?

A.—If it benefits India. I do not want England to be regarded as a foreign country. I know the interests of India and England are closely intertwined. But we do not want that Dutch and other foreign countries should get the same benefit.

Dr. Hyder. Q.—Let us now come to the other taxes. You say that they are unscientific.

A.—I will take excise, for instance. The handling of that tax has been up to now from the point of view of revenue, and not from the point of view of the moral progress of the country. I have stated that I am not in favour of total prohibition; but at the same time, I do believe if the Government keep in mind the point of view of the moral progress of the country

Q.—It has been trying to do so. It has been pursuing the policy of reducing the number of shops, of rationing, and cutting down the number of licenses.

A.—And they are getting more money.

The President. Q.—Are you supporting the Report of the Excise Committee appointed in 1922 by this Government?

A.—I support the recommendations of that Committee.

Q.—When the Government abolish all shops within an area of 27,000 square miles and sacrifice a revenue of four lakhs, do you say that it is entirely from the point of view of revenue they handle the excise policy?

A.—It should restrict the consumption. That might have been done in the interest of the inhabitants in a particular area. The view of the Government has changed since 1922, I admit.

Q.—I shall give you an instance of what happened before 1922. Government sacrificed a revenue of four lakhs in order to benefit an unsophisticated hill-tribe. Do you mean to say that they looked at it from the point of view of revenue?

A.—This is a single swallow that cannot make the summer.

Q.—For years past they have been closing shops altogether in certain taluks.

A.—What I want is that an imperial policy should be adopted to achieve the end, though gradually, still surely.

Q.—These things are being done in places where it is possible.

A.—Though it may not be possible to adopt it for the whole country, still I think it can be adopted in most places.

Dr. Paranjpye. Q.—You are a Gujarathi. Do you think it possible to close down all the shops in Kaira?

A.—I do not support wholesale closing down.

Q.—It should be practicable.

A.—Yes. I am speaking from memory subject to correction by *Dr. Paranjpye*. In the Bombay Council there was a discussion on some temperance proposition. Soon after that at the time of budget grant, a demand was made for starting a new distillery which was estimated to bring an income of 10 lakhs.

The President. Q.—You suggest that the Government proposed to open a new distillery which was estimated to bring an additional revenue of 10 lakhs.

Dr. Paranjpye.—I think he is wrong. It was for closing existing distilleries and opening a new one whose working would be more economical.

A.—Soon after this an informal conference of some Government officials and responsible people was held at Poona. The opinion held as result of that conference—at any rate that was the impression given—was that the cause of primary education would suffer if temperance made any headway in the province.

Q.—I think you have read the latest resolution of the Bombay Government on the subject.

A.—After 1922 I have nothing to say against the Government except that they might adopt a stronger attitude.

Dr. Hyder. Q.—Do you think by enacting a prohibition law, Government can improve the morality of the people?

A.—America has tried that experiment and we may also follow them in some respects.

The President. Q.—Do you know the consequences?

A.—Boot-legging. But we may not be so drastic.

Q.—Have you read the official statistics of America with regard to the result of prohibition?

A.—I know they are very disappointing. Total prohibition in a country like India is not possible. There are certain sects of people who make it religious to drink—the *Shaktas* for example.

Dr. Hyder. Q.—Let us now come to land revenue. You say that the cadastral survey is not adequate and comprehensive.

A.—I suggest further. . . .

The President. Q.—Do you suggest thereby that certain lands have been omitted from being surveyed and consequently the land revenue is not being fully paid up?

A.—What I mean is that the low paid officers who are practically responsible for the survey are not so well trained.

Dr. Hyder. Q.—Do you mean to say that *patwaris* conduct survey?

A.—They make the surveys and the classifications on guesses and conjectures.

The President. Q.—Is that how measurement done in Bombay?

A.—Yes; the Settlement Officer comes last.

Dr. Hyder. Q.—Do you suggest that lands are being left out of the survey?

A.—It is likely. I will give you one instance. Suppose there is a forest area. Just near by, there are cultivated lands or waste lands. They are put under survey but they are not included in the cultivable lands. These are cultivated. Till a regular survey is made these are regarded as uncultivable lands. The chief difficulty about arriving at an adequate idea about the prosperity of a particular period or year is whether the crops are fairly estimated or not. I shall take for instance, the Bankura famine of 1917 or 1918. The existence of famine was recognized by Government after several hundreds of people were left homeless and shelterless.

Sir Percy Thompson. Q.—What in the world has it got to do with taxation?

A.—Because these crops are assessed.

Q.—Lands are assessed according to the quality of the soil. The assessment of the crop, no doubt, is desirable. What I want to know is what connection has it got with taxation.

A.—Suppose I am a farmer. The assessment is based on the profits I make out of the crops. If the crops are adequate. . . .

Q.—It is done according to the quality of the soil.

A.—Suppose I own certain acres of land. My lands are assessed. In one year I make good profits and pay the assessment correctly. For five years afterwards I get no crops. I say: "My crops are not adequate; please excuse my not paying the assessment." I am told, "You must pay, because your lands are assessed." Therefore, the estimate of crops is a vital point.

Q.—If the crops do not grow you are not asked to pay.

A.—Unless you estimate the crops and if the *patwari* simply goes and sees and says it is worth 4 annas or 6 annas it cannot be a correct valuation.

Q.—The estimate of the crop has nothing to do with the remission of the land revenue.

A.—Would you enlighten me, Sir, what was the motive of the Kaira trouble in this Presidency? There was civil disobedience set in, because

the people did not want to pay on the estimate of the eight annas or nine annas crops which, they said, was not really about three or four annas. The Government said it was 8 or 9 annas crop and the people said it was only 3 or 4 annas crop. So there was nothing between these two to show what the real estimate was. That is why I want an independent body to decide this question.

There was a difference of opinion in the estimate of the crop and that led to the struggle. What I am driving at is that land assessment which is based on land revenue is very often modified by the estimate of the crops, and the estimate of the crops is the point where the farmer and the assessing officer differ.

Dr. Hyder. Q.—Does not the Settlement Officer take series of years, say, 15, 20, or 30?

A.—Yes.

The President. Q.—Had the Kaira trouble to do with the land assessment or the remission of land revenue?

A.—It was with regard to remission for that particular year.

The Maharajadhiraja Bahadur of Burdwan.—I think Mr. Buch said that during the term of settlement if a man had a forest and cleared the forest afterwards it was not assessed straightaway.

The President. Q.—No: if he took up Government forest for cultivation. Could you please explain what that point is?

A.—You mean the point that is raised by the Maharajadhiraja?

Q.—Yes, cultivating the forest without a remission.

A.—The point was this. Supposing there is a farmer who has got 50 acres of which he is only actually cultivating 30 acres, and then by better education or irrigation he is able to cultivate 40 acres.

Q.—He has got 50 acres, that is to say, he holds title for it, then he pays land revenue for it, whether he cultivates it or not.

A.—He pays for the whole 50 acres. Now, when he is paying for 50 acres, he is actually cultivating only 30 acres, and after one or two years he is cultivating 40 or 50 acres. Of course, the assessment officer who is always kind to the farmer takes into consideration the fact that though the man possesses 50 acres he has actually cultivated only 40 acres. Therefore, while he is making this assessment he makes the assessment on this basis.

Q.—You say that allowance is given for the land which is not cultivated owing to the inability of the farmer.

A.—Not officially of course, but if you were an assessment officer you will take these things into consideration.

Q.—You might take a converse case where a man has got 50 acres but actually cultivates more; what is your proposition with regard to it?

A.—Then of course, the revenue now taken is not sufficient but it ought to be assessed more.

Q.—Then you assume that Government loses revenue through the kind-heartedness of its officers who disobey the orders of the Government.

A.—It is not disobedience. I think the assessment officers have got discretionary powers in assessment. It is not put down exactly for one acre so much and so on.

Q.—You fix what is called the maximum rate for the particular crop in anna rates?

A.—Yes, the classification of land is made.

Q.—You apply the rate to the area for the particular class of land?

A.—In this case the officer might give him a lower class.

Dr. Hyder. Q.—You say the incidence of taxation should be determined by undertaking a thorough investigation into family budgets, etc., and also an elaborate economic enquiry. I suggest to you that it is not necessary, because death duties or succession duties will be paid by people who have got property beyond a certain figure, that is, people who have got Rs. 5,000, Rs. 10,000. People who have got property below this figure won't pay. Before we come to this question, how are you going to operate this through the registration laws?

A.—The question about succession and death duties has been opposed all throughout India on two grounds; one is if it is levied upon inheritance, it would not operate well in the Hindu joint-family system in India. Therefore, a fixed minimum is suggested. As soon as a man dies, the documents of his property will have to pass through certain official channels, say, the Registrar, or while you take the probates or letters of administration, etc.

The President. Q.—You suggest this is the present law or the law as you would have it?

A.—The present law, Sir.

Q.—Under the present law you need not take always a probate or letter of administration?

A.—When my father died I had to take a probate.

Q.—But your father probably left a will. If he had not left any will, you would have been under no obligation to take a probate.

A.—My suggestion is that before the property passes on from the dead man to the living people, it ought to be brought within the cognizance of the authorities. You will have to do something to obtain this end.

Q.—You would extend the present probate law to all the communities?

A.—Yes.

Q.—What is the meaning of 'operated under the registration laws'?

A.—In cases where probates or letters of administration pass through the Registrar, they might be operated in that way.

Q.—Then you propose a graded scale of the duty from 0.25 per cent to 2½ per cent. But in actual practice the duties go up to 3 per cent.

A.—You might make it 3. When I was discussing this question I had an idea that 3 might be reduced to 2½ per cent.

Dr. Paranjpye. Q.—In other countries the duties go up even to 50 per cent.

A.—Yes, on higher incomes.

Dr. Hyder. Q.—You would subscribe to this principle that if the estates are very large, the rates should be higher?

A.—Surely.

Q.—You want certain things to be done for the benefit of the merchants in this country. What is that?

A.—I want something like a statistical bureau.

The President. Q.—You think that that will be of no use in determining the incidence of taxation?

A.—As it is, it is of no use. What I propose clearly is this. There is no use of taking a census as suggested in one of your questions, because it will take a lot of time, and before it is complete the statistics taken will become out of date.

Dr. Hyder. Q.—You agree with Mill that indirect taxation is only less felt but it is none the less paid, in a conscious manner mostly through a third party?

A.—Yes.

The President. Q.—There is a passage which seems to be very contradictory. You say: "Up to a certain limit, which should include some wholesome and popular smokes and drinks, only a nominal tax should be levied. Then for each higher brand group an increased tax might be levied. If it deters the sale of the higher brand, it will surely increase that of the lower ones, and there will not be any serious loss of revenue". How? On the lower ones you are going to have nominal rates?

A.—The contradiction is only apparent, not real. I mean this. For ordinary grades, if you don't mind my naming these things, Gold Flake or 555 cigarettes which are universally consumed by the ordinary people, you might put a nominal tax. When you go to Havana cigars, then increase the rates. For Havana No. 1 you might make the tax prohibitive. People who are not able to smoke this might go in for Havana No. 2. Then there will be an addition to the number of people already smoking Havana No. 2. So if it deters the sale of the higher

brand, it will surely increase that of the lower ones, but there will not be any serious loss of revenue. The smoking will be distributed between the brands immediately lower.

Q.—You say that “Interest paid out of Indian revenues on the sterling securities of the Government of India should be taxed in India.” Do you want India to repudiate its own obligations?

A.—No, Sir.

Q.—When you issue the prospectus, on the face of it you say that interest on these securities will be free of Indian income-tax. Are you going to go back on that promise?

A.—Not exactly like that. In the Home charges an item is taken as interest paid on Indian debt, and on that a tax is actually levied under the English Income-tax Act.

Q.—That has nothing to do with you.

A.—I am only referring to that with the intention of pointing out that the interest should be paid in India; we should then get the benefit of that income-tax.

Q.—But you have already made a contract that you would not charge any income-tax on it. It does not matter to you if anybody else charges it.

A.—I am not referring to the tax-free securities.

Q.—You are talking about sterling securities about which it is plainly stated that they will not be subject to the assessment of Indian income-tax. There is a contract.

A.—If there is a contract, it is all right. But if there is no contract, you will have to charge. On future loans you should not make that contract.

Q.—Do you think people will take up your securities at the same rate of interest when it is subject to a tax? Don't you think that it is quite improbable?

A.—I quite understand your point, but I believe that the rates already paid by Government are a bit higher than other Governments pay, and I think the Government of India have greater credit than that. I think the 6 per cent rate is too high a rate.

Q.—What about your 3½ per cent loan?

A.—On that we do pay income-tax. I believe the rates at present quoted in the exchange market for Government paper is not due to any loss of financial prestige, but it is due to many other reasons. You will excuse me for mentioning this: whenever a small confusion arises in any part of India, a panic is created at once in the minds of the people that affects the exchange market and the rates go down. I should not also forget to mention that the 3½ per cent loan went down only because the 6 per cent loan during the War time was being so much popularized. I consider from 3½ per cent to 6 per cent a very big jump. For instance, the Port Trusts have succeeded everywhere with 4½ per cent loans.

Q.—Your suggestion is that Indian Government has paid a higher rate of interest than it need have done?

A.—Yes.

Q.—You mean to say then that India's credit would be better than England's?

A.—That does not exactly come in here.

Q.—England had to pay 6 per cent.

A.—I would say then the English Chancellor of Exchequer made a mistake and the Indian Finance Minister copied that mistake. I do not believe in higher rates of interest. What I suggest is that it is perfectly open for anyone to criticize the Indian Government for paying higher rate of interest than it needs.

Q.—It has not paid any higher rate of interest than any other countries.

A.—But the conditions in India are different. In England side by side with Government there are very big concerns where people can invest their money. In India that is not the case, they will have to depend upon the Government only.

Sir Percy Thompson. Q.—Suppose you wish to raise a loan of 5 per cent and that depreciates to 90 rupees, can you issue another loan at par at the same rate of 5 per cent?

A. The question about the credit of England and India differs in this. In England there are very able financiers who control the banks which pay very good interest, rather the same interest, if not more. But here in India a judicious investor has either to go to mills or banks which give as much as 6 per cent on fixed deposits. The Imperial Bank of India does not pay more than 5 per cent in exceptional cases, and sometimes it pays only 4 per cent. That is why people go in for higher rate of interest as 6 per cent.

Q.—We issue a loan on 5 per cent interest at Rs. 100 and it has gone down to Rs. 90: do you think that you can issue another loan at the same rate?

A.—I think you could.

Q.—Do you think people would be foolish enough to purchase it at Rs. 100 instead of purchasing the same thing in the market at Rs. 90?

A.—In that case only a very slight increase is necessary, say, 5½ per cent.

Q.—Whereas in England when the 5 per cent loan stood at a premium, Government issued a loan at 4½ per cent, and in India when that 5 per cent stood at 90 rupees, they had to issue another loan at 6 per cent. Could you have got the money if you had offered less than that?

A.—I put it again to you that from 3½ per cent to 6 per cent is a very big jump.

Dr. Paranjpye. Q.—Is it not a fact that at that time they issued a conversion loan and that was during the War?

A.—Government wanted money and they raised loans one after another.

Sir Percy Thompson. Q.—Do you know of any case where the existing loan or the last loan stood at a premium and Government offered another loan at the same rate of interest?

A.—I have not known such a case.

Q.—The fact is that people will not subscribe to 100 rupees loan at 5 per cent, when they can buy it in the market for Rs. 90.

A.—Surely.

Q.—Would you invest in it?

A.—I do not think a particular case would apply. My suggestion was even now that the rate of interest is too high and the issue of loans free of income-tax should be done away with. The mistake was that loans free of income-tax were introduced at the beginning.

Dr. Hyder. Q.—You say in provinces where careful enquiries show that the farmer has benefited by the above ameliorating influences, a tax on higher agricultural incomes should be levied. Do you think the estimates made by Messrs. Shah and Khambata are quite correct?

A.—I do not think so.

Q.—Have you travelled in all parts of India?

A.—Not all parts of India, but I have travelled in the south and some Indian States.

Q.—We have nothing to do with the Indian States. But are there very large estates in the Bombay Presidency?

A.—Not many, but there are large estates in Madras, Bengal and the United Provinces.

Q.—You are aware that there are few large estates in the Punjab?

A.—Yes.

Q.—Do you think that all these estates put together, you would be able to realize 16 crores of rupees?

A.—I do not agree with that figure.

The President. Q.—You say it would not be much less?

A.—Well, Sir, discussing that particular thing we should not forget that Mr. Shah himself is against permanent settlement as at present obtaining in Bengal. His chief objection is that very often the zamindar does not himself pay out of his own profits, but shoves it on his raiyats. That is why he took the first assumption that if permanent settlement was done away with and zamindars were directly taxed, then he came to this conclusion.

Sir Percy Thompson. Q.—If you make the zamindar pay by abolishing permanent settlement and there was income-tax on agricultural incomes, the income-tax that you would be able to realize would be much less. The reason is that as the land revenue that he will pay is deducted from the profits, the profits on which you would charge tax would be less, not more.

A.—How much less would it be?

Q.—It would be less by the amount you raise the land revenue. If you raise land revenue, you lower the proceeds of the income-tax.

A.—I think the position has been misunderstood. As it is, to-day the zamindar pays less. If he is taxed and the permanent settlement is done away with, he will pay more. That is the assumption.

Q.—If you have permanent settlement and you put an income-tax on agricultural incomes under existing conditions with the permanent settlement, you will get so much income-tax from the zamindar. If you abolish permanent settlement and make the zamindar pay more land revenue and then put on income-tax, you will get less.

A.—What I say is, Mr. Shah is calculating after assuming that the permanent settlement had been abolished. But I do not assume that the permanent settlement is done away with.

Dr. Hyder. Q.—What is your idea of an absentee landlord?

A.—A man who becomes the real owner of a farm by mortgage who has a lien on the profits as well as on the crops.

Q.—You would have an income-tax on agricultural incomes and then a tax on the absentee landlords?

A.—Yes: if they get much profit, they must be taxed.

Dr. Paranjpye. Q.—If a man who holds a piece of land lets it out on rent for cultivation, you would charge a tax on that?

A.—Yes, in the interests of agriculture. I know an instance where a man possesses land enough to make a small village which he lets out to petty farmers. The small incomes of the farmers are not enough to be taxed, but the aggregate income which the man levies from the farmers can be taxed.

Dr. Hyder. Q.—He would have to pay land revenue, an income-tax on agricultural incomes and on the top of that, there would be this discriminating tax, if he is an absentee.

A.—Yes.

The President. Q.—You are going to kill him by taxes.

A.—I do not think it would be economic murder.

Dr. Hyder. Q.—Why do you want to levy a tax on higher class tickets for travelling?

A.—Because you travel by a higher class not because it is a necessity; but it is more or less a luxury.

Q.—That is the view-point of one man: others may have different views.

A.—That would not make any difference. If I have that view, I am bound to put it forward.

Q.—Do you think that all people should travel by third class?

A.—No: but if I am prepared to pay double the amount of third-class fare, I must also be prepared to pay about 8 annas more to Government, if my comfort is to be looked to.

The President. Q.—You suggest a tax on all monopolies: I take it you refer to private monopolies and not to Government monopolies.

A.—That is so.

Q.—Would you give us an instance of a private monopoly?

A.—There is the salt monopoly in certain parts of the country.

Dr. Paranjpye. Q.—That is a Government monopoly.

A.—But there are sub-contractors.

The President. Q.—You mean to say that there is a salt ring which operates to raise the price and you would tax their special profits.

A.—No. So far as salt is concerned, I have pointed out that the more interest Government takes in opening shops in rural areas, the better for the consumer. If there is a monopoly, it should be taxed.

Q.—We presume you know of some monopolies on which you would impose a tax: please give us an instance.

A.—I think the question occurred whether monopolies should be taxed. I cannot tell of any monopoly that needs an increase of taxation.

Dr. Hyder. Q.—You advocate a registration fee on marriages?

A.—Yes, it would not be felt.

Q.—Don't you think there might be the fear of priests saying that Government are interfering with their sacred rites?

A.—I do not think so, because, as I said, even if we accept the principle of prohibition, there would be some sects in India that would say that Government are interfering with their religion.

Dr. Paranjpye. Q.—You would take the risk?

A.—I would like to.

Dr. Hyder. Q.—Do you advocate this purely as a revenue measure or for some ulterior purpose?

A.—I do it purely for revenue purposes. I am against over-population, but I do not believe in wholesale celibacy.

Q.—Do you think that the people would be in a position to pay?

A.—I should think so. In fact, they are paying such a tax in the State of Baroda in a different form.

Q.—Can you tell us something about the fee that is levied in Baroda?

A.—It is a sort of registration fee, about eight annas for the bride and about eight annas for the bridegroom.

Dr. Paranjpye. Q.—I thought it was a fine for child marriage.

A.—When any party marries in Baroda, this fee is levied in order to assure the Government that the bride or bridegroom is not a child; they have to state the ages of the parties.

Dr. Hyder. Q.—Is there not a tax already on motor cars?

A.—I want to levy more on higher grades of cars. For instance, a Ford might not pay a tax, after all it is not a car proper, but higher grades of cars might be taxed higher.

Q.—Has it occurred to you all through this discussion that you are singling out classes for taxation?

A.—Yes, I am: that should be the main principle in taxation.

Q.—I thought the ideal system was to spread over the taxes over all classes.

A.—No. A man who possesses a motor car should contribute a larger share to the revenue.

Q.—If a man is a landlord and then an absentee landlord, when he dies, when he travels in a railway and travels first class, if he marries and so forth, you are heaping up the taxes on certain classes.

A.—That is only a way of putting it. The point is that the richer man should pay more and the poorer man should be made to pay less.

Q.—You suggest a tax on servants after a minimum number: what is your minimum?

A.—I would suggest that you should take the income of the man and give him servants accordingly.

Q.—How many servants would you allow a rich Maharaja?

A.—You are taking an extreme case. For a man earning a minimum of Rs. 166 in a place like Bombay, I think two should be quite sufficient.

The President. Q.—The effect of your tax would be that the man doing business, who keeps a small establishment and a small number of servants, would be exempted from the tax, and that the man of an old family, who has position to keep up, but has a decaying estate, would have to pay a very heavy tax.

A.—If he wants to keep up the ostentation of his family, he has to pay some tax.

Q.—We have been told that a tax on houses would be very unfair on the members of certain old families who have genteel responsibility to keep up.

Dr. Paranjpye. Q.—Could it not be a progressive tax, i.e., on one servant it may be a nominal tax, and a little more if there are two servants?

A.—I suppose that there should be a minimum limit as well.

Q.—A servant is not an absolute necessity in the ideal state of society.

A.—I should say that in the present state of society, servants are a necessity to a certain extent.

Dr. Hyder. Q.—You suggest a tax on advertisements other than short advertisements?

A.—Yes, medicines, circuses, theatres, etc.

Q.—Do you think you could realize much money out of these?

A.—Yes.

Q.—Have you made any estimates?

A.—No.

Dr. Paranjpye. Q.—Would you tax advertisements posted on streets? Such advertisements are taxed in France by means of a Government stamp which is put on them.

A.—Yes, if you could devise means.

Dr. Hyder. Q.—You say you would levy a tax on tourists from foreign countries: have you any idea of the amount of money that Government would realize if it puts, say, a tax of Rs. 10 a head, and what reactions would be caused?

A.—I have gone into that question.

Q.—How many tourists are coming into this country?

A.—Not many.

Q.—Do you consider that for the sake of a few thousands Government should take all this trouble?

A.—I do not think it is taking any trouble. A pilgrim tax is at present levied by several municipalities, and in several places it is willingly paid. You may suggest that the pilgrim has reasons of sentiment for visiting a place of religion, and that sentiment does not exist in the case of tourists. A man who goes to the Elephanta Caves has to pay 4 annas for the upkeep of the caves; he might as well pay 5 annas, one anna going to Government. All places of interest might be so taxed, and all tourists who come from foreign countries to India might be taxed as a whole, because they enter India.

The President. Q.—Does not the Port Trust at present tax everybody who lands in India at the rate of one rupee per article of baggage landed?

A.—That goes to the Port Trust.

Q.—That can hardly be a payment for the services rendered and it must yield a great deal more than the cost of the staff that supervises the landing of the baggage. It amounts practically to a tax on persons entering the country.

A.—But all that goes to the Port Trust.

Q.—Otherwise, would that serve your purpose?

A.—I am not going to suggest that the Port Trust should remove that tax.

Q.—Do you think it is a desirable form of tax?

A.—I think it is iniquitous, so far as the Port Trust is concerned.

Dr. Hyder. Q.—But would you have a poll-tax?

A.—Yes, on tourists.

The President. Q.—It would amount to the same thing. Would you say it is iniquitous if it goes to the Port Trust and a very good thing if it goes to Government?

A.—A tax on baggage is iniquitous, because very often, a huge piece of baggage weighing more than 200 lb. is paying one rupee and a very small deck chair carried for the purpose of sitting on the deck also pays one rupee. The poll-tax is more equitable that way.

Q.—Would it be a sort of poll-tax graduated according to the amount of your luggage?

A.—The aggregate amount might be weighed instead of a levy as is done at present.

Dr. Hyder. Q.—The same objection would be applied to a poll-tax: the poll tax is a tax of so much per head, whether the man is rich or poor, blind or maimed, sick or healthy.

A.—You could make a differentiation, as they do at present in pilgrim centres. If you go to Nasik and say you have gone there only for pleasure or on business, you are not taxed. If you have paid the tax, you can recover it the next day from the municipality. So too in many places of pilgrimage. A man coming to India from America in connection with the business of his firm recovers the tax, if levied, or is not taxed at all, and only a man who has come merely to look at India might pay. Of course, you have to take the man's word for it, as we do take it in the case of pilgrims.

Q.—A tax on hotels: would you give us a definition of the term 'hotels'? In Indian hotels, there would be no knives and forks, but in hotels owned by Indians and run after the European manner, there would be knives and forks. One index of what you mean by hotels would be given by knives and forks.

A.—No. By a 'hotel', I mean any establishment where a large number of boarders are taken for a certain charge. I would issue licenses for the starting of these hotels, and they would be in the interests of sanitation and revenue. A man coming to Bombay and starting a hotel (if the hotel is licensed and registered) would be more under the direct eye of Government than a man who comes and lives in any nook or corner of the city.

The President. Q.—Does not the municipality tax these places already?

A.—Not much, and not in the manner I want to suggest.

Dr. Hyder. Q.—How would you levy this tax?

A.—Before a hotel is started, the man should be made to apply for a license to Government. I would charge according to the number of persons that the hotel professes to accommodate.

Q.—A tax on cigars and cigarettes: would you tax cigarettes?

A.—Yes, subject to what I have said above about the gradation of the tax for different kinds.

The President. Q.—You say that "the fees for registration in India of trade-marks of imported articles should be considerably increased." Under what law are any fees levied at present?

A.—Under the Indian Registration Act. If a Japanese firm wants to get a patent registered in India, the Indian Patent Office charges some fee. I suggest that this fee be increased for foreign articles.

Q.—Patent registration is quite a different thing from trade-mark registration.

A.—Even trade-marks are paying fees under the same Act.

Q.—To whom is the fee paid?

A.—It is paid to the Chamber of Commerce.

Q.—Are they registered?

A.—Patents are registered by the Indian Patent Office, and trade marks by the Chambers of Commerce. Government do not benefit by these fees which are paid to the Chambers of Commerce.

Q.—When you say that “fees for registration of trade-marks should be considerably increased”, you evidently mean that a fee should be imposed?

A.—Yes.

Q.—You say that the salt tax is the only tax paid by the labourer?

A.—Perhaps also the cloth tax.

Dr. Hyder. Q.—What about matches?

A.—I do not think you would be surprised if I say that the agrarian labourer, who is referred to here, seldom has a light in his house.

The President. Q.—You say that there are three stages in the consequences produced by taxing liquor: up to a certain extent the commodity bears taxation very easily and is a good source of income to the State. After that limit is reached, a still higher tax might act as a deterrent of manufacture or export; after that stage, dishonest evasions and smuggling become rampant. That is to say you advocate gradual taxation, as explained above, up to the point at which dishonest evasions and smuggling become rampant.

A.—No, up to the point where a safe taxation is reached. I am against very heavy taxation even though it be gradual. There is a limit to gradual taxation as well.

Q.—If you stop at a point where smuggling becomes rampant, how would you reach prohibition?

A.—It would be more a matter of policy than practice. If people are ready to practice prohibition, well and good; otherwise I would not regard it as safe for the Government to make it obligatory that nobody should drink. I do not think it would be a success in any country, not even in the most democratic countries.

Q.—Without a strong feeling in its favour, you would not attempt to force it on the country?

A.—No.

Q.—Is not your policy almost identical with that which Government have been pursuing?

A.—As I said already. I am in full agreement with the excise policy of Government after 1922.

Q.—But Government are going in advance of you, prohibition is their goal.

A.—I do not think that Government are actually going in for prohibition that way.

Q.—You say that registration fees can be profitably increased: do you think it is quite fair to charge something more than the cost of maintaining the offices?

A.—Yes, on the ground that you give protection to the indigenous industry.

Q.—You would increase the tax on owner-driving licenses for cars? Would you advocate a scheme of provincial taxation which would be made over to a road board, or to a body corresponding to the road board

in England, but as a corollary, cars would be exempted from being held up at toll-gates, which is a nuisance?

A.—They are not a source of nuisance, but the habit of touring the country in cars is not so popular except between Bombay and Poona, or between Bombay and Nasik to a lesser degree, and, say between Madras and Ootacamund, and Mysore and Ootacamund. In Sind, for example, there are no roads worth going on by cars, and I think the railways are more popular there than cars. One reason in India might be the extensive proportions of the family. A joint family that possesses a car cannot accommodate in it all the ladies and children. I think it would be fair to increase the owner-driving license fee: as it is, owners are already exempted and treated as privileged persons. Their photograph is not put on the license and, if you will excuse my mentioning it, my experience is that very often the drivers try to bribe the lesser officers to get a license. They actually pay more than the owners. The owners would not feel the difference if they are made to pay more.

Q.—Are not both subject to the same tests?

A.—Yes, in driving, but the owner can be put down. His existence does not depend on driving, he does it as a luxury; but the drivers are now trying to get licenses by paying more.

Q.—You propose to penalize the paid driver who is incompetent and bribes an officer to get a certificate?

A.—That is only a side-mention. I propose to tax the owner-driver more, because he drives the car only as a luxury and not as a necessity.

Q.—You might put it in the other way, that the poorer man drives his own car and the richer employs his own chauffeur.

A.—He will then be no more poor in this country.

6th June 1925.

BOMBAY.

*Present:*Sir CHARLES TOMUNTER, K.C.S.I., I.C.S., *President.*

Sir BHAY CHAND MAHTAR, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Rao Bahadur Maneklal Lallubhay, Superintendent of Salt, Thana, was examined and gave oral evidence as follows:—

The President. Q.—Are you the Superintendent of Salt Revenue, Thana?

A.—Yes.

Q.—You were good enough to conduct us over the Dadar Salt Works this morning. And would you accept this note which will be appended to your evidence as an account of the state of affairs seen by us and the nature of the accounts inspected by us?

A.—Yes, with slight corrections, especially in the last paragraph, where I don't think the whole thing can be attributed to the grading.

(The President read out the note.)

Sir Percy Thompson. Q.—With regard to the storage, suppose a man has four heaps of different grades.

A.—If they are of different grades, then he can open any of them.

The President. Q.—How many licensees have you?

A.—More than a thousand.

Q.—What does a *shriloti* mean?

A.—*Shriloti* means the owner. It means only a licensee—the owner of the salt work; and he engages under him manufacturers and labourers.

Q.—“A sentry box is placed near each large group of heaps and a single sentry posted there. Superior officers are also expected to patrol. The guards are not armed.” Are there any specific orders about the number of patrols?

A.—Yes; there must be so many night-patrols and so many day-patrols.

Q.—Is that laid down in the manual?

A.—No; not in the manual. The *umadars* or *amuldars* are required to go twice every night. Another officer has to go twice a week. The *daroga* who is a superior officer drawing Rs. 70—150, goes about four times a week at night. The sentry will be there throughout the day and night, the change being at every four hours.

Q.—Now coming to accounts, the pay of the weigh clerk is Rs. 25—50?

A.—Yes.

Dr. Hyder. Q.—The *shriloti* takes out the license and you are there to collect the duty. I want to know how the *shriloti* obtains his cost price.

A.—He makes his own private arrangement to collect it. When he actually sells salt, he puts in an application signed by himself and the purchaser mentioning the quantity of salt sold. The Government is merely concerned with the collection of the duty.

The President. Q.—In the second paragraph under ‘accounts’, it is stated, “Consequently, it is not possible to say what was the wastage ascertained on the outturn of any particular heap.”

A.—No; the wastage is already recorded. We always show the wastage in No. IV Register. There is a column there for entering the wastage.

Sir Percy Thompson. Q.—Suppose you have a heap of 300 maunds and the man takes out 100 maunds; then that is recorded. He takes out another 100 maunds and that is recorded; and he takes out another 60 and the heap is exhausted. It automatically shows 40 maunds as wastage. In other words, the wastage is just the amount which turns out to be the difference between the estimate and the amount taken out by way of sale until the heap is exhausted.

A.—Yes.

The President. Q.—Where is the amount of wastage in individual heaps shown?

A.—In the No. IV Register.

Q.—Could you tell me the percentage of wastage—that is on 100 heaps?

A.—No; we cannot say.

Sir Percy Thompson. Q.—Now take that particular heap which is shown as 262 maunds. Now you go round and look at the heap and say, "I think it is only 261½ maunds", so put down ½ maund as wastage. And then later you go round again and say "I do not think it is 261½ maunds but only 261; and you put down another ½ maund as wastage. Then at the end you have got about 256 maunds; and meanwhile the stuff is being taken out.

A.—No; in the monsoon it is not taken out. When the thatch is removed after the monsoon, we fill in the last column of wastage.

Q.—All right. Now we have got this down to 256 maunds; and now the monsoon is over and the man starts taking it away; he takes away first 100 maunds, then 100 and then 20 and then there is nothing left.

A.—Then that is due to overestimation.

Q.—It is either by overestimation of the heap or underestimation of the loss by wastage. In other words, you do not know what it is.

A.—Yes. What remains is the balance, whatever it is due to, I agree.

Q.—Then would you be any the worse if the books are not used at all?

A.—No.

Dr. Paranjpye. Q.—How can you estimate wastage in heaps in the succeeding months, if they are covered with thatches?

A.—Yes; it is difficult.

Q.—Supposing you have got a heap of 300 maunds and 5 maunds are lost?

A.—You can see the heap going down. That will be shown as wastage.

Q.—So you would never be able to show a wastage unless it is 20 per cent or so?

A.—Yes.

Q.—The only figures which are worth anything at all are the figures showing the actual sale?

A.—Yes.

The President. Q.—Have you any account which shows all the transactions relating to a particular heap?

A.—No.

Q.—The only thing that shows that the whole heap is finished is the circular mark?

A.—Yes.

Q.—In the No. IV Register here, the heap begins with 235 maunds; then it comes to 115 maunds; then to 108 and then to 100. Have you any record showing how much duty was paid?

A.—Yes; it is found in the other registers.

Q.—Does that show the number of the heap?

A.—Yes.

Sir Percy Thompson. Q.—You start with 235 maunds; then there is the figure of 115 and finally it is 100. So this result of 100 is estimation *minus* facts, which means estimation. Now can you tell us how much he took out of that 100 in order to clear the heap?

A.—The whole quantity.

Q.—Even there your estimation is correct. Did he take exactly 100?

A.—Yes.

The President. Q.—There may be only 200 originally or there may be an error in the estimation. 100 is only the estimated balance you have in hand. There is no record of issue at all.

A.—Yes, it is not shown there against each neap.

Sir Percy Thompson. Q.—You have got the last figure 100 and the thing is cleared. Now *how* is it cleared? Was it cleared, by taking 2, or 10 or 20 or 40 or 100 maunds?

A.—Yes; that is not shown.

Q.—Then your accounts are absolutely useless.

The President. Q.—Consequently, it is not possible to say what was the wastage ascertained on the outturn of any particular heap.

A.—Yes; according to what you say.

Q.—You make a difference between the loss by floods and loss by estimation?

A.—Yes.

Q.—So in that paragraph if I put the words 'including loss by over-estimation' after the word 'wastage', it would be all right?

A.—Yes.

Q.—How do you arrive at the figure for wastage which is shown in the Administration Report? Is not the sum total of the loss on individual heaps?

A.—We get the total of the wastage from Register No. IV.

Q.—How do you get at loss by overestimation?

A.—On the clearance of each heap. It is shown in the No. III Register.

Q.—What is it posted from?

A.—From the No. V Register.

Q.—You can't find out from that Register?

A.—Yes; we can find it.

Sir Percy Thompson. Q.—You know what is being taken out; and you make another estimate of what is left in the heaps and you take the balance as correct?

A.—Yes.

The President. Q.—At the beginning of the next season, what are you going to do?

A.—It is destroyed.

Q.—You destroy and write off. You write off also a large amount for error in estimation?

A.—Yes.

Q.—How do you arrive at the figure?

A.—From the No. V Register.

Q.—Do you ever take stock at all?

A.—We are not required to do so in the manufacturing season.

Q.—You say you have so many maunds in stock on the 31st March.

A.—That is by estimation. It is not a correct figure at all.

Q.—Is the amount written off for overestimation arrived by taking the difference between the estimated quantity on the 1st July and the estimated quantity on the 1st of April? Your stock in hand at the end of the manufacturing season for 1925 is, say, 68 lakhs of maunds, and on the 31st March

1926 you will show 6 lakhs of maunds as the result of another estimation. Therefore, you have sold or lost 62 lakhs of maunds. Say you have sold 40 lakhs of maunds; your loss by estimation is 22 lakhs of maunds.

A.—We show our loss at the end of the season, that is, the 30th June. Our year is from 1st July to 30th June.

Q.—You take stock once a year?

A.—Yes.

Sir Percy Thompson. Q.—On the 1st of July you have got the whole lot of heaps and you say there are 60 lakhs of maunds here. Now it is taken out during the monsoon. You come to October and start manufacture and by hypothesis you do not know how much you manufacture next season.

A.—Yes; we do not know.

Q.—And yet all you can do is to estimate the quantity which you have got on the ground. How can you say anything is due to overestimation? Can it be that you manufacture more salt?

A.—During the manufacturing season we do not keep any account at all of new salt except recording sales and we have got no estimation.

Q.—You have got your heaps of 60 lakhs of maunds on the 1st July. What you do, in order to take stock on the 1st July 1926, is to take just the balance of those particular heaps.

A.—The balance on the platform in the previous year.

Q.—So your overestimation is simply the result of 60 lakhs of maunds minus 20 lakhs taken out. That ought to leave 40; but it only leaves 6 and therefore, 34 lakhs of maunds is less due to overestimation. In other words, you subtract 6 from 40 and you get it.

A.—Yes.

The President. Q.—You don't estimate the old salt?

A.—The old salt account is kept separate.

Q.—The estimate minus sales minus the wastage and the remaining stock is loss by overestimation?

A.—Yes.

Sir Percy Thompson. Q.—This, your opening account next year will show?

A.—We remeasure that.

The President. Q.—Then the next paragraph says. 'Stock is again taken by eye-estimate before the salt of the new year comes on to the bunds. Thus the wastage written off every year has to be reckoned, not against total manufacture, but against the estimate of the total quantity in hand on 30th June'.

A.—We do not keep any account of new salt manufactured during manufacturing season.

Q.—If you have lost 6 lakhs of maunds and start with 60 lakhs, your percentage of wastage is 10 and you do not reckon against the 120 lakhs?

A.—No.

Q.—"And includes the (estimated) amount for the destruction of which sanction is given by the Collector of Salt Revenue plus estimated loss by rain, damage and flood, plus difference between the estimates of the stock in hand at the end of one manufacturing season and the beginning of the next."

Q.—But in your accounts you distinguish between the loss by flood and the loss by overestimation.

A.—Yes.

Q.—There is one more sentence which I have not read to the Committee. You say, "it is not possible to say what was the wastage ascertained on the outturn of any particular heap, or to tally stock of the salt in hand on any particular date with the quantity shown in the books. In other words, whole heaps might be removed without attention being called to the matter through the books."

Sir Percy Thompson. Q.—Will your books show it?

A.—Books won't show, unless it is shown clearly. We do not keep separately heap accounts.

Q.—Then there is another passage. "With reference to the recommendations in chapter V of the Report of the Salt Committee, 1904, new Salt Works are being opened at Bhandup, but no fence is being placed round them. An endeavour was made to find lessees who would store on central platforms and maintain a reserve of 15 per cent but without success, and indiscriminate storage is therefore being allowed."

A.—Yes.

Q.—The whole objection arises with the system of grading. If there is no grading there will be no objection to storing in bigger heaps?

A.—Up to a certain extent it is true as it protects the crystals also and the removal of salt. But I won't attribute this to the grading of salt.

Q.—But you do agree that grading is necessary?

A.—Yes. But there are other reasons you should consider. There are several shareholders in each Salt Works and they manufacture 40 or 50 maunds every year.

Q.—In Madras they do not mind putting it into large heaps.

A.—I do not know that.

The President. Q.—Therefore you will agree that the small heaps are necessitated by the system of grading. They are also preferable in the case of petty licensees?

A.—Yes.

Q.—If there was no grading there will be less objection to the central storage.

A.—Yes.

Q.—What the Central Board want to do is to put the licensees of the two places on a par, and the only way to do it is either to apply your regulations to Madras salt or their regulations to your salt, or adopt some sort of middle course.

A.—Yes, I quite agree. As far as this province is concerned, we should not encourage this competition.

Q.—Do you know if grading does good to anybody except the trader?

A.—Quite so. It does not do good to anybody except the retail trader.

Sir Percy Thompson. Q.—Only when they sell by measure?

A.—Yes. It is sold by measure in all places in Bombay except in Gujerat. Sea salt is sold by measure.

Note on a visit to the Dadar Salt Works on the 6th June 1925.

General.—The manufacturing season was over, and the salt had been graded, stacked and covered, and an account taken by estimation, but numbers had not been attached to the heaps. Heavy rain had fallen, but the floods had not reached the level of the heaps as in 1924.

The Salt Works adjoin an area under development by the Port Trust which have a large block of cooly lines practically within them and adjacent to one of the places of storage. There are other houses abutting on them on the land side and a railway adjoining them. They are traversed by a railway, a creek and a pipe line and consequently there are numbers of persons having business within the limits whom it is impossible to exclude. Fishing within the limits is permitted. Under such conditions pilfering is to be expected.

Storage.—The salt is stored in long lines of heaps adjacent to the pans, extending in all for miles. These are placed for choice near roads, railways or creeks. But the main consideration is to reduce carriage and handling and consequent interference with the grading to a minimum. The heaps are all small and each contains salt of a single grade. The coverings are of

grass and can easily be penetrated without disturbance. One heap of each grade of each *shriloti* is to be opened at a time.

Guarding.—A sentry box is placed near each large group of heaps and a single sentry posted there. Superior officers are also expected to patrol. The guards are not armed.

Accounts.—During the manufacturing season, that may extend from October to June, no account is taken of the quantity manufactured, and each licensee, as he makes and grades his salt, may add to any of the heaps he has by manufacture, or reduce it by sales as he pleases. The only account taken during this period is of the salt issued on payment of duty. This is weighed on a steel-yard by a weigh clerk and check-weighed at a check-weighment station. The number of maunds found in excess on check-weighment at the checking station visited by the Committee was 253 maunds on sales of over 7 lakhs.

At the end of the manufacturing season when all the salt has been stacked in conical heaps, a measurement is made of the height of each heap and the circumference of the base and on this an estimate of the contents is made on the basis of data ascertained by the actual weighment of salt of different grades. When sales take place after this list of heaps has been prepared, the quantity in a heap from which a sale is made is struck out and a reduced quantity entered. But no corresponding entries are made in the other books. Consequently, it is not possible to say what was the wastage including loss by overestimation ascertained on the outturn of any particular heap, or to tally stock of the salt in hand on any particular date with the quantity shown in the books. In other words, whole heaps might be removed without attention being called to the matter through the books.

Stock is again taken of the old salt by eye-estimate at the close of the year (30th June). Thus the wastage written off every year has to be reckoned, not against total manufacture, but against the estimate of the total quantity in hand on 30th June and includes the (estimated) amount for the destruction of which sanction is given by the Collector of Salt Revenue *plus* estimated loss by rain, damage and flood, *plus* difference between the estimates of the stock in hand at the end of one manufacturing season and the beginning of the next. The figure of loss by flood is the total of the estimates of loss in the conical heaps made during the monsoon.

New Salt Works.—With reference to the recommendations in chapter V of the Report of the Salt Committee, 1904, new Salt Works are being opened at Bhandup, but no fence is being placed round them. An endeavour was made to find lessees who would maintain a reserve of 15 per cent but without success, and indiscriminate storage is therefore being allowed. Similarly, with the pans which belong to the Government and are let on quinquennial leases. Small heaps are necessitated by the system of grading. They are also preferable in the case of petty licensees. If there were no grading, there would be less objection to central storage and the objections to maintenance of reserve stocks would be greatly diminished.

8th June 1925.

BOMBAY.*Present:*SIR CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

SIR BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

SIR PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Messrs. V. A. GRANTHAM, J. C. K. PETERSON and B. SULLIVAN, representatives of the Bombay Chamber of Commerce, were examined.

Written memorandum of the Bombay Chamber of Commerce.

In considering the questionnaire issued by the Indian Taxation Enquiry Committee, the Committee of the Chamber have devoted considerable thought to the covering resolution by the Government of India, Finance Department, issued on the 26th May 1924, in which it is stated that the motive for the appointment of the Committee is not any need for meeting additional expenditure or any intention to increase the total amount raised by taxation in India, but rather the need for consideration of the effect produced by the War on the incidence of taxation in its existing forms, and for examination of the alternative sources from which to raise money to meet expenditure, which has become necessary, as the result of changes in the relations between the Central and Provincial Governments and of other causes, such as the more drastic regulation of the liquor traffic, and changes in the fiscal system.

The Committee would say, at the outset, that they do not consider that they are in a position to deal with the general question of the equity of the whole scheme of taxation, or to say whether it is in accord with pure economic principles, but at the same time they feel that it is desirable to provide answers so far as possible to those questions which have a bearing upon the trade of the country.

To make this clearer, they would explain that, while it may be possible to approve of certain methods of applying indirect taxes, they do not wish to be construed as necessarily accepting the position that all or any of those taxes should be imposed. For example, the principle of wheel taxes, taxes on betel-leaf and areca-nut, and on tobacco may be agreed to, but they recognise that these are taxes which are intended indirectly to reach the poorest classes, an object already attained by the salt tax, and they cannot help feeling that the multiplication of a number of such taxes must bear with undue hardship on masses of the people incapable of bearing further taxation, and quite apart from the moral aspect, their opinion is that an increase of taxation on these lines should be resisted as being bad for trade generally.

At this stage, however, in the absence of any real knowledge of the distribution of wealth, or of the extent to which the proceeds of taxation are spent in the country, the Committee find it impossible to substantiate by any evidence other than what can be seen in any village up-country or slum in Bombay, the feeling that the masses already pay a sufficient sum in indirect taxation, and they could wish therefore that this enquiry into the incidence of taxation had been preceded by an enquiry into the taxable capacity of the country, as it is axiomatic that taxation must be accompanied by ability to pay.

Considering the matter from the broadest point of view, the object to be pressed for is a system of taxation which makes for the most general prosperity, and it is for this reason that they have advocated taxes such as death or succession duties, which are recognized in all civilised countries as being in every way equitable.

Bearing these considerations in mind, the Committee of the Chamber put forward the following answers to a certain portion of the questionnaire:—

Q. 3.—They agree that there are no figures in India corresponding to income-tax and death duties in other countries on which to base an estimate of national income.

Q. 5.—Inasmuch as the majority of the Indian population is agricultural and they understand that the Settlement Officers are in a position to furnish accurate statistics in regard to the area under cultivation, they do not consider that a general census of production is necessary, nor could its expense be justified.

Q. 6.—With reference to the Statistics Bill recently introduced in the Bombay Legislative Council, their opinion is that if it is considered necessary to collect such statistics, they should be collected for all India. If they could be obtained with any degree of completeness and accuracy, they would be of distinct economic value.

Q. 13.—The Chamber has consistently opposed any attempt by Government to compete with private enterprise, and the Committee endorse this attitude.

Q. 18.—The Committee consider that, while dues levied under the Indian Ports Act and under the Port Trust and similar Acts, are levied for a special purpose, they must at the same time fall within the category of indirect taxation. They should, however, yield no surplus to the general revenue.

Qs. 19 and 20.—Taxes imposed solely for expenditure on the needs of particular localities should not, in their opinion, be taken into account when considering the general incidence of taxation.

They realise that it may be argued that a particular locality may be being developed for imperial purposes, but they do not see how any line can be drawn in this respect so as to enable the taxation to be taken into account.

Qs. 27 and 30.—The Committee consider it a practical impossibility to exempt any individual member of the community either from direct or indirect taxation, but they regard a poll or capitation tax as objectionable. For the poorest classes they would prefer indirect taxation as being more suited to their particular psychology.

Qs. 33 and 41.—The Committee cannot recommend any increase in the rates of income-tax until such time as the machinery for collection has been improved and evasion substantially reduced.

It is understood that efforts are being made to train income-tax officers in the methods of Indian book-keeping in order that they may be in a position to detect falsifications of accounts without the intermediary of a clerk. While there are signs that some improvement has been effected by the introduction of these methods, they feel that evasion is still extensively practised.

Q. 34.—Subject to the prior fulfilment of the conditions enunciated in the answer to Qs. 33 and 41, the Committee would recommend that the graduation of income-tax be steepened.

Q. 35.—They agree that a differentiation should be made between earned and unearned income, and consider that an early opportunity might be taken to introduce the English system.

Q. 36.—They do not consider it practical, in India, without proceedings of an inquisitorial nature, to make allowances for the number of persons supported out of particular incomes.

Q. 37.—The Committee would be glad to see the Indian super-tax on companies removed at as early a date as possible, as they consider that it is checking the legitimate expansion of trade. At the same time, if the revenue derived from it is necessary to the State and its abolition would entail its imposition in some other form, they would prefer the tax to continue. They consider that the system enforced in England, whereby, when a company fails to distribute a reasonable proportion of its profits by way of dividend, the whole of the undistributed profit is liable to super-tax, is impracticable in India, and there would be a danger, moreover, that such a system might prove to be a severe check to the proper building up of reserves.

They would suggest that this tax might be replaced by death duties, which are discussed further in the answers to Qs. 120 and 137.

Qs. 38 and 100.—The Committee see no reason why the surplus income derived by agriculturists, after paying land revenue, should not be subject to income-tax on the existing scales, but they realise that there would be difficulties in arriving at assessment, owing to the illiteracy of the agricultural classes.

Q. 40.—Bearing in mind that there is no limit of exemption in the case of the payer of land revenue, in relation to the cost of subsistence, the Committee do not consider that it would be fair to reduce the limit in the case of income-tax.

They understand that the method of charging land revenue is so arranged as to permit the holder of the land not only to subsist but to earn some margin over the level of subsistence, and, in their answer to Q. 38, they have recommended a tax on agricultural surplus incomes on the existing scales.

Q. 42.—The Committee do not advocate the prescription of a form of account in the manner indicated, as it is doubtful whether the scheme would be practicable in dealing with an illiterate community.

Q. 43.—They do not consider that the adoption of the methods suggested would tend to reduce frauds upon the income-tax in India, as they doubt whether the force of public opinion could be brought to bear.

They can suggest no immediate steps to achieve this latter object which can only be arrived at by the gradual education of the people in the moral necessity for each member of the community to pay his full share of taxation.

Q. 44.—The issue of tax-free securities was a measure resorted to by Government for the purpose of raising money in an emergency and can only be justified on that account. It should, in the opinion of the Committee, be discontinued at the earliest possible opportunity.

Q. 45.—The imposition of a stamp duty on bearer securities would be tantamount to a corresponding reduction in the rate of interest on those securities, and they consider that the disadvantage to Government in so reducing the interest would outweigh any advantages to be gained by the imposition of the duty.

Q. 46.—This question falls under two heads, viz.,—

(a) Double taxation of an income derived partly in and partly out of India.

(b) Double taxation of an income derived wholly in India.

As regards (a), the Committee are in accord with the provisions contained in the Indian Income-tax Act, 1922, Section 49 (1); and they agree that where income is liable to taxation in two countries, it should be taxed at the highest rate available in either country, but not doubly taxed. Section 49 (1), of course, only has reference to the United Kingdom.

As regards (b), they are not satisfied with the operation of the Super-tax Act in that it operates with undue severity on companies with capital invested in subsidiary companies, amounting in fact to double and even treble taxation of the same profits.

Q. 47.—They are satisfied with the present arrangements in regard to assessment on the previous year's income.

Q. 49.—If it is required for revenue purposes, in order to reach indirectly large masses of the population which are susceptible to direct taxation, there would be no great objection to an excise duty, provided it could be graded or operated so as not to hamper in any way the legitimate expansion of any industry or check production. Salt and matches would appear to be articles specially suitable for this form of duty, inasmuch as they are universally used, while the consumption per head is relatively small, so that the tax need not be oppressive. But an excise duty being a tax on production as opposed to a tax on profits, such gradation or operation would appear to be almost impossible; and the Committee think, on the whole, therefore, that such duties should be opposed on principle except where the object is to check consumption, or in the case of State monopoly.

Q. 50.—It is possible to apply the graduated or progressive principle to indirect taxation, and this method is already being used to some extent, inasmuch as articles that are classed as luxuries are already taxed more highly by means of the import tariff than goods which are in universal use, but from the revenue point of view, the Committee of

the Chamber cannot recommend the wholesale application of the principle, as they consider that the undue raising of such taxation must tend to check consumption and be bad for trade generally.

Q. 52.—The Committee agree that it would be difficult to devise any other duty of general incidence less oppressive and less open to evasion than the salt tax.

Qs. 61 to 64.—The Bombay Government has accepted the principle of total prohibition.

The Committee do not consider that it is necessary that the Chamber should express any opinion as to the suitability of this principle, beyond observing that there are obvious reasons why it would appear to be almost impossible to enforce.

Q. 66.—The Committee would draw attention to the last annual report of the Commissioner of Excise (Bombay) for the financial year 1923-24, which discloses a serious increase in excise crime.

Q. 68.—If by supplementary duties on foreign liquors, supplementary import duties are to be inferred, their answer is in the negative, on the general principle that Local Governments should not be permitted to interfere with the import tariff.

Q. 78.—The Committee consider that the import tariff should be as well distributed as possible in consonance with economy of collection of the duty. The present import tariff follows this principle, and apart from any other consideration, they doubt whether it would be practical to make any drastic change in the system at this stage.

Q. 79.—It is a matter of common knowledge that the smuggling of such articles as sugar, matches, silk and silk thread into British India, through Cutch, Kathiawar and Portuguese and French India is extensively practised.

Q. 81.—There are certain respects in which the tariff can be re-arranged more scientifically, notably in connection with the preferential rates for component parts of machinery, but the Committee are satisfied that improvements are being made as attention is called to specific cases.

Q. 82.—As a matter of general principle, the Committee are opposed to export duties which really can only be justified in the case of a monopoly of production, for revenue purposes. The justification of an export duty on raw produce for protective purposes to a local industry is far more difficult as it must almost inevitably injure other interests and in particular that of the producer.

Q. 83.—While they agree generally with the conclusions reached by the Majority Report of the Indian Fiscal Commission to the effect that the system of specific duties and tariff valuations might be extended cautiously, the Committee are of opinion that for some considerable time *ad valorem* duties will be necessary for certain articles.

There is a very real danger of specific duties on articles in universal use being pitched and kept at too high a level, thereby increasing indirect taxation on a class that can illafford it, and incidentally hampering trade.

Q. 84.—On the whole, the system of tariff valuations is working quite satisfactorily.

Q. 86.—The Committee of the Chamber have already indicated in their answer to Q. 79 that considerable smuggling takes place through Cutch, Kathiawar, and Portuguese and French India.

The arrangements on the land frontiers also, are not satisfactory, but as the Government of India have recently acquired additional powers under the Indian Tariff Act 1894, in this connection, it is presumed that they are alive to the danger.

Q. 87.—Taxes are already imposed or about to be imposed in Bombay on some of the transactions mentioned in annexure K, e.g.—

Advertisements;
 Betting;
 Entertainments;
 Motor cars.

The Committee do not recommend the imposition of any of the other taxes suggested.

Qs. 89 and 93.—The Committee do not consider the stamps collected or the registration fees charged should be so limited as just to pay for the cost of the courts, registration staff, etc. The State performs a greater service than merely hearing a case and delivering a judgment or registering a document, not the least part of which is making the security of the subject effective and enabling him to obtain the benefit of his judgment, etc., and they see no reason why the stamps and fees should not contribute a small share towards the maintenance of those departments which deal with law and order and which produce no revenue. The question of the degree of such taxation is, of course, largely a matter of expediency, and no hard-and-fast rule can be laid down as to the extent to which it should be practised.

Q. 91.—There is no doubt that payment of stamp duty on transfers of shares is at present evaded to a very large extent.

In their evidence before the Atlay Committee, the Committee of the Chamber stated that they felt very strongly that such evasion should be made impossible and instanced, in particular, the very general practice whereby blank transfers are kept by brokers sometimes for months until the price of the share may have fallen considerably, the difference between the amount of duty finally payable and the correct amount on the basis of the value of the share at the date of purchase constituting a direct and by no means inconsiderable loss to Government.

The majority report of the Atlay Committee confirmed the existence of the practice to which the Chamber and other witnesses referred, but were unable to make any concrete proposals as they held that it was a matter of policy for the Government of India to determine. At the same time they expressed the fear that a more rigorous enforcement of the present transfer duty might result in the curtailment of legitimate business and confined themselves to the observation that the provision of facilities in or near the Exchange for the embossing of stamps on transfer deeds and the abolition of adhesive stamps were necessary incidents to the effective abolition of the blank transfer. Mr. Balubhai Desai in his minority report, while recognising the existence of numerous difficulties in the way of a completed transfer being insisted upon in Bombay, was inclined to think that they could be met by allowing the transfer to stand good even though blank for a certain period from the date of its issue. The Bombay Government have since intimated that the question is under reference to the Government of India.

The Committee are not blind to the aspect of the question to which the Atlay Committee refer, but at the same time they agree with the views previously expressed by the Chamber that every effort should be made to prevent the evasion of transfer duty. The only constructive suggestion, however, which they are able to make in that connection is that there should be imposed a legal obligation on brokers to affix adhesive stamps of the requisite amount to the contract note itself, in addition to the ordinary stamp duty payable on that document.

Q. 92.—All State fees necessarily contain an element of taxation.

Q. 95.—The Committee would like to see the abolition of the Entertainments tax, but having regard to the amount of revenue it produces in the Bombay Presidency (Rs. 9½ lakhs) they doubt whether the local Government are in a position to dispense with it.

Q. 105.—They do not consider that any further taxation should be imposed on the exploitation of, or trade in, minerals, or the possession of mines.

Q. 106.—In both cases the ability to pay must be present, but the Committee agree that in category 'b' the main criterion should be the measure of the benefits received.

Q. 107.—In their opinion no further powers of taxation should be given under Schedule II of the Scheduled Taxes Rules.

Qs. 108 and 109.—The criticism of an octroi is, in the opinion of the Committee, well founded and in the main, the same criticism can be applied to terminal taxes. Moreover, there is the grave danger that such taxes may develop into transit taxes with an incidence sufficiently heavy to check the growth of trade in a particular city or port without any guarantee that the proceeds of the tax will be spent on the development of the city or port for trading purposes. From a commercial point of view, therefore, they are opposed to the principle of terminal taxes.

House and land taxes appear to be perfectly satisfactory for local purposes.

Q. 111.—In March 1923, the Bombay Government undertook to take steps gradually to abolish tolls on provincial roads. This policy has the support of the Chamber.

Q. 112.—They consider that it is right that the house and land tax should be levied on the owner, who is quite able to shift the burden of the tax on to the occupier under normal circumstances.

Legislation of the nature of the Rent Act may operate against the owner, but in any case such legislation is abnormal.

Q. 113.—They consider that the limited experience of public work of municipalities as a whole, coupled with the want of education that must necessarily exist amongst various members of those municipalities, afford good grounds for limiting their powers in imposing the rate of tax on land and houses.

Q. 114.—The Committee of the Chamber understand that there is no limit of exemption from house tax in Bombay, and have no comments to make on this.

Q. 116.—There is no profession tax or companies' tax in force in the Bombay Presidency so far as the Committee of the Chamber are aware but at the instance of their members they had occasion to make representations to the Madras Government in 1921 and on several subsequent occasions on the subject of the relative provisions of the Madras City Municipal Act, 1919 and the Madras District Municipalities and Madras Local Boards Acts of 1920, which impose such taxation. The Committee have since been advised that amending Bills to the latter Acts were introduced in the Madras Legislative Council in 1923, which purports to remove many of the anomalies against which the Chamber protested, e.g., the basis of the companies tax has been altered from paid-up capital to business turn-over and each company is to be assessed in a Municipality, or local area on its business turnover in that locality, with an exemption limit of Rs. 5,000. It has also been made plain that where a Council or Local Board levies no companies' tax all companies shall be liable to pay profession tax and that where both taxes are levied only companies which are not assessed to the companies' tax shall be liable for the profession tax. At the same time no definite basis of assessment is laid down for the latter tax, the Chairman of the Council or Local Board being left entire discretion in that respect and the Committee consider that the difficulties to which the legislation in question has given rise only serve to emphasize the undesirability of conceding similar powers to other local bodies and confirm them in their view that the municipal taxation of such sources of income should be restricted as far as possible.

As regards the manufacture tax on cotton, they cannot do better than refer the authors of the questionnaire to the literature published by the Millowners' Association.

The general views of the Chamber on the subject of manufacturing excise duties are described in the answer to question 49.

Q. 119.—The Committee of the Chamber would oppose the introduction of any of these taxes, which must, in the main, have the effect of restricting trade, arresting the development of the country and probably, causing unemployment.

Q. 120 (1).—If by a universal income-tax, an income-tax without any limit of exemption is to be inferred, they are not in favour of it and as regards the suggestion of granting a rebate according to the size of the family, while the principle is sound, they consider that it would be quite impracticable in India.

(2) In their answer to Q. 38, the Committee have already signified that they would favour a tax on agricultural incomes, subject to certain limits of exemption. They also favour the imposition of succession or death duties, as they have stated in Q. 37. (See also the reply to Q. 137.)

They agree to the principle of a tax on horses, betel leaf and areca-nuts, and are not opposed to a general wheel tax if it could be made practicable, but as previously stated, they do not necessarily subscribe to the principle that all or even several of these taxes should be imposed.

They do not favour a registration fee on marriages or a tax on houses and they regard tobacco monopoly, and taxes on servants and other means of display as being too easy of evasion to be practicable.

(3) They do not favour a tax on dowries.

(4) They would accept taxes on advertisements and patent medicines. The former is already in existence in Bombay.

Taxes on costly imported articles of consumption already exist, to some extent, in the import tariff.

They do not agree to the principle of universal inhabited house duty and regard increment value duty as impracticable.

(5) A limited export duty on jute can be justified, vide the reply to Q. 82, but they consider that a duty as high as 25 per cent *ad valorem* would tend to kill the demand. From a revenue point of view they would oppose an export duty on hides and skins and are opposed to a marriage duty.

Q. 121.—The Committee of the Chamber cannot accept as being true of India the statement that a tax on tobacco has the advantage of being administered at a very low cost. They have already stated in their answer to Q. 120, that a tobacco monopoly would be easy of evasion.

Imported tobacco already pays duty but it would be very difficult, in their opinion, to levy a tax on all the tobacco grown in the country.

Q. 133.—They prefer specific to *ad valorem* duties for tobacco cigars and cigarettes.

Qs. 132 and 135.—Since India cannot produce the various qualities of tobacco that are imported, the Committee would not favour a heavy duty on imports of manufactured tobacco as preferable to an excise duty on Indian-made tobacco.

They do not object to the principle of an excise duty on locally-manufactured tobacco for revenue purposes provided it does not handicap the local industry and can be collected without evasion or undue expense.

Q. 136.—They would not object to (c) provided smuggling from Indian States could be prevented.

Q. 137.—The Committee feel very strongly that the introduction of such duties should be taken into consideration, whether new sources of revenue are required or not. (Vide replies to Qs. 37 and 120.)

Q. 138.—The Committee agree in principle to all those methods.

Q. 139 (3).—If by Federal is to be understood the Central Government, they agree that all inheritance taxes should be administered centrally subject to a subsequent distribution among Local Governments.

Q. 140.—The Committee of the Chamber recommend the British system for trial.

Q. 141.—They consider method (a) viz:—to apply the tax to the share of the deceased, to be appropriate.

Q. 142.—They accept this proposition.

Q. 144.—The imposition of duties on inheritance or succession presupposes a certain standard of honesty amongst the people. There would be some difficulty in assessing the duty in the case of movable property other than stocks and shares; that difficulty being present in inverse ratio to the honesty of the people, but the Committee do not consider that this should be made a reason for not attempting to collect the duty.

Q. 145.—The Income-tax Agency.

Q. 146.—In the opinion of the Committee Rs. 1,500 would be an appropriate exemption limit in India.

Qs. 147 to 149.—The Committee of the Chamber are not prepared to attempt to indicate what constitutes a suitable basis for a theoretically correct distribution of taxes between Central and Provincial Governments, but they desire to re-affirm their support to the representation recently made by the Bombay Government with regard to the Meston Settlement.

Q. 152.—They agree that export and import taxes must be national in character.

Q. 153.—Subscribing as they do, in their answer to Q. 152 to the principle of export taxes being national in character, it follows that the

Committee of the Chamber do not agree that export duties levied on goods that can be identified as the produce of a particular province should be allotted to the province concerned.

Qs. 154 and 155.—In 1918, the Chamber supported the Burma Chamber of Commerce in a representation to the Government of India urging amongst other things that as far as possible a uniform excise system should be established for the whole of India and Burma.

The Committee of the Chamber still subscribe to this principle though they realise that if prohibition is to be introduced by one province and not another, it must be necessary for the province which desires total prohibition to have the right to reach that end in its own ways, one of which might be the infliction of prohibitive duties.

It is presumed that this question refers only to liquor and drugs. If, however, excise duties on manufactures of other articles are to be included, such as is suggested in Q. 155, they would state their opinion that all duties on manufactures should be central and centrally controlled.

Q. 156.—They agree that income-tax and succession duties should be centrally administered. They can see no reason why a division of the proceeds should not be practicable even though it may be arbitrary. It should be based of course on equity and in this connection the Committee would again refer to the representation of the Bombay Legislative Council with regard to the Meston Settlement.

Q. 157.—They see no necessity to alter the arrangement made in 1923 introducing uniformity in the administration of the Stamp Act, and no reason why such duties as are now administered locally, should be centrally administered.

Q. 162.—The Committee of the Chamber are of opinion that no hard and fast line can be drawn. For example, under the existing system Provincial Governments pay customs duty which is a source of central revenue and they see no objection to this.

At the same time they agree that as far as possible the various Governments should not be allowed to tax the property or transactions of each other.

Q. 163.—If the words 'State enterprise' include local authorities, the Committee consider that the post office, telegraphs, irrigation and water-supply are matters for State enterprise, whereas telephones, gas, electric lighting and electric power are better undertaken by private enterprise, provided the scale of charges in the license is limited as at present.

Q. 164.—The Committee of the Chamber would not support such State monopolies.

Q. 165.—They would not recommend an extension of the monopoly system.

Q. 166.—Except for reasons unconnected with revenue, e.g., the control of the production of quinine, they repeat that they would not recommend the extension of the monopoly system.

Q. 167.—They accept the statement as applicable, *mutatis mutandis*, to conditions in India.

Messrs. Grantham, Peterson and Sullivan gave oral evidence as follows:—

(The answers were given by Mr. Grantham except where the contrary is stated.)

The President. Q.—You have been good enough to answer quite a number of questions in our rather elaborate questionnaire. I think we may take as read the preliminary qualifications under which you give your evidence. You say on the subject of incidence, you wish that this enquiry into the incidence of taxation has been preceded by an enquiry into the taxable capacity of the country. Do you think it would be practicable to get any definite idea about the taxable capacity of the country?

A.—We look at it from the point of view that unless one knows the taxable capacity of the people, it is very difficult to make any recommendations as to how the system of taxation could be changed.

Q.—There is another committee sitting to consider how you would arrive at the taxable capacity. It is said to be very difficult to arrive at any definite figures, and that when you had got them, they would be out of date. Generally speaking, a Chancellor of the Exchequer does not worry about the average income. He only concerns himself with putting on taxes to hit or relieve certain classes.

A.—Is it not rather difficult to say which class is paying too little and which class is paying too much, unless you know exactly what their incomes are?

Sir Percy Thompson. Q.—In some cases, for instance, the income-tax, the effect is automatic; the richer a man, the more he pays.

A.—But the bulk of the taxation in India is indirect.

The President. Q.—It is suggested that the poorer classes pay on salt, cotton duty, petroleum and matches, but there is a class above that which does not make any fair contribution towards the general revenues, such as the small shopkeeper. He escapes the land assessment and he does not pay much more in taxes than the average cooly. Then there is the landlord who is generally stated to constitute one of the classes that escapes many kinds of taxation. You can tell which class is paying its share.

A.—I think we felt that the bulk of the taxation is on the poorer classes who are taxed indirectly. Therefore it is very difficult to put further taxation on to them or to take it off unless one has got some idea what each man's income is.

Q.—Your idea is that the poorest classes are generally paying the full share?

A.—Yes.

Q.—Then you favour an increase of the taxation on higher classes?

A.—I do not think it is a necessary corollary that we should increase their burden.

Q.—At any rate you think you should not increase it?

A.—Yes, as it would appear to us the poor are sufficiently taxed.

Sir Percy Thompson. Q.—Take, for instance, salt, how much does the poorest man pay?

Mr. Peterson. A.—The real difficulty is that we do not know how much they are paying for salt.

Q.—From the figures we find that he pays three annas.

Mr. Peterson. A.—Are these statistics accurate? I think we feel that even if you had figures regarding what a poor man is actually paying, you have no idea as to what he could actually pay.

The President. Q.—Even as between the families in the poor class you will find, according to Dr. Mann's very careful enquiries, enormous variations between similar classes in different districts.

A.—Yes, that is quite correct.

Q.—I think it is rather difficult to say. Supposing you had the most elaborate statistics of different classes, how would you be able to apply them?

A.—Still it is very difficult to say without it how they should be taxed.

Sir Percy Thompson. Q.—Even where you have got good statistics as in England, it is very difficult to find out the income of the poorest class, such as the agricultural labourers.

A.—But even the agricultural labourers in England get more or less a standard wage now.

Q.—Even if it were practicable to divide India into classes, say 100 classes and then get their incomes, would there not have to be 100 subdivisions? Take the agricultural labourers, don't you think that their wages vary enormously all over India?

Mr. Peterson. A.—I don't think they vary very much. Take an average village in Bengal and find out the income of an agricultural labourer in that village, then you will find that the income of agricultural labourers all over Bengal will be very much the same.

The President. Q.—It is very difficult to find out even with one's own servants. One would smoke cigarettes and another would smoke *biris* or drink liquor.

A.—I think expenditure on real necessities of life would not vary much.

Sir Percy Thompson. Q.—The difficulty is that it is the poorest classes who drink most. Is it not rather difficult to hold that the poorest classes are overtaxed when they voluntarily go in for consuming an article which involves a very high duty?

A.—I am afraid I have very little knowledge as to how much the up-country people drink.

Q.—We have certainly been told that it is the lower class people who drink.

A.—If you apply the case to the manufacturing labouring classes in Bombay, I should say that you are right. They do spend an extraordinary amount on drink proportionate to their wages.

Q.—I put it to you it is rather difficult to say that a man is overtaxed when he goes voluntarily and consumes something which in itself is subject to enormous taxation.

A.—I quite agree to that. We felt we have very little knowledge what his income is at all and what he is paying on necessities of life. We have very little knowledge of his real budget.

The President. Q.—You would like to see the collection of family budgets extended on the lines which have been recently done by Mr. Findlay Shirras?

A.—I think on the whole it would be very useful.

Dr. Hyder. Q.—You will please look to your answer to Q. 5. You say that "inasmuch as the majority of the Indian population is agricultural and they understand that the Settlement Officers are in a position to furnish accurate statistics in regard to the area under cultivation, they do not consider that a general census of production is necessary, nor could its expense be justified." Can you draw a conclusion from that that the returns of crops are also accurate?

A.—No, you cannot.

Q.—You think these returns ought to be made more accurate?

A.—Yes, we have pressed for that more than once.

Q.—Do you think the same could be applied in the case of the organized industries also, like cotton, jute, etc., on the following points, what is the total amount of produce, the crops, wages, prices, etc., to ascertain the economic condition of five million people every year?

A.—We have already recommended in our written evidence to the Economic Enquiry Committee that it should be done.

Q.—I gather from your answer that the census of production would not be worth the cost.

A.—That is as regards agricultural produce.

Q.—Do you think it would cost us a great deal?

A.—I think what was behind our idea was that the existing departments should be able to get on with this work without any unusual establishment for this particular work.

Q.—I am interested in your answer to Q. 13. You are opposed to any manner of Government commercial undertaking?

A.—Yes, very definitely.

Q.—Even if this relates to naturally monopolistic undertakings?

A.—If it is in a matter like salt, we should not oppose it.

Q.—Think of the undertakings which are of a monopoly nature from the very nature of the case.

A.—Could you state an instance, Sir?

Q.—Railways.

A.—On the whole we are opposed to State railways.

The Maharajahdiraja Bahadur of Burdwan. Q.—Don't you think that railways in almost in every country are practically becoming State railways nowadays?

A.—I am opposed to State railways in this country or in any other country.

Q.—You are opposed to the State stepping in where private enterprises should be allowed to have its chance?

A.—We think there is more enterprise and more economy if it is done by private enterprise than by the State.

Q.—Don't you think people will have better chances of having their grievances redressed with a company-run railway than with a State railway authority?

A.—Certainly.

Dr. Paranjpye. Q.—Do you think the same principle would apply in the case of Indian railways where the capitalists are generally foreign? Don't you think that your statement requires modification?

A.—None whatever. I do not think that makes any difference at all.

Dr. Hyder. Q.—When coming to Q. 18, supposing these were operated by a company and it made a profit, and then you would say there is an element of taxation?

A.—We did not recommend that port administration should be under company management.

Q.—The point is this. Everything that State takes is really in the nature of a tax in providing port and harbour facilities. If these facilities were provided by a private commercial company, then you would say that what the companies charge is also a tax?

A.—We assume throughout that there should be no profit on the port dues.

Dr. Paranjpye. Q.—Do you think there is an element of taxation in it?

A.—Yes.

Dr. Hyder. Q.—You say at the end that they should, however, yield no surplus to the general revenue. If these ports were all run by private companies, they would at the end of the year distribute profits; you would call this sum of money a return for the services rendered, but if the State makes profits and adds to the general revenue, you say there is an element of taxation.

A.—We have said that either fees should be reduced or surpluses should be spent on improving or extending the port.

Q.—Do you think any private commercial company will do that? Do you apply this principle to your own business?

A.—I still do not see how this question applies to ports. The success of administration of ports may be very largely due to the fact that the governing bodies consist of non-Government members.

Dr. Paranjpye. Q.—I shall put to you the example of a tramway company. In some places tramways are managed by local bodies. Do you mean to say that they should make no profit and that, if they happened to make a profit, they should reduce their fares?

A.—I have never said that.

Q.—In answer to Q. 18, you say that "the Committee consider that while dues levied under the Indian Ports Act and under the Port Trust and similar Acts are levied for a special purpose, they must at the same time fall within the category of indirect taxation".

A.—That applies purely to ports.

Q.—Can you not conceive of a port being managed by a private firm?

A.—I should not like to see an Indian port managed by a private firm under any circumstances.

The Maharajahkiraja Bahadur of Burdwan. Q.—Is it because ports would be an unlimited source of income?

A.—Besides, the management of ports has very great effect on the trade of the country.

The President. Q.—In South America you have many cases of ports managed by railways.

A.—Yes, it is done in England too.

Dr. Paranjpye. Q.—In that case, what do you think of the profits made out of the management of ports: is it taxation or not?

A.—In the case of a private company which makes profits out of ports and distributes them to its shareholders, obviously it is taxation. It is taxation on one class of people by another.

Sir Percy Thompson. Q.—Qs. 33 and 41: you would not like to see the rates of income-tax increased until such time as the machinery for the collection of the tax is improved. Is it not improving?

A.—There has been improvement, but I think there is still a great deal of room for further improvement.

Q.—Have you any suggestion to make as to how the machinery could be improved?

A.—I do not think I have.

Q.—One suggestion has been made to us that non-official bodies should be associated with the income-tax assessors. Do you think it is a possible suggestion?

A.—I do not think so.

Q.—Do you think that tax-payers would object to their competitors knowing details of their income?

A.—I think so.

Q.—Why should they object here? As you know, in England, the income-tax is administered by unofficial bodies known as District Commissioners.

A.—Information travels very quickly in this country.

Q.—Do you think there will be any harm in having, in big towns like Calcutta, Bombay and Madras, a non-official body selected from among commercial men to whom there should be a right of appeal without going to the higher official?

A.—We would rather appeal to the higher official or to the High Court.

Q.—Would you see any harm if you had the option? You need not go to this body. There is a considerable body of opinion in this country which rather resents the official being judge and jury in his own case. In Calcutta the Chamber of Commerce told us that there would be no difficulty in getting suitable men to act, in Madras they were not quite so sure.

A.—I think there would be great difficulty in Bombay to get suitable men.

Q.—Don't you think you would be able to get a reliable body of half a dozen men to act as non-official assessors?

A.—I can only say that we would rather appeal to the income-tax officials or to the High Court than to a body of private assessors.

Dr. Paranjpye. Q.—I suppose there are people of lower position who feel that they do not always get justice from the officers of the department: won't such people feel tempted to refer questions to unofficial assessors?

A.—Even poorer people have the right of appeal. I was not aware that that feeling existed.

Q.—At any rate, there has been a good deal of feeling that appeals should be addressed to courts.

A.—We should be quite prepared to see appeals lodged to the High Court.

Sir Percy Thompson. Q.—You would not suggest a right of appeal to the High Court except on a question of law? Otherwise you are using the High Court for a purpose for which it was neither intended nor qualified.

A.—I think the appeals to the High Court would have to be on questions of law.

The Maharajahdiraja Bahadur of Burdwan. Q.—Supposing a strong case was made out that the right of appeal should be to somebody outside the Income-tax Department, what would be the kind of body you would suggest? There is, as you know, very often in this country an unnecessary suspicion against the executive authorities, and the tendency always is to plump for a judicial authority.

The President. Q.—May I suggest an alternative? If a strong case were made out confirming the suspicions of the executive authority, would not the remedy be to reform the executive authority?

Sir Percy Thompson. Q.—I do not think I can agree there. There is a tendency in every country for officials to support one another.

A.—May I ask if the appeal to the proposed non-official body is to be on questions of law or on questions of fact?

Q.—On either questions of fact or of law. They would be final on questions of fact subject to a right of appeal to the High Court on questions of law. If it is optional, I cannot see how it dammifies anybody. Everything depends on whether the unofficial body would be reputable, would deal fairly and would act in an honorary capacity.

Mr. Peterson. A.—I do not think you would have any chance of getting an honorary body. It would be a very unpleasant task.

Q.—There is no such difficulty in England; it is a thing which is rather sought after.

A.—Conditions in England are rather different. There is a far closer control over income-tax.

Q.—May we take it then that you do not consider that you would get a suitable body to act in places like Bombay?

A.—I do not think we could.

The President. Q.—You think that, provided the administration can be improved, income-tax is one of the taxes which can be steepened in the matter of graduation?

A.—Yes.

Sir Percy Thompson. Q.—I think everybody will agree that in principle there is a case for taxing earned incomes at a lighter rate than unearned incomes.

A.—Yes.

Q.—In India we are told that there is not a very large amount of unearned income, it is with the rich people; also at present, by far the largest source of unearned income, viz., rents on agricultural lands, is not taxed at all.

A.—I have no knowledge of the amounts of earned and unearned income in India.

Q.—We are told that it is relatively small: at any rate, the biggest form of unearned income, viz., rents, is not taxed at all. To take all the trouble to differentiate between the small amount of unearned income and the large amount of earned income and to leave agricultural rents entirely free from either looks a little meticulous.

A.—Would agricultural rents remain untaxed if you differentiated between earned and unearned incomes?

Q.—That is a very big question: if they were taxed it would put a wholly different complexion on the matter. Inasmuch as rents are not taxed, it seems to me that you are only making a very partial application of the principle.

You say that super-tax is a bad tax. But if some sort of tax of that kind is to remain, you would prefer that it should remain in its present form?

A.—Yes.

Q.—Is there any logic in excluding the first Rs. 50,000?

A.—To the extent that we should like all excluded, there is logic in it.

Q.—The tax is one anna in the rupee on profits above Rs. 50,000, supposing the same yield could be obtained by taxing all profits at the rate of half an anna in the rupee. do you think it would be fair to do so? You may have a company with very rich shareholders which is not making Rs. 50,000; on the other hand, you may have a large company making profits of over Rs. 50,000 which is distributed among small shareholders.

A.—I think the point is that super-tax does prevent expansion of trade and one would like to see a free portion which is not taxed to super-tax at all.

Q.—Still, if you tax the free portion and lighten the burden on the portion above the exemption limit, aren't you much more likely to encourage enterprise?

Mr. Peterson. A.—There are many small companies which are not taxed at all at present, but you propose to tax them: that is not the idea of a super-tax. The idea of a super-tax is that you do not tax until a certain amount of profit has been earned.

Q.—But surely both the income-tax and the super-tax on companies are taxes on individuals.

Mr. Peterson. A.—The fact that the shareholders of the company are rich or makes no difference to the incidence of taxation.

Q.—It falls ultimately on the shareholders.

A.—Our objection is that it hampers the development of the company: if you put it on the first Rs. 50,000, it would still further hamper the development of the company.

Q.—I suggest that you encourage the development of the company in cases where the company is making more than Rs. 50,000.

A.—I do not think so: I think you must have a free portion first. I think we would rather have the free portion as it is.

The President. Q.—In dealing with double taxation, you say that "super-tax operates with undue severity on companies with capital invested in subsidiary companies." Would it be possible to make an allowance for that and in making up the accounts of the parent company for super-tax, would it be possible to exclude money received from subsidiary companies?

Mr. Peterson. A.—The actual objection is this: a company which makes profits pays super-tax on those profits: when the profits of that company are paid to the parent company, that company again pays super-tax on the same profits. The individual shareholders themselves pay super-tax and so on the original profits super-tax is paid three times.

Q.—In making up the accounts of the parent company, you might be allowed to deduct anything received from the subsidiary company on which super-tax was already paid.

Mr. Peterson. A.—The income-tax officer would not allow that to be done.

Q.—Of course, legislation would be necessary. If it was carried out, would that be a practicable arrangement?

A.—Any arrangement of that kind would meet our objection.

The Maharajadhiraja Bahadur of Burdwan. Q.—In your Presidency there is no permanent settlement, and naturally you are more free to consider the question of levying an income-tax on agricultural incomes. In Bengal, where there is a permanent settlement, the Chamber of Commerce were chary to suggest an income-tax on agricultural incomes. You say that "the Committee see no reason why the surplus income derived by agriculturists after paying land revenue should not be subject to income-tax on the existing scales, but they realize that there would be difficulties in arriving at assessment, owing to the illiteracy of the agricultural classes." Would you levy it as a universal tax?

A.—Yes, subject to the limit that we have suggested, viz., Rs. 1,500.

Q.—It has been suggested that the income-tax on agricultural incomes should be levied universally as a substitute for land revenue; there is also another proposal to levy it as a sort of double tax; i.e., over and above the land revenue. What would you prefer?

A.—If you consider land revenue to be a tax, then I should call that double taxation.

Q.—And you would levy it on a graduated scale on incomes above Rs. 1,500 derived from agriculture?

A.—Yes, after deducting land revenue.

Dr. Paranjpye. Q.—Land revenue would be regarded as part of the cost of cultivation.

A.—Yes.

Sir Percy Thompson. Q.—Your answer to Q. 45. The suggestion in the question was that, in order to get the tax on dividends of bearer securities, you should levy income-tax by way of a stamp duty. It was not intended to have the stamp duty in addition. Are you taking Q. 45 as applying only to Government securities?

A.—We were taking it as mainly applying to Government securities.

Q.—Haven't Government got any bearer securities?

A.—There is Government paper: promissory notes are more or less bearer securities.

Q.—Is not a promissory note a promise to pay a definite amount on a certain date?

A.—It is.

Q.—I do not think it would apply, because there is not a definite amount to be paid as interest in the case of the Government paper. The idea of the stamp duty was that you should have a bearer security with coupons attached for interest. I do not think anybody suggested that in the case of short-term securities you should have the stamp: it was only suggested in the case of perpetually recurring payments of dividends.

A.—In any case, if the stock changes hands, the interest is taken into consideration by the intermediate buyer.

Q.—Is not that fair, because each of the intermediate buyers would take account of the fact that there was income-tax?

A.—It will present difficulties.

Q.—Suppose you have a 5 per cent security for £100 and that when the half-yearly dividend is due, the stock is sold. Won't the purchaser take account of the fact that the dividend will be subject to income-tax?

A.—It is not quite clear what form of bearer securities is meant.

Q.—Say, you hold bearer shares in some English or French company with a lot of coupons attached. You cash those coupons as they fall due and dividends are declared. The coupons are payable to bearer. In England and on the Continent there is a good deal of evasion of tax on those coupons, because the authorities are unable to get at them.

A.—I do not think we have any shares of that kind here. As a matter of fact, we do take income-tax on all payments of dividends.

Q.—You are satisfied with the system of assessment on the basis of the previous year's profits?

A.—Yes.

Q.—There is one disadvantage, and that is, in the case of an income which fluctuates very widely, it will pay more if the tax is levied on the basis of the previous year's income than if it has to pay on the average of three years' income. Take the case of a company which makes no profit in one year and makes a profit of Rs. 1,00,000 the next year. It pays more than if it made Rs. 50,000 each year.

A.—On the whole, it is preferable to pay on the previous year, and not on three years' average.

The President. Q.—Now, let us come to taxes on consumption. You say that salt and matches are suitable for this form of duty. It has been brought to our notice that the present rate of tariff on matches has given rise to an enormous amount of smuggling, and also to the making of matches behind the customs wall. It appears that they are building up a very

unstable industry, because once the tariff is reduced the whole thing would tumble down like a pack of cards. If a tax on matches is a proper form of Government revenue, would it not be more satisfactory to have a match monopoly?

A.—You mean the giving of a monopoly to private enterprise?

Q.—Yes.

A.—I would object to such a monopoly.

Q.—In this country looking to the small amount of raw material available for the manufacture of matches, would it not be most profitable, from the revenue point of view, to give a monopoly of imports to private enterprise?

A.—A monopoly would be distinctly dangerous. It cuts out all competition.

Q.—Do you think there is any chance of a useful local industry being fostered?

A.—I cannot see why a local industry could not be built up.

Q.—Have you got the raw materials?

A.—Some of them.

Q.—As for instance?

A.—A certain amount of timber which is actually used.

Q.—My information is that timber is being imported.

A.—Hitherto the practice was to import a great deal of the timber. But now local timber is being used to some extent.

Q.—For a time all the raw material was being imported, and matches were made out of purely imported materials and that was called a match industry.

A.—But matches are now being made actually out of the local wood.

Q.—Then you would be opposed to a monopoly?

A.—Yes.

Q.—On the ground of fostering a local industry?

A.—On the ground that it would tend to exclude all competition in the supply of an article of general consumption.

Q.—Because competition reduces prices?

A.—It keeps them at the proper level.

Q.—The assumption is that you want to keep prices at a level where you can get the maximum revenue, and if the monopoly is given, the monopolist would have to sell matches at a fixed price.

A.—Then, I presume Government could raise the import duty accordingly.

Q.—The difficulty of the import duty is that it has given rise to uncontrollable smuggling and importation of the raw materials which are made up in the country.

A.—I presume if the industry is built up in the country, the Government would lose the revenue, unless an excise duty were imposed.

Q.—Yes, and it becomes not worth while to continue the tariff, and if the tariff is taken off the industry will be killed by competition. It is surely very unsound from the business point of view to build up an industry like that by simply making up the imported materials behind the tariff wall.

A.—If the tariff is to be taken off at the end, then it is unsound.

Q.—Is it not the fact that the industry is built up by importing timber from abroad?

A.—It used to be the case, but it is gradually changing. I think more local timber is being used now.

Sir Percy Thompson. Q.—We are told that it is difficult to get the timber locally.

A.—No real effort was made before.

The President. Q.—The industry has been going on practically for the past twenty years.

A.—But it was not properly organised, there was no capital behind it, and no real effort was made to get the timber locally.

Q.—Is there any large capital behind the manufacture of matches from local timber now?

A.—I cannot say what capital there is behind it, but I understand that local timber is being used.

Q.—I thought that the only concern of any importance was depending entirely on imported material.

A.—I do not think so.

Q.—I think the concerns which use the local timber are quite small.

A.—I think there has been a growth in the use of local timber.

Dr. Paranjpye. Q.—The result of giving monopoly to one foreign firm would be making this country depend entirely on a foreign country for an essential article of consumption, and in an emergency like a war the country would have to go without matches. Will not that be the case?

A.—I am not in favour of giving a monopoly to any one.

The President. Q.—In your answer to Q. 68, you refer to supplementary import duties on foreign liquors. Would you give us your experience of the working of that?

A.—I do not know if that is levied now.

Q.—In Bombay don't you put now a supplementary import duty on foreign liquor in lieu of vend fee?

A.—I do not know that, Sir.

Q.—It is either a customs duty or a vend fee, but it works out to the same effect. I am told that one objection taken to that is, that although it is a vend fee it affects transactions by private importers.

A.—Does it apply to liquor that goes up-country through the Bombay port?

Q.—If it goes out of the Presidency, the importer obtains a refund from the Customs Department.

A.—As long as it is not definitely a customs duty and is payable only on liquor consumed in the Presidency, we do not object. But we object on principle to anything in the nature of a transit tax. If it is a local tax on local consumption, we should not object.

Q.—I may explain the way the thing has developed. At first they demanded a fixed license fee, but the sales were varying and they wanted to tax the licensees in proportion to their sales. It was difficult to get at the books, and so the ultimate arrangement was to impose so much per gallon as a supplementary duty.

A.—Our objection is mainly to a customs duty or import duty affecting liquor going all over India.

Q.—You say in your answer to Q. 79: "It is a matter of common knowledge that the smuggling of such articles as sugar, matches, silk and silk thread into British India through Cutch, Kathiawar and Portuguese and French India is extensively practised." Do you think in some of these cases, lower duties would give a better return?

A.—It is difficult to say in the case of an article like matches where the duty is 200 per cent.

Q.—In answer to Q. 83, you say: "There is a very real danger of specific duties on articles in universal use being pitched and kept at too high a level". Have you any experience of the new customs duty on cigarettes, the specific duties recently introduced?

A.—I do not think we have had time to base any conclusion on this. But we felt that the recently imposed duty on sugar was pitched at too high a level. If sugar comes down to pre-war prices, the duty, I take it, will have to be reduced.

Q.—That is to say, the *ad valorem* duty has been converted into a specific duty, and if the price falls, the specific duty will be, compared to the value, too high.

A.—Yes.

Q.—You say in answer to Q. 87, that taxes are already imposed or about to be imposed in Bombay on advertisements. We cannot find any such tax imposed by Government.

A.—I think the municipality taxes advertisements, not newspaper advertisements, but posters and placards.

Dr. Paranjpye. Q.—The tax was imposed only last year. Now, would you impose a tax on newspaper advertisements?

A.—I think not.

The President. Q.—Do you know how the municipality levies this duty?

A.—I do not know. I should rather think they let out the right to put up these boards to contractors and charge the contractors so much for each advertisement.

Sir Percy Thompson. Q.—They cannot let out the right to post advertisements on private premises.

A.—I could not tell you.

The President. Q.—Then you mention a duty on betting. How does the matter stand now?

A.—They say that a Bill is to be brought in.

Dr. Paranjpye. Q.—A tax on betting does not require a Bill. The Turf Club is licensed, and as a condition of the license they may be made to pay a percentage of the takings of the totalizator.

A.—Surely that would need legislation. How can a license be given on those conditions?

The President. Q.—Then you mention motor cars. There you do not refer to the customs duty.

A.—There is a municipal tax on motor cars.

Dr. Paranjpye. Q.—You mean the vehicle tax?

A.—Yes.

The President. Q.—One suggestion that has been made is that you should have a provincial tax on motor cars, just like the English tax, and motor cars should then be exempt from the tolls. Would you approve of a plan on those lines?

A.—We have already said that tolls should be abolished.

Q.—It has been suggested that the greatest objection to the toll tax is from motorists, who consider it a great nuisance.

A.—I do not see why tolls should not be abolished. Government have stated that they are going to do so.

Q.—Suppose it is not possible to abolish them, would you have a plan like this for exempting motor cars?

A.—I do not see why there should be any differentiation between the country carts and motor cars.

Q.—The difficulty is that country carts do not use the metalled roads as frequently as the motor cars. You can impose a general vehicle tax on motor cars, but if you do that in the case of country carts, you will be taxing carts which do not use these roads at all.

A.—I have seen up-country bullock-carts using these metalled roads.

Q.—A great many of them are right in the villages, and they never get a chance of using the main roads.

A.—That sort of tax would become an undue tax on motor cars.

Q.—Is it not done in England?

A.—In England there are no bullock-carts.

Mr. Peterson. A.—Very few people who own cars in Bombay tour in the mofussil. I do not think I have paid a toll for several years. As it is I pay a tax for using the car in the town, but if you put a provincial tax on my car, I may have to pay a much larger sum than is otherwise necessary.

Q.—Then, we come to stamps. You make a very interesting suggestion “that there should be imposed a legal obligation on brokers to affix adhesive stamps of the requisite amount to the contract note itself, in addition to the ordinary stamp duty payable on that document.” Do contract notes pass in the case of all sales of shares?

A.—Yes. All sales of shares made by brokers.

Q.—Government have recently introduced a uniform form.

A.—They have suggested that the Stock Exchange should do so.

Sir Percy Thompson. Q.—Do the Stock Exchange regulations require that contract notes should be used?

A.—Yes.

Q.—Is it not purely a matter of Stock Exchange regulation?

A.—Yes.

Q.—The Stock Exchange might abrogate that regulation.

A.—If they did, the Bombay Government would have to intervene.

The President. Q.—Then it really comes to this, that you will have to legislate at long last that the Stock Exchange should see that every contract for purchase and sale of stocks and shares should be reduced to writing, as in England.

A.—Yes.

Q.—Don't you think there is a large amount of contracts which would not be reduced to writing at all? I am just suggesting that if you put a fairly heavy *ad valorem* duty on the contract note, the Stock Exchange might be inclined to say, it is purely a regulation of our own, and we shall not enforce contract notes, in which case the duty would not yield much.

A.—We do not think that this suggestion of ours is an ideal suggestion. What we are up against is the system of keeping blank transfers for a long time. If the Stock Exchange is not prepared to make those transfers absolute at each settlement, the only other suggestion was to affix the stamps on the contract note.

Q.—Would it be unreasonable to legislate that a transfer should not be registerable if it is not presented within a certain time? You forbid secretaries of companies under penalty from registering transfers out of time.

A.—That would mean that the transfer form would have to be dated in the first instance. That is not done at present.

Q.—Would it be a good alternative to require the secretary of a company before he transfers the shares to satisfy himself by seeing the contract note?

A.—I do not think so.

Q.—How does he satisfy himself at present that a transfer has taken place?

A.—He gets the transfer deed signed by both parties and duly stamped.

Q.—If you have an *ad valorem* duty on the contract note, you would have to reduce or abolish the duty on the transfer deed.

A.—There is a likelihood.

Sir Percy Thompson. Q.—In England there is an *ad valorem* duty on the contract note and on the transfer also. Of course, it might lead to there being no transfer.

Mr. Peterson. A.—The idea is to levy a duty on each transfer. At present before the transfer is made, the deed passes through fifteen or sixteen hands.

The President. Q.—Would it really be objectionable to ask the secretary of a company before effecting a transfer to see the contract note?

Sir Percy Thompson.—There may not be one. In any case you would have to see the whole series, including those executed by people who have no further interest in the matter.

A.—There may have been five or six transfers in a day.

Sir Percy Thompson. Q.—If the Stock Exchange is sympathetic and do what they can to enforce contract notes, that might probably solve the question.

Mr. Peterson. A.—If your duty is fairly low there would not be any objection, but if it is high you might impede dealings in stocks and shares.

Mr. Grantham. A.—The best people who can deal with this are the people directly concerned with it. You might ask a prominent broker or member of the Stock Exchange. We can only say that there is great objection to leaving these transfers open for a long period.

Q.—Can you tell us what documents pass in the produce exchanges?

A.—In the Cotton Exchange it is purely a contract note.

Q.—What applies to the Stock Exchange applies to that also?

A.—In the Cotton Exchange there is legislation by Government that no transaction is legal unless it is done under the rules of the East India Cotton Association.

Q.—What Act is that?

A.—It is an Act that came into force when the Cotton Contracts Board went out of existence.

Q.—Every transaction must be reduced to writing?

A.—Yes.

Q.—At present they pay two annas stamp.

A.—Yes.

Q.—Would it be practicable to levy a low *ad valorem* duty on that?

A.—I do not think so.

Q.—Why do you object to an *ad valorem* duty on the contract note as in the case of the Cotton Exchange?

A.—I think we are dealing with a raw product that cannot stand heavy taxation.

Q.—I do not think you will object to a small tax on transactions in cotton.

A.—I do not think you can put a tax on the transfer of raw materials. It does not come under the same category as shares and stocks. This will hit the cultivators also. Further, it will drive people outside the exchange.

Q.—It would become a turnover tax on cotton.

A.—Yes.

Q.—Is there anything to distinguish genuine transactions from those which are purely gambling ones?

A.—None whatsoever.

Q.—How will you distinguish between a genuine transaction and a speculative transaction?

A.—It is impossible to divide it.

Q.—Can anybody conduct a transaction outside the association?

A.—No; you can do a transaction only through a member of the association and under its rules. *Kutchi Kandi* is transacted outside the association, but it is illegal and there is no recourse in law.

The President. Q.—Referring to octroi, you say: "Moreover, there is the grave danger that such taxes may develop into transit taxes with an incidence sufficiently heavy to check the growth of trade in a particular city. . . ." Has it so happened hitherto?

A.—We have got no terminal tax here yet.

Q.—You have got in the Presidency octroi and terminal taxes and also a tax on cotton, which is primarily a transit tax.

A.—We recently replied to the Bombay Municipality on a suggestion of theirs to impose a terminal tax. We have strongly objected to it.

Q.—You have got this tax on cotton in the up-country municipalities?

A.—Yes.

Q.—Have you objected to it there?

A.—We have not objected to the tax being levied in up-country municipalities.

Dr. Paranjpye. Q.—For instance, the municipality of Dhulia gives service for the tax they levy, because they say that their roads are used for carrying the cotton.

A.—It may levy the tax on people who use the roads but not on people through whom the transaction on cotton passes.

The President. Q.—In your answer to Q. 116, you object to the Madras profession tax as well as to the companies tax. There is now an amending Bill in accordance with your view. You say there: “(At the same time) no definite basis of assessment is laid down for the latter tax, the chairman of the council or local board being left entire discretion in that respect, and the committee consider that the difficulties to which the legislation in question has given rise only serve to emphasize the undesirability of conceding similar powers to other local bodies and confirm them in their view that the municipal taxation of such sources of income should be restricted as far as possible.”

A.—Yes.

Q.—But it has been suggested to us that it is desirable to tax the small non-agricultural class in this way.

A.—Are you talking of tax on capital or on profession?

Q.—I am talking of the profession tax, which is for the smaller non agricultural community, like the *Baniyas*.

A.—Is it not possible for the municipality to levy a house tax? I think house tax would be a fairer tax than octroi.

Q.—Would it mitigate your objection if this tax is collected through the Income-tax Department?

A.—Personally I do not like profession tax.

Sir Percy Thompson. Q.—In many parts of India octroi has been abolished. This was the main source of income for many municipalities. You must find some means to replace this revenue which they have lost.

Mr. Peterson. A.—In Bengal in most municipalities they have tried to get rid of profession and other miscellaneous taxes and consolidated them into a house or holding tax.

Dr. Paranjpye. —House tax will be the best in places where houses are in great demand. Take a town like Satara. There are big houses with hardly any tenants to occupy them. In such cases, the owners themselves will have to pay the tax.

The President. Q.—You object both to profession tax and octroi?

A.—Yes; but I would prefer profession tax to octroi.

Q.—You do not object to the duty on tobacco in principle, but owing to the difficulty of levying it?

A.—Yes.

Dr. Paranjpye. Q.—You are against the levy of a small registration fee for marriages?

A.—I object to it on the ground that it would cause hardship to poorer people.

Q.—You advocate death duty for India. In England they have estate duty as well as succession duty.

A.—We can have both here.

The President. Q.—You say that Rs. 1,500 would be the appropriate exemption limit for India. Is it with regard to both succession and estate duties?

A.—For both.

Dr. Hyder. Q.—Even if the inheritor is a distant relation?

A.—Yes.

Dr. Paranjpye. Q.—What would be a fair rate for a property of over one lakh in your opinion?

A.—I have not gone into the question as to what the rate should be.

Sir Percy Thompson. Q.—There is a large number of Europeans who, though they do not give up their home domicile, live out here in India all their life. What would you do in their case?

A.—They must be treated as in the case of income-tax.

Q.—If a man is domiciled in England, he is charged to death duty on the whole of his property wherever his estate is. Would you charge a European in India on the whole of his property or on the property situate in India?

A.—He should not be made to pay more than the maximum he would have to pay in either country. He can be given the same treatment that is given for income-tax purposes.

The President. Q.—If any goods are put in the market with a new trade-mark, is it registered with the Chamber of Commerce?

A.—No, but the Millowners' Association register tickets and stamps. I think trade-marks are merely advertised in the newspapers. But for infringement of trade-marks, a person can be prosecuted.

Q.—I think there is no harm in Government registering trade-marks?

A.—The actual revenue will be very small in all probability.

Dr. Paranjpye. Q.—Proof in case of a prosecution will be easier?

A.—Yes.

The President. Q.—Do you wish to add anything with regard to the division of proceeds?

A.—I have nothing to add.

Dr. Paranjpye. Q.—You are against the Meston Settlement?

A.—Yes.

The President. Q.—You would agree to the division if the heads of revenue are divided on the same principle for all the provinces?

A.—What the Bombay Government put forward in their representation to the Government of India was that they should have a share in the income-tax collected.

Sir Percy Thompson. Q.—Is it fair to base a division on the actual collection inside a province?

A.—Not entirely. I think the Bombay Government made a reduction on account of income-tax collected in this province for outside sources.

Q.—The headquarters of a particular concern may be in Bombay while the mill is situate in Nagpur. The dividend is given in Bombay and Bombay gets the whole tax

A.—It is difficult to make a dividing line.

The President. Q.—You say that you see no reason why the stamp duties that are now administered provincially should be administered centrally?

A.—Yes, in cases like court-fees.

Mr. ARDESHIR BUSTOMJEE SUBEDAR, Dubash Agent and Government Contractor, Bombay, was next examined.

Written memorandum of Mr. Subedar.

My attention was first drawn to the subject of Indian taxation by the controversy raised on the question of the excise duty charged on the production of cloth of the mills in India by the Government of India. Much was said in deprecation of this duty, and it appears that this was the one and only point on which at the present moment all interests and communities, the Anglo-Indians and the Indians, the English merchants and the Indian merchants were alike agreed. They are all in complete favour of the immediate and total abolition of the duty referred to above.

In considering this, my attention was drawn to the remarks of Sir Basil Blckett, the Finance Member, who stated that the retention of the duties was necessary in the interests of the Indian revenues, which would suffer a heavy deficit if this duty were done away with. He even went so far as to express his willingness to receive suggestions from the members and the general public on the subject of taxation and the Indian revenues.

Being impelled by this invitation, I addressed a letter to the Secretary to Government, Finance Department, putting forward the proposal outlined below, and then being informed by the Secretary to the Taxation Enquiry Committee that a copy of my letter has been forwarded to him and requesting me to put forth my views more completely in a note, I have been glad to write this note on the subject. Hence the proposal contained in the preceding portion of this note is made in the hope and complete belief that it will provide an adequate means of obtaining funds to augment the Indian revenues, sufficient in amount to make up any deficit that might be incurred by doing away with the excise duties and would thereby lead to the repeal of the said duties.

The Great World War brought a demand from the warring countries for raw products, such as cotton, food-grains, etc., whereby India benefited by large sums aggregating to hundreds of crores of rupees, with the result that wealth appeared to be overflowing in India. And what avenue could be found for this wealth but in trade or rather in speculation. Thus, one finds that during this time that in every trade speculation and wagering prevailed to the highest possible extent.

Coming to the state of things after the end of War, this speculation and wagering prevailed even to a greater extent, being increased on account of the persons who, because of the general dullness pervading business of every kind, found scope for their energy only in speculation and wagering of every type and description, and as business became duller or more discouraging speculation and *satta* therefore increased every day. And a look at the state of things even now will show the speculation and wagering are more rife than ever in every business and trade. Under the system outlined below, it is proposed to impose a sort of check upon this unrestrained speculation or say, gambling, and at the same time to turn these speculative transactions, which do and must exist for some time, into profitable sources of revenue for the Government.

The very idea of forward business carries the meaning of futurity, and as such speculative element must prevail.

Briefly put, the scheme proposed by me comes to this: Government should, to the extent shown below, legalise transactions in cotton, wheat, linseed, silver, gold shares, etc., which are now classed as speculative and wagering transactions as valid and recognize them as being duly enforceable in law by legislation. For putting through these transactions, Government should license certain number of brokers in each market, who alone should be allowed to put through these transactions. For giving these licenses Government should charge fees. Further, it should be provided that every such transaction done through a broker should be evidenced by slips passed by each party to the other and that each such slip should bear a Government revenue stamp of a small amount varying with the amount involved in the deal. It would be the duty of the licensed brokers to see that the slips bear the proper stamps, and legislation should provide that the transactions would not be recognized in courts of law, if the slips bearing the proper stamps are not passed. Also if the transaction is not done through a licensed broker, it would not be enforceable in law. Lastly, for the better effecting of the above provisions, clearing-houses should be established in each of the bazars intended to be subjected to this system.

With regard to my above proposal, I come first to the question as to how far wagering transactions should be recognized by law. For this purpose it is necessary to see the difference between wagering transactions and speculative transactions, and also to note how far both receive recognition at present. As regards wagering transactions, the same have been defined as "a promise to give money or moneys worth on the determination of an uncertain event (Anson Law of Contract, 11th edition, page 266). Wagering thus depends upon the result of an event which is uncertain. Speculation is similar in nature, but differs in some respects, as I submit speculation does not depend purely upon a particular event as wager does. It is more or less dependent upon the price of a particular commodity ruling at a particular

future time, and here the element of calculation and skill also play much part. In another way, wagering transactions are dealing where only difference in the prices are to be paid, but no delivery intended or taken or given. In speculative transactions, on the other hand, delivery would ordinarily be contemplated. Having noted these differences, it must be noted that at present the law enforces speculative transactions, but completely prohibits wagering transactions.

Under my proposal, wagering transactions for commodities mentioned by me would have to be legalised and recognised in courts of law as being valid. In old law, wager and betting were considered as valid. Besides, it is quite clear that at present even banks and other respectable persons actually enter into these transactions, though they are denominated as speculative and wagering ones and are not enforceable in law. To what extent this should be done I leave it to the Taxation Enquiry Committee to decide.

As regards the licensing of brokers, only certain number of trusty persons who are already carrying on the business should be given licenses, and they should be made to pay periodical fees for the same. It would be the duty of these brokers to see that all speculative and wagering transactions are evidenced by slips bearing proper stamps. They should record all transactions done by them and report all transactions which contravene these provisions. As regards slips, stamps, etc., it would also be provided that any transactions of the nature above described, if without slips and stamps and not done through the licensed broker, should not be enforceable in law, and penalties may even be imposed to prevent such transactions being entered into without the intervention of the licensed brokers. It will be the duty of the broker to see the slips bear the proper stamps. The licensed brokers would of course be entitled to charge a higher rate of brokerage for his responsibility and trouble in respect of these transactions where only difference is intended to be or actually paid than in respect of dealings where delivery is taken. As regards the value of the stamps to be affixed on the slips, Government should prepare various tables applicable to the various principal markets, and the value of the stamps should vary with the amount appearing to be involved in the deal. It might also be provided that if a suit is brought in respect of these transactions and the slip is not stamped, the suit should be dismissed and both the parties and the brokers involved penalised. This would enforce due attention to the provision as regards the passing of slips and their due stamping. For the better management of all such transactions, clearing-houses should be established in each principal market to which these proposals are applied for forward business. This would facilitate the work of the brokers and would serve as an effective check upon, and watch over, all transactions intended to be taxed as above and thus lead to the due observation of the provisions. It may be noted that clearing-houses do exist in a few of the chief markets, but they exist in a few, and even in these mostly for *pucca* transactions and not for the kind of transactions intended to be dealt with here.

Then comes the question as to the markets to which these provisions are to be applicable. The principal markets in Bombay are the share bazaar, the cotton market, the wheat market, the linseed and the gold and silver markets, where forward business is going on on a larger scale. In other places, a few other markets may also be prominent. I leave it entirely to the Local Governments of the provinces to determine what markets in places should have the above provisions of my proposal applied to them.

Lastly comes the question what amount can be realized by putting into effect the above proposal. On this point I will only quote the figures relating to the various markets in Bombay as a sufficient index of the general possibilities of the scheme (for the figures relating to the various markets of Bombay see appendix below). These figures clearly demonstrate that Bombay alone would contribute no small portion of the revenue to be derived by Government from this system of taxation, and that the same would go considerably to augment the revenues of the Government of India.

I submit that the revenue would amount to nearly two crores of rupees all over India by means of licensing brokers and stamps, because, as mentioned by me in my letter to the Finance Member, 20 crores of rupees are paid in shape of difference only by merchants and speculators in the

above commodities mentioned by me every year. No delivery taken or given. In fine, I believe my scheme, if properly worked out, would be a complete success. Yet I put forward the same with some hesitation and diffidence, seeing that the same is a completely novel one, and may from that very reason meet with unsympathetic criticism induced by a failure to grasp it fully.

If any further explanation is required in respect of my scheme, I shall be ready to wait upon the Taxation Committee, when called to elucidate any points on which elucidation may be necessary.

APPENDIX.

Figures for different commodities on which differences are paid in Bombay market alone. No goods to be delivered or received by either party. Cotton *pucca* business through East India Association. Differences settled on days appointed by Association. Differences paid on every settlement day amount to a minimum of 50 lakhs of rupees, while the maximum exceeds at times a crore of rupees. Of course, these differences depend on fluctuations in the prices of cotton. Brokerage is charged at the rate of Rs. 25 per 100 bales, and Rs. 50 on buying and selling, average daily business, etc. Each transaction should cover 100 bales minimum.

Kutchia Khandi cotton (not recognised by law now).—No clearing-house. Differences settled weekly on the next working day after Sunday. The payments made weekly. On the settlement day payments in respect of differences average at a minimum of 3 lakhs of rupees but in time of heavy fluctuations in the cotton market the same may even exceed 10 lakhs of rupees. Brokerage is paid at the rate of 2 annas per bale, thus amounting to 4 annas in buying and selling. In Marwadi bazar alone the average business done comes to 30,000 bales per day. Each transaction covers 5 bales minimum.

Linseed.—No clearing-house. Two settlements every year—in May and September. Payment in respect of the differences amounts to more than 50 lakhs of rupees at each settlement, whereas the daily business done averages 30,000 tons. Brokerage is paid at the rate of Re. 1-4-0 on 25 tons whether bought or sold. Twenty-five tons minimum business covers each transaction.

Wheat.—Same figures and condition as linseed market.

Silver.—No clearing-house. Settlement day fixed by the Association is the 15th day of the Hindu month. The payments made at every settlement in respect of the differences amount to 50 lakhs of rupees. Average of business done every day comes to 1,500 bars, brokerage is paid out at the rate of 14 annas in the bar of 2,800 tolas.

Gold.—No clearing-house. Same day for settlement as that in the silver market. Differences in shape of payment in the settlement day amount to 40 lakhs of rupees, brokerage Rs. 2-8-0 on 250 tolas.

Share.—All the information is available in the recent report of the Share Bazar Inquiry Committee published some time back.

American Futures.—Prohibited by law. No clearing-house. Yet dealings to the extent of 3 lakhs of rupees occur every day in Bombay market.

Mr. Subedar gave oral evidence as follows:—

The President. Q.—Could you, in order to explain your proposal to us, begin by just giving us an account of the documents that pass in sales of shares?

A.—I am a dubash agent and Government contractor. I have nothing to do with any of the associations. I wrote letters to the different associations regarding my statement of figures and here are their replies.

Q.—Do they accept your proposals?

A.—Yes; more than what I have written.

[The witness handed over a letter written by the East India Cotton Association, which runs as follows:—

The East India Cotton Association is not a trading corporation but a body established under the Indian Companies Act and recognized under Bombay Act XIV of 1922 to provide for the regulation and control of transactions in cotton in Bombay.

Maximum amount cleared is Rs. 1,88,16,072, and minimum amount cleared is Rs. 3,56,190. Brokerage is $\frac{1}{4}$ per cent on the total value of 100 bales at the price at which the transaction is done.

Transactions in cotton known as *kutchā khandi* are prohibited under by-law 48.

The statement made in your letter that "though your Association do not recognize, yet members of your Association do take part in it" is not correct. Any member reported to be dealing in *kutchā khandi* is peremptorily called upon by the Board to show cause why he should not be dealt with under the disciplinary by-laws of the Association.]

I say the same amount of business is carried on in *kutchā khandi*. It is an association which is not recognized and at the same time the business is carried on. It is a kind of speculation going on. *Kutchā khandi* is a barometer for *pukka* cotton. The *kutchā khandi* opens at 11-30 and closes at 9 p.m., whereas the market *pukka* cotton closes at 6 p.m. To give you an idea, this morning it is reported 50 cents up from America. The *kutchā khandi* brokers raise the price to Rs. 5 to Rs. 6 over the rate of the previous day. They again enter the *pukka* cotton market (East India Association) and sell them at a profit. The same broker does the two businesses. And there are about 200 brokers who are doing this business.

Sir Percy Thompson. Q.—This kind of transaction is forbidden by law?

A.—Yes.

Q.—Is it not rather difficult to tax something which is forbidden by law?

A.—Why should it be forbidden at all? The Pukka Cotton Association carries it from 100 bales onwards; and why should it not be allowed when it is done on a lower scale?

Q.—Would it not rather be difficult to prohibit alcohol and then tax it?

A.—No doubt, it may be difficult to prohibit alcohol.

Dr. Paranjpye. Q.—You say that first of all the prohibition should be removed.

A.—Yes; when the association allows the business to be done with 100 bales, on payment of difference, allow also the other men who are doing business with 5 bales on the same lines. The Pukka Cotton Association recognizes a minimum of 100 bales. You cannot stop speculation there. My intention is to legalize the whole thing.

Dr. Hyder. Q.—Since the evil of *kutchā khandi* is there, you want to recognize it and then put a tax on it?

A.—Yes; that is my intention. Anyhow you cannot stop it. So legalise it and then put on a tax on both. Look at this amount of Rs. 1,88,16,072 on one clearing. This shows to what an extent speculation is carried on in the Cotton Buyers' Association through brokers. This is in the shape of payment of differences. May I ask, "Is this honourable practice?" Further, it is impossible to expect delivery on due date when business is done twice or thrice more than the existing commodity—vide figures (Cotton Association and Share Bazar).

The President. Q.—Would you tell us what are the documents that pass when one broker sells cotton to another?

A.—The business is done on contract notes.

Q.—Subsequently there is the delivery order?

A.—Yes.

Q.—What is the form of the delivery order?

A.—I am not quite conversant with it. The East India Cotton Association will send you the information if required.

Dr. Paranjpye. Q.—There is no association for *kutchā khandi*.

A.—No; there is nothing.

Q.—There is no stamp duty.

A.—No; there is no contract note or anything of the sort.

The President. Q.—Does it not require a two-anna stamp now?

A.—No; nothing. This gambling has brought the Bombay mill industry to a great crisis, and the Japanese are taking advantage of this sort of speculation. This is the main cause of their exporting goods at a cheaper rate. I, therefore, urge that the cotton excise duty should be immediately abolished. The Bombay mill industry is undergoing a great hardship at present due to these and other causes such as exchange. Generally, taxation and industry go hand in hand. How can Government tax industry if it has no capacity to pay the tax? There are already 8,000 unemployed in this city on account of the crisis in the mill industry. And five or six mills are about to be closed next month, and another five or six mills will have to send away half of their labourers. I, therefore, expect a bigger crisis soon, and the only remedy for it is the immediate abolition of the cotton excise duty.

Dr. Paranjpye. Q.—You want to make up that loss by the proposal you make?

A.—Yes. In your questionnaire you mention only Rs. 50,00,000 which would be expected from this, but I show clearly that the Government would get about 2 crores of rupees. I can show this by documentary evidence. It is shown in page 107 of the Report of the Stock Exchange Enquiry Committee. It is also supported by the letter of the East India Association.

Q.—This is purely a speculative business.

A.—Yes. It is just like gambling. Bulls and Bears alike settle imprudent transactions which are carried on in the name of trade facilities. This kind of gambling has brought about the anticipated debacle in the share bazar. This is also commented by the *Evening News of India* in its issue of the 2nd June 1925. I have also written a letter on the subject to the *Bombay Chronicle* which published it in its issue of 30th May 1925. The crisis also happened on the same day.

The President. Q.—Your proposal is that nobody should be allowed to conduct these transactions except a broker licensed by the Government?

A.—Yes. Government's intervention is very necessary in regard to all the associations who carry on this kind of business besides cotton and shares, gold, silver, seeds, grain, etc.

Q.—Supposing you have got legislation to this effect, how are you going to prevent people from carrying on their transactions?

A.—The transactions must be made on stamped papers, and there must be clearing-houses to check them.

Q.—You will have to establish control over clearing-houses?

A.—Yes.

Dr. Paranjpye. Q.—What kind of evidence do the courts require if the matter comes to the courts?

A.—Evidence in writing.

Q.—What do they do at present? Do they come before the courts at all?

A.—I do not know what they do at present.

Dr. Hyder. Q.—The courts do not recognize these purely wagering transactions?

A.—No.

The President. Q.—You say somewhere in your evidence that the courts have admitted certain transactions. Could you give us the name of the case?

A.—I will let you know later on. There are two or three cases regarding Stock Exchange transactions.

Q.—Then you say that transactions in American futures are prohibited by law.

A.—Yes; that is pure gambling as is carried on now. For instance, on Saturday it was reported in the papers, "2369.22 down". That is, 84 is *farak* and 4 is *ank*. Now the Marwaris who do this sort of business

give from 1 to 8 and 1 to 12 for *ank* and 1 to 30 and 1 to 40 for *farak* to the dealer who comes to speculate.

Q.—What is the Act under which the American futures are prohibited by law?

A.—There is no Act. But the police prohibit them.

Dr. Paranjpye. Q.—As in the case of gambling?

A.—Yes.

Dr. Hyder. Q.—Just like rain gambling?

A.—Yes.

Q.—Why should it not be stopped?

A.—In America it is allowed. Why should it not be allowed here? Is there anything wrong in my going in for American futures? If I am losing Rs. 500 by Indian cotton and if I have a chance of making up the loss by American futures, why should I not be allowed to do so when there is a way for it?

Q.—Like throwing dice?

A.—Is it throwing dice? No; it is not so. Further, you will be getting a revenue of 10 lakhs of rupees on account of this.

Dr. Paranjpye. Q.—Would you have lotteries?

A.—Yes; if they are for good cause. All the communities must get a chance every year. The Parsee community, for example, may have it for the benefit of their housing scheme and so also with the other communities. Anyhow, ordinarily, people will like to invest in them. Let the Government take 10 per cent of the amount collected; let another 40 per cent go to the association, and let the remaining 50 per cent be divided in the shape of prizes.

The President. Q.—The depressed classes too?

A.—Yes; why should they not also enjoy the benefit of it?

Dr. Hyder. Q.—Does it strike you that economically gambling is injurious and not beneficial whether a man wins or not?

A.—Economically quite right. But human nature is speculative. You cannot stop it. You have got evidence of it. We are Indians and history supports us. It is also found in the *Mahabharata*.

Q.—Certain classes do it, for instance, the Marwaris.

A.—Of course, the Marwaris may be well known for this; but all classes do it.

In conclusion, I may once more request the Committee to kindly consider the advisability of abolishing the cotton excise duty immediately and thus give relief to the mill industry and solve the unemployment problem. It must be abolished even at a sacrifice. Industry and taxation go hand in hand. If the country is prosperous in the matter of industry, Government will augment its revenue in the shape of other taxation as proposed by me.

Mr. C. W. A. TURNER, I.C.S., M.L.C., Secretary to the Government of Bombay, General Department, and Mr. C. B. POOLEY, Superintending Engineer, Deccan Irrigation Circle, Poona, were next examined.

Written memorandum of Mr. Turner.

Q. 15.—My remarks in reply to this question and the following question are limited to the Deccan irrigation schemes with which I am familiar. I am not acquainted with irrigation conditions in Sind.

In the Deccan, irrigation conditions differ very greatly from conditions from the Punjab and in Sind. In this tract the canals were constructed primarily as protection works against famine. At the time the canals were constructed nearly all the land through which they pass was

in private occupation. This entailed compulsory acquisition with its attendant cost, which was increased owing to the difficult configuration of the country. It was also impossible owing to the existence of private occupancy rights over the greater part of the land under command to divide it up into blocks suitable for irrigation as has been done in the canal tracts in the Punjab and will be possible in Sind when the Sukkur barrage comes into working. This fact increases the administrative difficulties in the Deccan irrigation areas very greatly. Owing to the small holding system which exists in this Presidency, and the question of equal division among all shares, fragmentation of land has been carried in places to an almost inconceivable extent, and nothing could be more contrary to good irrigation administration.

The result of the conditions prevailing in the Deccan has been that the cost of constructing the canals there has been relatively higher than in North India. The water-rates charged are, therefore, I believe, already higher than they are in the Punjab and the United Provinces and it has been decided to raise them still further in the near future, as unless this is done it will be impossible to obtain a reasonable return on the money invested. In the absence of such a return, it is hopeless to attempt to extend the canal system, and thus give protection to the areas which still need it. I think the rates charged for water in the Deccan will be adequate when the proposed enhancements come into force.

Of the plans suggested in this question for regulating the charge for water supplied for irrigation I would not favour the following for the reasons given—

(1) It is inequitable to the general tax-payer, who has supplied the money to build the canals, to charge the bare cost of supplying the water, including interest on capital invested. It is true that the Deccan canals were intended primarily as protective works against famine, actually, however, they have brought wealth for exceeding mere protection from famine to certain classes, who should not be still further benefited by being charged non-economic rates for water.

(3) It is impossible to obtain a fair return on the money invested by increasing the land revenue by taking the same proportion of the combined output of land and water as would otherwise have been taken of the output of the land owing to the existence of our 30 year land revenue settlements, and the rule whereby such assessments cannot at each revision be increased by more than 33 per cent.

(4) I understand that to charge by volume has already been considered by the irrigation authorities and rejected as impossible under the Deccan conditions.

(5) If the water be sold to the highest bidder, the smaller cultivators who are most in need of water especially in bad years would be deprived of it.

The best plan is (2), viz., to charge a fair commercial profit, and this, in my opinion, should be the ultimate aim of all irrigation schemes protective as well as productive. To get this profit, however, by water-rates alone in the Deccan areas is not possible without charging such high rates that the actual cultivators, a large proportion of whom are tenants, who have to pay the water-rates in addition to high rents, would be unable to obtain a reasonable return for their labours. The present aim, therefore, is while charging for water at rates which the actual cultivator can pay, to impose a cess on the land itself which the owner, who is now scoring heavily at the cost of no effort or expense to himself—will have to pay, and thus bear his share in making the canals give a reasonable and fair commercial profit. I will deal with the question of this cess in my reply to Q. 16.

Q. 16.—I am very strongly of opinion, that when land newly brought under irrigation or guaranteed a supply of water increases largely in value, it is right that the State should take a portion of the increase. As I have already stated in my reply to Q. 15, in the Deccan the canals have for the most part been constructed through lands which were already held by private owners. The result has been an enormous increase in the sale value of these lands, and also in the rentals obtained by the owners. In 1922 I was put on special duty for a short period to investigate the rise in values of land, under command of the

Nira Left Bank Canal and found that even after making allowance for the general rise in the value of agricultural land which has taken place in this Presidency during the past 20 years the construction of the canal had on an average put into the pocket of the owners a large amount of money at the cost of no effort or expense on their part. Dry crop lands of equal quality in the same neighbourhood fetch rents up to about 5 times the assessment, i.e., roughly Rs. 5 per acre. The rents of similar land under irrigation vary from Rs. 15 to Rs. 50 per acre according to the class of irrigation available, and the crops seasonal or perennial which are grown on it. In the same way while the average price of dry crop land amounts to about 25 times the assessment or roughly Rs. 25 per acre, lands under sugarcane fetch up to Rs. 400 per acre, and other irrigated land for which *rabi* or eight months water supply is available fetch prices varying from Rs. 100 to Rs. 250 per acre, according to their quality, situation, etc. In the sugarcane areas the lands have for the most part been leased for 10 to 20 years by the owners who had no experience and not enough capital to undertake to cultivate it, with the result that a number of them now are well-to-do men living on their rentals which have accrued to them through the generosity of the State at the expense of the general tax-payer. Such a state of things appears to me to be altogether inequitable.

There is, however, one point which it is very essential to note before a cess can be imposed on land newly brought under irrigation. The supply of water whether perennial 8 months, *rabi* or *kharif*, must be guaranteed to the owner. When these canals were first constructed they were regarded as purely protective works and the idea was to spread the water over as wide an area as possible. The results of this policy soon proved most unsatisfactory. In a good year, no one wanted water, in a bad year, when the supply was short, every one complained because he could not get enough. Experience has shown that perennial irrigation, owing to the large increase of employment which it gives, is probably the best protection against famine, and for this a guarantee of water is essential. Once the guarantee is given, automatically, the value of the land jumps up, and it is both reasonable and fair that the State should take its share of this increase.

As to the method by which this share should be taken I would prefer a tax such as is proposed in the Irrigation Cess Bill, contemplated in this Presidency, a copy of which has, I understand, been forwarded by Government to the Commission. I am generally in favour of the terms of this Bill. To attempt to take the Government share in a lump sum, would, I think, frighten people off irrigation, and would also entail a detailed investigation of the actual increase in value of each parcel of land a most difficult task and one which in this country would give scope for corrupt practices on a big scale among the subordinates through whom the details would have to be collected.

Q. 106.—Yes. On the whole I agree, but I consider that ability to pay should be an important criterion in (b) also.

Q. 107.—I think the taxes included in Schedule II to the Scheduled Taxes Rules give sufficient scope to the ordinary local bodies. In places of pilgrimage or of great historical interest to which numbers of tourists resort, it would be legitimate to impose a pilgrim or a visitors' tax.

The following taxes should be imperative:—

(1) On buildings subject to exemption of the poorer class dwellings assessed at a rental value of Rs. 5 per month or less.

(2) On vehicles.

(3) On private markets.

(4) In return for services rendered such as—

(a) water-rate,

(b) a lighting rate,

(c) a scavenging—sanitary—a sewage rate,

(d) a drainage rate,

(e) fees for the use of markets, and other public conveniences where any or all of these services or conveniences are actually provided by the local body.

Q. 108.—Theoretically, direct taxation such as house tax and land cess is far preferable to indirect taxation such as octroi or its alternative

the terminal tax. It has the merits of being easy to assess and collect, and generally of getting most out of that section of the community, the members of which are best able to pay. Methods of taxation, however, must be not only theoretically sound but in all civilised communities must, as far as possible, be in accordance with the wishes of the majority of the tax-payers concerned. No one likes paying taxes, but everyone has to pay them, and the soundest method to adopt, therefore, in any given country, to my mind, is to adopt the methods of taxation to which most of the inhabitants least object. In India there is no doubt that the majority of those who think at all prefer indirect taxation to direct taxation. It is difficult for an Englishman who has been born and bred in the exactly opposite school of thought to swallow this, and I think our efforts to force direct taxation on local bodies has been a well-meant mistake which has only added to the prevailing political discontent. Possibly when the illiterate masses gradually become more educated and acquire some economic sense, they may realize that indirect taxation invariably hits the poor man proportionately harder than it hits the rich man, and their attitude may then change. At present, however, the general mass of opinion at any rate in this Presidency prefers indirect taxation, and so long as this attitude continues, I think, it would be a mistake to attempt to abolish either octroi or the terminal tax. It will be better to retain them with the house tax and land cess, and endeavour gradually to encourage the local bodies to rely more on direct and less on indirect taxation for their revenues. We must remember that the Indian is not along in preferring indirect taxation. The Frenchman is as strong on the point as the Indian, and any attempt recently to raise or increase the income-tax there has invariably meant the fall of the Government, rash enough to propose it. Income-tax is too, I believe, quite a recent innovation in the United States of America.

Q. 109.—I entirely agree with the criticism here given of the octroi duty. I consider that it is one of the worst forms of taxation invented. At the same time, for the reasons given in my reply to Q. 108, I do not consider that it should be abolished in India at present.

The criticism applies to the terminal tax as usually levied in India if you omit the words "inconvenient, clumsy and costly in collection." These attributes cannot fairly be given to the terminal tax so far as my experience goes. It is not inconvenient, or at least it is far less inconvenient than an octroi duty; and it is not clumsy or very costly to collect. It generally avoids all the refund difficulties which are inherent in any octroi system. In my opinion the next step in improving local taxation should lie in the direction of substituting terminal tax for octroi on every possible occasion.

There is no doubt that octroi duty is liable to be extensively evaded, owing to the generally low rates of pay given to the octroi clerks by the local authorities, and the difficulty of supervising a staff scattered over a wide area. I know that in Ahmednagar city and cantonment the substitution for octroi duty of a terminal tax with lower rates and no system of refunds resulted in a very considerable increase of revenue a result which points to a good deal of leakage somewhere under the old octroi system.

Q. 110.—The reasons which have operated to secure the retention of the octroi for so long are as follows:—

(1) The greatly preponderating representation of the landlord class among the electorate, and the members of the local bodies. This class is naturally opposed to the imposition of direct taxation on houses or land, or to any increase in such taxation where it has actually been imposed, and throws the whole weight of its influence on the imposition of octroi or increase of octroi rates when any deficit in the municipal income has to be made up.

(2) The inadequate representation of the working class population, and to its ignorance of the unfair incidence of octroi even when it is represented.

(3) The general unpopularity of direct taxation which is not peculiar to Indians.

These reasons are still operative, but the growth of education among the masses and greatly widened franchise in local areas are beginning to have some effect on the representatives of the poorer class of voters.

Q. 111.—Tolls are an unmitigated nuisance, but they must be retained on local roads in this Presidency so long as the financial resources of the boards are so meagre as they are at present, and the Local Government is unable to assist them with larger grants owing to the refusal of the Legislative Council to pass money bills when they are put before it. If they are abolished wholesale in the Presidency under present conditions, many of the Boards will not be able to maintain their roads even at their present low standard.

As a general rule, I would put the minimum limit of distance between one toll-gate and another at ten miles.

Q. 112.—In the ordinary mofussil municipality it is convenient for collection purposes that the house and land tax should be levied from the owner. A large percentage of the residential houses in such places is occupied by the owners, or by members of the owner's family where such residences are let to tenants, the rents are frequently not on an economic basis looking to the cost of the building and value of the land. In such towns the owner is not generally able to shift the burden of the house tax on to the occupier by charging higher rent. In the larger towns where there is a keener demand for accommodation, especially in business premises, the case is different. In these places the owner can demand high rents for shops, and does shift the burden of the house tax on to the occupier.

In industrial cities like Bombay, Karachi and Ahmedabad, I should say that the whole of the burden of the house tax is shifted on to the tenants both of residential and business premises. Even in these places it is more convenient to collect the house tax from the owner, as the tenants especially of the factory worker class, are migratory in their habits, and often occupy their tenements for a few months only at a time.

The local-fund cess must, in existing circumstances, always be collected from the owners. It is collected by the revenue staff and is credited in the revenue accounts which deal with the registered occupants of the land, who, under the Bombay land revenue system, are the actual owners of the land. Tenancies are generally annual only, and are often still based on payment of rents in kind. The local-fund cess is calculated at one or two annas in the rupee of the land revenue assessment irrespective of the rental or sale value of the land.

The owners of agricultural lands near large industrial centres can shift the burden of the cess on to the tenants or occupiers by means of the high rents which they are able to demand from them. This is also the case in the irrigated tracts in the Deccan. In the pure agricultural areas the owners charge rent either in kind, which is more or less fixed by custom, or in cash calculated at so many times the assessments according to the quality of the soil, the situation of the field, existence of a well and other advantages, and in making this calculation, usually, the local-fund cess is not taken into account.

Q. 113.—In the large towns where rents are on an economic basis in accordance with the law of supply and demand, I see no reason for the limitation mentioned in this question. In the small towns where there is little or no demand for hired accommodation, the system of limiting the amount of house tax which may be imposed works on the whole fairly. In these places the tax must be assessed on the potential value of the building, which has no actual rental value as there are no demands for it on hire.

The existence of this limitation, especially in the large cities, undoubtedly, does tend to compel local authorities to have recourse to other forms of taxation, which are less defensible from an economic standpoint. The limitation is, in fact, not infrequently purposely imposed by the predominant influence on the municipal board of the landlord section of the community.

Q. 114.—In the three large municipalities, viz., Sholapur, Hubli, and Ahmednagar with which I am most familiar, the limit of exemption from house tax is as follows:—

Sholapur.—Buildings yielding or capable of yielding a yearly rent of Rs. 10.

Hubli.—Buildings yielding an annual rent of less than Rs. 3.

Ahmednagar.—Buildings with annual letting value of Rs. 10 or less.

I should prefer to put the limit of exemption at Rs. 5 rental per annum. Houses assessed at this figure should pay a fixed rate not exceeding annas 8 per year. This rate should be proportionately increased on all buildings assessed up to Rs. 50 annual rental. From this figure upwards the tax should be assessed at a percentage of the rentals.

Q. 115.—I favour a policy of rating land within municipal limits on its undeveloped value and of exemption of improvements effected at the expense of the owner.

Q. 116.—I have had no experience of the levy of (a) a profession tax, (b) a tax on companies, or (c) a manufacturing tax on cotton.

Q. 117.—In the present stage of development of local self-government in this Presidency I am not in favour of unconditional contributions in general aid of local finances, to meet the cost of national or onerous services, and prefer that Government grants should be earmarked for particular forms of expenditure such as education, public health, maintenance of trunk roads, etc. The majority of the local bodies are not yet sufficiently experienced in administration to be trusted to make a fair distribution of any unconditional grants.

It is very difficult to prescribe a basis on which such subsidies should be calculated, which would be suitable to meet the various objects for which they are intended, and the financial resources of different local bodies. Educational grants for primary education can be calculated without much difficulty according to the number of boys and girls attending the schools, but even so, proportionately larger grants for school buildings will be required by the poorer local boards and municipalities. Grants for secondary education, medical training, industrial training, etc., must be based partly on the numbers attending the local schools and colleges, and partly on the actual resources of the local body concerned. Localities where large numbers of pilgrims congregate may need special treatment in respect of measures required for the maintenance of public health in the interest of the whole of India. As a rough rule for calculating the basis for such subsidies, I would suggest—

(1) The actual value to the general community of the national or onerous service done by the local body concerned.

(2) Its financial resources and need for assistance to meet the cost of such service.

Q. 118.—I think the stimulus does exist in the case of primary education, but not in the case of sanitation and road maintenance. In the case of education, there is, however, always the risk that communal interests may be regarded as of more importance than the interests of the community as a whole.

Written memorandum of Mr. Pooley.

Q. 15.—The conditions governing the charges for water supplied for irrigation in the Deccan are quite different from those in Northern India and Sind. Practically all the Deccan works are of a protective nature, and as the rivers are not perennial, water has to be stored to supplement the river flow, particularly during the period from October to June annually. Owing to the roughness of the country the canals cannot take off from the storage reservoirs, and separate head works are necessary in the plains. There is no waste land, and heavy compensation has to be paid for acquisition, and a large number of bridges are required to provide means of access over the canals and their distributary channels. Owing to the roughness of the country and thinness of the soil covering the trap rock, which latter extends over the whole of the Deccan, a large number of cross drainage works are necessary and also expensive rock cuts, tunnels, high banks, etc., are unavoidable. For the abovementioned reasons the capital cost of schemes in the Deccan is much higher than that of schemes constructed in Northern India, where the rivers are more or less perennial, the land is comparatively very flat and the soil can be excavated with a shovel. Again, maintenance charges are very heavy in the Deccan, because there are very few large landowners and fragmentation of holdings has been carried to extreme limits, and it is necessary to safeguard the interests of each small holder. These schemes have mostly been constructed for the purpose of

insurance against famine and the water charges have been based generally on the amount the cultivator can afford to pay and an adequate return on the sum invested is a secondary consideration.

As regards the five methods mentioned in the questionnaire, the following methods may be ruled out as impossible and impracticable in the extreme:—

Method No. (5), to sell water by auction to the highest bidder.

Method No. (4), to charge by volume.

Method No. (5), to increase the land revenue by taking the same proportion of the combined output of land and water as would otherwise have been taken of the output of the land.

Method No. (5) would deprive the poor cultivator of his right to water.

Method No. (4) has already been considered by the irrigation authorities and rejected as impossible under Deccan conditions.

Method No. (3) is impossible under existing conditions, although it would be carefully justified to increase the land revenue throughout the irrigation area irrespective of water supplied to individual areas, to crops, etc.

As regards methods Nos. (1) and (2), i.e., (1) to charge the bare cost of supplying the water, including interest on capital invested, and (2) to charge a fair commercial profit, the 2nd method should be the ultimate aim of all irrigation schemes; as there is no reason why the general tax-payer should provide water which will benefit only a few persons. However, it is not possible to obtain sufficient return to meet the interest charges on capital till a canal has been in operation for some time, and until irrigation is developed in the area it is impossible to fix charges or obtain a return which will pay interest on capital under the existing rules, although it would be quite possible if a general increase of land revenue was introduced for the whole area as soon as the canal was complete, and this would be justified fully in view of the protective value of the canal which guarantees immunity from famine of all lands under command. If water-rates are charged as at present and according to the ability of the persons concerned to pay and in addition a general land tax is levied for the whole area, it should be quite possible to make the canal bear the interest charges on capital invested, but the ultimate object should be to charge a fair commercial profit based on the ability of the persons who use the water to pay the charges levied, so that they should repay the general tax-payers for benefits received owing to the outlay of public funds. In other words, the charge for water ought to be based on the net profits derived from crops irrigated or benefits received. It is understood that in certain countries the water tax for irrigation amounts to as much as half the value of the net profits. In Egypt the figure is believed to be one-fifth. It would not be unfair in the Deccan to adopt a figure as high as one-fourth the value of net profit, in which case the water-rates would be considerably more than they are at present.

Q. 16.—As stated above, lands in the Deccan are almost all occupied lands on a 30 years assessment revision basis and on the advent of irrigation such lands increase in value by several hundreds per cent. Lands which previously fetched no rental, can on the advent of irrigation be leased for Rs. 20 to Rs. 60 per acre per annum for sugarcane cultivation, and such lands represent approximately 20 per cent of the areas irrigated by the established canals. The landowners who previously were working on the land now lease their lands to outsiders and maintain themselves almost entirely by rents. It is quite unfair that such persons should be benefited at State expense, and a betterment tax which should be a maximum in the case of valuable lands such as sugarcane lands, etc., and a minimum in the case of ordinary dry crop lands, should be levied and credited to the canals concerned. A betterment tax might amount to an annual charge of about $1\frac{1}{2}$ per cent on the capitalized value of the unearned increment.

In the case of lands suitable for cane to which a perennial supply of water can be guaranteed, the rent paid to owners by expert irrigators is not less than Rs. 40 per acre per annum, so the capitalized value of the

unearned increment is not less than Rs. 800 and 1½ per cent on Rs. 800 would mean an annual tax of Rs. 10 per acre per annum. It is understood that the Bombay Government are contemplating the introduction of an Irrigation Cess Bill and have forwarded a copy of their proposals to the Taxation Enquiry Committee, and this may be referred to for further information on the subject.

Q. 17.—There are no tenancy laws in force in the Bombay Presidency. There are certain tenancy rights, but it appears these would not be affected by the above proposals.

Mr. Turner and Mr. Pooley gave oral evidence as follows:—

The President. Q.—Mr. Turner, you have given us a note on water charges and on local self-government?

A.—Yes, Sir.

Q.—Mr. Pooley is going to assist you on the first item?

A.—Yes, Sir.

Dr. Hyder. Q.—Your evidence relates to irrigation in the Deccan and not in Sind?

Mr. Pooley. A.—Yes.

Q.—Your idea is that the State should realize a commercial return and for the purpose of this charge some kind of cess should be collected. Is that Mr. Pooley's idea?

A.—The Deccan schemes are of a protective nature and at present they are giving a return which is less than the rate the general tax-payer pays for the loan funds which had to be raised for the purposes of constructing them. Therefore, means are necessary to make these schemes pay if it is possible, because the general tax-payer is at present providing money for benefiting a small section of the community.

Q.—Your idea is that the people for whom these facilities are provided should pay over and above the present rate in the shape of a cess?

A.—Yes, that is the proposal.

Q.—Then you mention Egypt. There is only one charge in Egypt and it has been so from time immemorial. It has been on the principle "give me so much of your land and I give you so much water". There is no land revenue in Egypt, but here in your Presidency you have land revenue, you have water-rates, then you will have some kind of general tax on the people who make use of your water?

A.—Not necessarily the people who make use of the water. I mean the owners.

Q.—How are you going to secure that these owners will not pass it on to the tenants?

A.—May I explain it, Sir. In this Presidency the owners are mostly poor cultivators who have been irrigating dry crop lands: they have neither experience, capital nor the enterprise necessary to grow a crop like sugarcane which requires a great deal of money, something like one thousand rupees an acre when first started. What happens is this. There is a class of persons whom I may call enterprising cultivators who come forward and lease the lands from these poor cultivators and pay them a very handsome rent for their lands. Previously the owners were getting a very small return; on the basis of half the produce and if it was a famine year they were getting nothing. From this state of affairs they are being now suddenly offered rents up to Rs. 100 an acre. The average would be about Rs. 40 an acre. These owners live in the villages doing no work and they become rent receivers. I say these people have been entirely benefited by the canals and this is the class of man we propose to tax, I mean the owner.

Dr. Paranjpye. Q.—Are you going to tax people who come under new canals or under old canals?

A.—Both.

Q.—In the case of old canals, lands might have changed hands at enhanced prices. The benefit that has been given in the beginning might have been amortised in the sale price. How are you going to get over that difficulty?

A.—I do not think it concerns the State very much. After all the land has appreciated in value. Anyhow, there is a class which is receiving a benefit which is the direct result of the State's intervention. That land could not be sold at the present price unless the canals were constructed. So the enhanced value is entirely due to the construction of canals.

Q.—You should tax people who were owners when the canals were constructed?

A.—I should say owners at the moment.

Q.—He has paid through the nose for it.

Mr. Turner. A.—That is his business.

Q.—The understanding was that he will not be charged more. But you bring in a new law and penalise those people.

A.—Every kind of taxation has the same effect, for instance, an increase in income-tax is the same.

Q.—No. There it is net income which is taxed, but here it is not so.

Mr. Pooley. A.—May I say he is gambling on the availability of water. We can always withdraw water. Supposing we stop water, his income will automatically cease.

Q.—Irrigation has been in existence for the last twenty or thirty years. There have been lots of transactions on it, now you cannot say a man who has purchased the land year has gambled on it.

A.—Yes, he gambles on water being available for that portion. There is no guarantee of water to any particular piece of land. The last few miles of the Mutha Right Bank Canal is an example. It has been found necessary to refuse perennial water in the area although it has been given for many years in the past.

Dr. Hyder. Q.—Your position, I suppose, is this. The State having constructed these canals which were originally of a protective nature, and now people are in a position to save on account of this, you raise your charge by a cess and do not increase your water-rates direct. Is that your position?

A.—Yes.

Q.—You have come to this position on account of the fact that you think water is worth much more and thus people can pay more?

Mr. Turner. A.—Yes. Everything depends on water.

Q.—Originally they could not pay. Now, on account of the change brought about by canals, movements and prices so forth, you can demand much more for your water and the people will be able to pay. You mean they possess the ability to pay?

A.—Yes, I think so.

A.—As regards the question of distribution of water, can't you form villages units and make over your water to them for distribution. You have got local self-governing bodies, village panchayats, etc., are they not sufficiently developed to take up this work and ensure water to everybody in the village?

Mr. Pooley. A.—In the Deccan irrigation systems we have altogether, I suppose, many thousands, may be about 100,000 outlets. We have done our best to encourage communal enterprise on the lines which you indicate, and 5 experiments have been tried, one of which has been a failure, one has succeeded and the others have partially succeeded. So there is no enthusiasm at present. The Irrigation Department at present distributes the water to the fields. If distribution is to be done on a communal basis, suitable persons in each village must offer their services free. It is not an easy matter to distribute water so as to satisfy all concerned—cane requires water at frequent intervals, particularly on light soils and at periods of high demand—the Panchayat have to do the best they can and all fields cannot be given water exactly when required, so it is a very unpleasant job for the man who is responsible for

distributing the water. Therefore they always prefer that the State department should do this business, and the cultivators hesitate to undertake these responsibilities.

Q.—Could you not bring these villagers into one body and get them to distribute water?

A.—We are very anxious to do that. I may also point out that if villagers were to do this work, the organization would become cheaper. We have been advocating this reform for some years past, but so far there is very little keenness about it. We do not get men to undertake this public duty. We do at present give them in practice a slight rebate. They use more water for cultivation of the same area, therefore it costs more.

Q.—You could not conceive this village system being successful?

A.—No.

Mr. Turner. A.—In every village in the Deccan there are factions and the feeling between them is very bitter, (Dr. Paranjpye will agree with me), so it is very difficult to get these two factions to work together.

Q.—There are no technical difficulties?

Mr. Pooley. A.—Certainly not. The difficulty is the unwillingness of the people to undertake this public duty. Moreover, to do this distribution work they have to give up a tremendous lot of time. One of the duties of the *panch* must be to penalise people for misuse and waste of water. It is a very unpleasant duty to penalise a neighbour. Therefore people hesitate to undertake these responsibilities.

Dr. Paranjpye. Q.—In order to remove those troubles, have you tried any experiment for consolidating the holdings?

A.—Yes, under the new rules we only give units of $1\frac{1}{2}$ acres for irrigation on lease. This has reduced to some extent the extreme fragmentation which has been a hindrance to the administration of irrigation in the past and has rendered holdings unprofitable. In the last two years irrigators are now either leasing or combining areas so as to get a sufficient area to come up to our unit area for irrigation purposes.

The Maharajadhiraja Bahadur of Burdwan. Q.—At the bottom of the first page of your note you say; "If water-rates are charged as at present and according to the ability of the persons concerned to pay, and in addition a general land tax is levied for the whole area, it should be quite possible to make a canal bear the interest charges on capital invested". What is your idea in saying "general land tax"? Surely a tenant pays land tax for the land he holds.

A.—By a tax I meant a cess.

Dr. Hyder. Q.—If you could supply water to all the persons in a certain tract, then you might tax everybody. There may be portions of villages which do not get water, still you would tax them though they get nothing?

A.—We mean we could charge cess only to those to whom we could guarantee water.

Dr. Paranjpye. Q.—Those people who are at the tail-end of the canal, you would charge only a portion?

A.—Yes.

Q.—Your Deccan canals are supposed to be protective canals. Some pay and some do not pay, and others pay half a per cent and so on. Do you think they can reasonably be made to pay for the whole cost?

A.—The figures that you see in the published reports are somewhat deceptive because old and new schemes are not shown separately and most of the new schemes are not as yet fully developed. When the new schemes are fully developed the return from them will improve. The return on the sum-at-charge (capital + accumulated arrears of interest) is hardly a fair criterion of existing conditions.

Q.—On the other hand, the cost of construction of canals was very much less than it is now.

A.—True.

Dr. Hyder. Q.—Have you got all the schemes that you require of there is room for expansion?

A.—Yes, there is a good deal of room for expansion; but we have not got money.

Q.—In the Punjab in the canals they are now going to construct, Government insist upon getting a share of the land. I suppose you cannot do that in your Presidency?

A.—No, Sir. It is all occupied. We could not possibly do that because there would be a popular outcry.

Mr. Turner. A.—That has been considered as politically unwise.

Q.—What sort of rates you would have for irrigation; would you have uniform rates?

A.—Irrigation rates vary according to the season and crop. They are seasonal rates. For sugarcane which is a perennial crop it is Rs. 45.

Sir Percy Thompson. Q.—That takes very much more water than other crops?

A.—Yes, we have got to give water every ten days.

Dr. Hyder. Q.—Your charges are much higher than in other parts of India?

A.—Comparatively it is not much more than in other parts of India. For sugarcane for which the soil is very suitable we get a much bigger outturn per acre.

Q.—Over areas that are homogeneous you would have different rates for different crops, but for the same crop in one area you would have one rate, not rates varying according to the schemes?

A.—No. The rates are sanctioned by Government from time to time; they apply generally to all major irrigation works in the Bombay Presidency proper with one or two minor exceptions.

The President. Q.—Even protective works pay under these general rates?

A.—Yes.

Mr. Turner. A.—I have been connected with two famines in this Presidency, and have worked in two actual famine tracts. I myself and all officers are of opinion that the best protective work for famine is perennial irrigation and not the spreading of water over the whole area, because that gives plenty of labour and employment and keeps them alive.

Dr. Paranjpye. Q.—You are referring to the old system when you had not perennial irrigation at all?

A.—I meant that the best protection against famine is the perennial system and not spreading water over the whole area.

Q.—We are looking at the financial aspect of the question. Do you expect them to pay for the interest, capital, etc.?

A.—Unless they do we shall not be able to construct any more. Under the present system we cannot construct a yard more.

The Maharajadhiraja Bahadur of Burdwan. Q.—The irrigation works were originally not meant to pay?

A.—Yes.

Q.—They were more or less an act of philanthropy?

A.—Yes. The general rate of interest then was 3½ per cent, and they were constructed out of revenue. Now they have to be constructed out of loans for which we have to pay 6 per cent.

The President. Q.—I do not quite understand what is meant by piling up of sixty years interest. What is your idea?

A.—In the olden days 3 per cent was the rate of interest and from the very start we have to pay simple interest on capital expended on construction. Canals develop very slowly. In fact, the financial return is estimated to commence ten years after completion. By that time we may have incurred 20 or 30 lakhs interest on a one crore scheme. That is called sum-at-charge, accumulated interest charge plus capital.

Dr. Hyder. Q.—How do your rates, for instance, for sugarcane, compare with the cost to an agriculturist who makes use of his own water either from a well or from a tank?

A.—I can say that a cultivator will always take canal water in preference to well water.

Q.—Is it cheaper?

A.—The main advantage of canal water is that the cultivators are absolutely sure of the supply. The supply in the major irrigation works is based on the rainfall in the Western Ghats and even in the famine years it can be absolutely guaranteed.

Q.—Do you know what it costs a man to irrigate from a well?

A.—It means he has got to have bullocks and it limits the area which he can irrigate. I do not know exactly what it costs, but we know that wells in the irrigated area are always abandoned in favour of flow irrigation.

Sir Percy Thompson. Q.—I do not quite understand what you mean by saying that best insurance against famine is perennial crops.

Mr. Turner. A.—I meant sugarcane. The sugarcane crop is a 13 months crop. It goes throughout the year. It has got to be irrigated every ten days throughout the year.

Q.—I do not quite follow why you call it the best protection.

A.—Because it gives an assured employment in a wide area of irrigation. For sugarcane cultivation you will require a considerable amount of labour. You never have famine in the area under command, but you may have it all round these areas.

Q.—You say: "To charge a commercial profit should be the ultimate aim of all irrigation schemes; as there is no reason why the general taxpayer should provide water which will benefit only a few persons." Supposing you undertake an irrigation scheme and you can make a fair commercial profit by charging Rs. 4 an acre: if the benefit to the cultivator is something in the region of Rs. 40, you would not limit yourself to taking Rs. 4?

Mr. Pooley. A.—Well Sir, in the past the rates have been based on a different basis. They are all concession rates you might say. In the Deccan to-day they are all concession rates; it is what a man can pay.

Q.—If you increase his value of land by Rs. 40, obviously he can pay Rs. 30.

A.—But there are two people, the owner and the irrigator, the owner very rarely irrigates. In the irrigation rates we tax the tenant. Under the cess we try to tax the owner.

Q.—You put water on the land, give him a plentiful supply of water, quite obviously the tenant can grow prolific crops. Up to the extent to which the land is more prolific you can theoretically charge the whole increase in the net value of the crop.

A.—Before enhancing the rates, Government makes a detailed enquiry through different departments, and we find the net value from each type of crop and we base our rates accordingly on what people can pay.

Q.—That does not square with your saying that the rate limits itself to the commercial value. You would not limit yourself to charging Rs. 4 on that account?

A.—We have never had that position in Bombay.

Q.—But they have in Madras. They had in some parts a rate of Rs. 4 but now people are begging for water and they are prepared to pay even Rs. 15. I suggest, therefore, that they started on a wrong principle in charging Rs. 4, because that covered their cost.

A.—I agree with you that it should be at a price which will cover the interest charge on your scheme and it should be fixed on the commercial value. Supposing your scheme costs so much, you expect so much revenue. Your attempt should be to collect as much revenue as you can.

The President. Q.—Then you really take into consideration the amount that you could charge on the basis of what a cultivator in the least favourably situated tract can pay?

A.—The criterion is really not a famine year. Water is worth so much that we are charging rather too little for our water. We have assessed on the fat year when rainfall is good and water from canals is not so valuable as it is in a year of scanty rainfall when cultivators could pay much higher rents if demanded.

Q.—How often do you revise your rates?

A.—They are subject to revision every six years, but we do not often do that.

Q.—You don't do it to balance your budget?

A.—No. I think that before the last revision there had been no alteration in the rate for ten years.

Q.—Is it desirable to reconsider the rates after a fixed period?

A.—According to law, the rates are subject to revision every six years.

Q.—Have you any difficulty in getting people to pay rates which are so much higher than those in other parts of India?

A.—No. When we give six years' leases, we generally get anything from 50 to 100 per cent applications in excess of what we can give.

Q.—You say that the charge for water ought to be based on the net profits derived from crops irrigated. I take it that the scheme suggested in our questionnaire, viz., to increase the land revenue by taking the same proportion of the combined output of land and water as would otherwise have been taken of the output of the land, does not fit in with the Bombay Settlement procedure.

A.—No.

Q.—In your land revenue settlements you do not take a definite proportion of the net assets?

A.—No.

Sir Percy Thompson. Q.—Why?

A.—The season varies very much. In a typical Deccan famine area, when we get good rains, there would be extraordinary profits made by cultivators. If we take 12 annas per acre, the profits would amount to anything from Rs. 50 to Rs. 60 per acre.

Q.—Do you base your settlements on that?

A.—No. I do not think we can work strictly on these lines. We go more by improvements in communications, prices of produce, the railways, etc. It is almost impossible to find what the actual net return to the cultivator is.

Q.—Is it a percentage of the rental value?

A.—Not strictly: the assessment is not the rent by any means.

Q.—I suggest that it is a proportion of the rent, the maximum limit of which may be 50 per cent.

A.—That was the original idea.

The President. Q.—Do you ever use the term 'net assets' in the Bombay settlement?

A.—No. The land was originally surveyed and classified; we don't revise these two at all. As I said, we go by the improvements in the communications, increase of prices, produce, railways and general questions of advancement. We do not attempt to work out the net assets.

Sir Percy Thompson. Q.—Those are precisely the considerations which any landlord would take into account in fixing rents.

A.—We do not call our assessment a rent.

Dr. Paranjpye. Q.—In your settlement reports, do you consider the sale value of land and the letting value of land?

A.—We do.

Q.—If you find that the letting value of land is high, wouldn't you consider that as a proper reason for increasing your assessment?

A.—Yes.

The President. Q.—If you put water on the land and guarantee supply, you increase the value of the land largely, and Government are entitled to take a share of the increased value by means of a betterment tax?

A.—Yes.

Sir Percy Thompson. Q.—Surely you would take your share of the increased value by way of water-rate.

✓A.—It does not hit the owner so much: nine-tenths of the cultivators are tenants and they pay the water-rate.

Q.—If you take 100 per cent of the increased produce due to the application of water, there is no room for a betterment tax.

A.—Are you dealing with irrigated lands or with ordinary revenue assessment lands?

Q.—Suppose a revenue assessment land is dry to-day; to-morrow you put water on to it and you increase the produce so that the increased produce is worth Rs. 100. My first suggestion was that you take a reasonable proportion of this Rs. 100, say, Rs. 60, Rs. 70, Rs. 80: then there is an increase of Rs. 20 left, unless the landowner puts up the rent. Now, if you put on a betterment tax, you have already taken your Rs. 80 share out of the Rs. 100 increase?

A.—The irrigator knows what profit he can make out of the land and the rate is fixed accordingly. He pays a rent, averaging Rs. 40 an acre to the owner. We do not tax the owner at all.

Q.—But suppose he pays Rs. 100 for his farm and you put water on to it. Why should he pay any more to the owner?

A.—The tenant can lease the land only when the land has the irrigation facility. The lease is commonly on half produce.

Q.—That has its own value.

A.—It may have no value at all.

Q.—Taken on an average, it has a certain value. You increase this value by putting water on it, and the State takes away a fair proportion of the value by means of the water-rate.

A.—It was previously a dry-crop area: that is a perfectly different thing from an irrigated area. The tenant simply leases the land to the expert cane-grower, who fixes his rate according to the availability of water, the nature of the land, etc. The owner, who before could scarcely maintain himself on the land, now becomes a moneyed person who lives in his own house and does no work. If he had 10 acres he is now getting Rs. 600; previously he did not get Rs. 6.

Q.—But if it is the case that your expert comes along and offers something very much in excess of what could be offered before, it means you are not recovering sufficient from him by way of water-rate.

A.—Every one is not an expert. The ordinary cultivator does not get anything like the results the expert does. We cannot tax a man because he is efficient.

Q.—Surely the expert is entitled to a certain amount of reward for his brains. You say that the owner who is not an expert absorbs it: why should he?

A.—That is why we wish to tax his increment.

Q.—If you charge him more water-rate he cannot afford to pay more rent.

A.—That would not pay Government. It is not a business proposition.

Q.—You charge the tenant something by way of water-rate which comes out of the surplus: the landlord can only get a rent which is equivalent to what is left as surplus, and if you do not take the whole of the surplus, the landlord would absorb it by way of rent. If you take the whole of the surplus, there is nothing for the landlord to absorb by way of rent.

A.—It is more or less a gamble: they may not get the water they require. One thing is certain, viz., that the owner does receive very much more than he did in the past, and that is what we want to get at. If we had fixed our water-rates at a very high rate as you suggest from the beginning, the rents would never have gone up in the way they have. Very

often the difficulty is to get people to take water. You must start with low rates and gradually fix higher rates, and meanwhile the harm is done.

Q.—I take it that the circumstances under which you fix your irrigation rate result in a transfer of the value from the cultivator to the tenant.

A.—There are big risks for the tenant.

Dr. Hyder. Q.—You say that the cane business is in the hands of larger people?

A.—It is in the hands of experts largely, and it varies on each canal.

Q.—What would be the area of occupation of an expert under cane?

A.—It varies: 10 acres is the smallest; I know of one having 500 acres.

Q.—If, on an average, then, there are 200 acre blocks, it seems to me that you can get very much more out of your water.

A.—We must support the cultivator. After all, we want to encourage the cultivator to cultivate his own lands and become more or less an expert. What happens at present is that the man lets his land, goes and lives in his village and sits idle: he does no work and becomes discontented. On the other hand, if you train your cultivator to grow cane and do all the work, it will be a splendid asset to the State and the work will go on from father to son. But your tenant will not stick to you. As soon as a new canal is made, he will go away if he gets a more favourable lease.

Q.—This kind of man generally comes from the cities and does not stick to the village.

A.—It pays Government better to have the big man.

(At this stage Mr. Pooley withdrew from the meeting and the examination of Mr. Turner was continued.)

Sir Percy Thompson. Q.—I gather that in your view probably the house tax is the best tax to levy for raising the bulk of the revenue.

A.—Yes.

Q.—But you recognize that the octroi exists and has been in existence from a long time and that the only thing to do is gradually to substitute for it a house tax.

A.—Yes.

Q.—You say that you have no experience of the profession tax: does not the small trader get off very lightly?

A.—Yes.

Q.—Can you suggest any way by which he can be made to pay a fair share except by some sort of profession tax?

A.—I agree that the profession tax is the best way of getting at him. In one or two municipalities they are trying a small income-tax, but personally I am very doubtful about it.

Q.—How is that assessed?

A.—It will be assessed by the local authority: I am afraid it will lead to a lot of trouble and speculation.

Q.—Would the local authority object to its being done by a provincial staff or even by the income-tax staff?

A.—I should not think they would object. I cannot say for certain because there is the only instance in this Presidency where it has been started. It is in Larkana.

Q.—All over India the complaint is that the local authorities do not administer it well.

A.—We have not got very much of it in this Presidency. I have not been able to get detailed figures, but there is a tax called professions and trades tax in 30 municipalities out of 151. That includes a tax on hawkers, a tax on theatres (which is levied in Poona), also a tax on bands or music. All these come under 'profession tax' more or less.

Q.—Is it roughly based on estimated profits?

A.—I am afraid I cannot give details,

The President. Q.—Only five out of these thirty municipalities get over Rs. 1,000 from the tax?

A.—The income is not as much as they expected to get.

Q.—How is this new local income-tax levied: is it a proportion to the income?

A.—We have not got the rules yet: it was only sanctioned by the Government of India a fortnight ago.

Q.—If you had called it a profession tax, it need not have gone to the Government of India.

A.—It need not have gone.

Q.—I take it that your 'education' tax is much the same thing.

A.—It is called 'education' cess. It is earmarked for education.

Q.—There will be no trouble if you call it a profession tax, and it need not also go for sanction to the Government of India.

A.—Yes.

Sir Percy Thompson. Q.—If you assess house tax on the owner, what is the need for an exemption limit? A man may just as well buy 100 small houses and be as well off as if he has one good big house.

A.—In the mofussil these small owners generally occupy their own houses: most of the towns are divided up into castes, the backward and depressed classes all live in one area and they are the people who usually get exemption.

Q.—You say that you favour a policy of rating land within municipal limits on its undeveloped value and of exemption of improvements effected at the expense of the owner. How do you propose to do that? Does that mean a universal valuation of site values? You had, I understand, a committee on this question in the Bombay Presidency.

A.—Yes, we had. That is Mr. Mirams' report.

Q.—They recommended that you should ascertain the site value?

A.—Yes.

Q.—How are you going to work it?

A.—Personally, I do not know how to do it with regard to valuation: there are extraordinary difficulties in practice.

Q.—You know the experience of trying to get at the site values of land in England?

A.—I know it too well. The difficulty is to get at people who hold up land: there is a good deal of that sort of thing in industrial towns.

Q.—The other alternative is to charge an increment duty?

A.—Yes.

Q.—Don't you think it would be a colossal business?

A.—I am afraid it would be.

Q.—What improvements are you going to exempt?

A.—Improvements made at a man's own expense, i.e., drainage, access to a main road, etc. I admit it would be very difficult in practice to work it.

Q.—Supposing you get over these difficulties, would you then put a flat rate of tax irrespective of the rents that the actual owner is paying?

A.—The idea was to take 3 per cent of the value: calculating 6 per cent as the natural return, Government would take half.

Q.—Isn't that rather hard on the man who is paying full rent for the land?

A.—The man who is paying full rent is the speculator.

Q.—But you are going to tax him. He may have bought the land as speculator and built a lot of houses on it, you would not show any mercy on him?

A.—No.

The President. Q.—In municipalities in the Madras Presidency you have your house tax which includes the house and site, and then you have a land tax at so much per square yard.

A.—We have not got that here.

Q.—In Madras they charge agricultural land and building land separately: they simply have a flat rate at so much per square yard.

A.—They also tried to put on an undeveloped land tax in the Bombay Municipality, but that was turned down on the advice of the Remembrancer of Legal Affairs as illegal.

Sir Percy Thompson. Q.—Suppose you have a piece of land on the outskirts of a town which is unfit to be built upon: you have another piece of land just in the middle of the town which has an enormous value. If you put a flat rate at so much per square yard, the tax on the latter would be a mere flea-bite if it was fair to the former piece of land.

A.—Yes: the value of lands in the centre of some towns is terrific: it is even more than the values in Bombay.

The President. Q.—Does the octroi and the cotton manufacturing tax in this Presidency tend to become a transit duty?

A.—Very much so.

Q.—And for that reason to be very much objected to?

A.—Yes.

Q.—The Chamber of Commerce told us that your Government have given an undertaking to abolish tolls on provincial roads.

A.—I do not think that any such undertaking was ever given. It was the policy of Government before the War to abolish tolls and it was very largely carried out: we used to give compensation to local boards for the loss of revenue. But the War upset the whole thing.

Q.—I perceive from the reports that no tolls were levied on provincial roads in 1921, a considerable sum was collected in 1922 and a still larger amount in 1923.

A.—Yes, they were brought again into force in the year 1922-23.

Q.—It has been suggested to us that the greatest objection to the tolls is from motorists, and you might get over it by levying a provincial tax on motor cars, making over the proceeds to the local bodies, and by exempting all motors from tolls, just as they do in England.

A.—You mean heavy registration fees on cars?

Q.—Yes.

A.—I do not know. I suppose it would be feasible. But motors are very much more concentrated here in India than they are in England. The vast majority of them are in Bombay, and one or two other big cities.

Q.—They would still be able to levy a vehicle tax.

A.—The Bombay motorist pays Rs. 100 a year, and if he has to pay a provincial tax over and above that he will have to pay a good deal. You will be asking him to pay for the benefit of the District Boards when nine-tenths of the cars do not use the district roads.

The Hon'ble Mr. Justice F. E. PERCIVAL, C.I.E., I.C.S., M.L.C.,
Bombay, was next examined.

Written memorandum of the Hon'ble Mr. Justice Percival.

Q. 89.—Bentham's views are antiquated and cannot be accepted. In regard to the Court-fees Act, I suggest that it should be amended in all the provinces, in the manner in which it has already been amended in Madras, Bengal, Bihar and Orissa, the Punjab and Assam. Item 1 of Schedule I of the Court-fees Act, 1870, is very antiquated and should, in my opinion, be amended as soon as possible in regard to suits for amounts

above Rs. 5,000. The following are the percentages paid in accordance with item 1 of that Schedule:—

Value of subject matter.	Prope. fee.	Percentage.
RS.	RS. A.	
100	7 8	7½
250	18 12	7½
500	37 8	7½
1,000	75 0	7½
2,500	150 0	6
5,000	275 0	5½
10,000	475 0	4½
25,000	875 0	3½
50,000	1,175 0	2½
1,00,000	1,425 0	1½
2,50,000	2,175 0	1½
5,00,000	3,000 0	1½
10,00,000	3,000 0	1½

So a person who files a suit for 10 lakhs pays at only 1/25th of the rate paid by a person who files a suit for Rs. 1,000.

2. The Stamp Act also requires amendment in the manner recently proposed by the Bombay Government, and rejected by one vote by the Bombay Legislative Council. I understand from members of the Council (of which I was then a member) that it was rejected not on its merits, but simply on the ground of general objection to all new taxation.

3. Qs. 137 to 146.—I am of opinion that this subject should at once be investigated carefully by a strong committee of judicial and financial experts. There is no reason *prima facie* why an estate of 2 millions in England should pay 40 per cent estate duty, and a similar estate in Bombay should pay only 3 per cent probate duty. Again, if the whole of Bengal and cities of Bombay and Madras were sufficiently advanced for the Hindu Wills Act in 1870 (necessitating the taking out of probate), one would think that towns such as Karachi, Ahmedabad, etc., must be sufficiently advanced for it in 1925. I am of opinion that the difficulty of introducing succession or estate duties in India has been exaggerated. At any rate, the existing position in regard to the court-fees stamp and probate duty is so full of anomalies and inequalities that it is desirable that the whole question should be examined by a strong committee of experts.

4. Qs. 149, 156 and 157.—The whole subject of the division between imperial and provincial revenues requires reconsideration. The basic principle should be that income-tax should be divided between imperial and provincial revenues. Other necessary changes should be made accordingly. The attempt to separate the sources of the imperial and provincial revenues should, I think, definitely be abandoned. The Government of India cannot afford permanently to antagonise two of the leading provinces of India, by continuing the Meston Settlement which Bombay and Bengal never have accepted and never will accept as a fair settlement between the Imperial Government and the provinces.

The Hon'ble Mr. Justice Percival gave oral evidence as follows:—

The President. Q.—You are a Judge of the High Court?

A.—I am acting. I am permanently Legal Remembrancer, and before that I was on the Legislative Assembly for three years.

Q.—In which you made a speech on the subject of the tax burden in India and other countries?

A.—Yes.

Q.—And I think you said that you worked out figures for ten countries including Peru and the Argentine.

A.—Yes. I took the amount of taxation and divided it by the number of the population.

Q.—You compared the taxation with Japan, Java, the Philippines and Egypt, and you found that the tax burden in India is 11s.; in Japan £2-12-0, in Java £1-12-0; in the Philippines £1-8-0 and in Egypt £2-3-0.

A.—I want to say that I did that by simply taking the figures of population and the amount of taxation as shown in the *Statesman's Year Book*. I suggested to the Finance Department that they should work it out more correctly.

Q.—You say that taxation in India is far away the lowest in any civilized country in the world.

A.—Yes, certainly, judged by the incidence per head.

Dr. Paranjpye. Q.—Did you find out the level of subsistence in those countries?

A.—That is another question: it is most difficult to work out.

Q.—At any rate, you must have found out what is the minimum wage of the daily labourer.

A.—That is a difficult economic question. The Economic Enquiry Committee will be able to decide that. Taxation is much easier to find out. Another question is how far it pays the country to tax the people, namely, whether it is better to keep the tax burden low and leave the amount with the people for development, or whether it is not sounder policy to tax at higher rates and utilize the money for education, etc.

The President. Q.—Your point was that India was not overtaxed but under-developed?

A.—Yes, certainly.

Q.—You took some figures to show that the increase in taxation for the last ten years was only an adjustment to rising prices?

A.—Yes.

Q.—Not really that taxation has increased, but that it has been brought on a level with the prices.

A.—That is to say, the price level had gone up by 60 per cent roughly and the increase in revenue was 60 per cent roughly.

Sir Percy Thompson. Q.—On the point you made that taxation in India has only gone up to readjust the different value of money, there must be a drop somewhere. We find under customs duty that the rates have gone up very high: the same is the case with income-tax.

A.—But take land revenue, which is mostly fixed for thirty years. It is there that the drop has occurred.

The President. Q.—We now come to court-fees.

A.—I know a little about it, only because I helped to draft a bill on the amendment of the Court-fees Act, which has been undertaken by the Government of India. I was put on special duty to help to draft the Bill. There is one Bill to amend the Court-fees Act, and there have been other Bills to amend the schedules introduced in the different local Councils.

Q.—What are the particular points?

A.—The points in the Government of India Bill are a general revision of the Act to settle differences in decisions of the different High Courts, and to raise the fees in one or two instances, for instance, to increase the fees on suits for declaration, where the fees are too low at present.

Sir Percy Thompson. Q.—Court-fees are entirely a provincial subject. Aren't they?

A.—Yes. But the reason why they introduced the Bill in the central legislature was that they wanted to revise the Act in the light of certain judicial decisions affecting the whole of India.

Q.—Suppose that Act is passed, is it obligatory on the provincial Councils to adopt it?

A.—Yes: it applies to the whole of India.

Q.—Then, court-fees is not a provincial subject?

A.—That is the difficulty. The different Bills overlap to a great extent. The Act is being amended by the central legislature, but not the schedules which are amended by the local Councils.

Dr. Paranjpye. Q.—Would you advocate that these schedules should be uniform over the whole country?

A.—It would be a great advantage if they could be. The result of leaving it to the provinces is that some Councils have raised court-fees and others have not. It ought to be the same for the whole of India. That is so particularly in the case of probate. Probate extends to the whole of India. In Bombay they have the same fees as before, viz., a maximum of 3 per cent, but in Calcutta they have raised the maximum to 5 per cent.

The President. Q.—Were the fees raised in Bombay?

A.—They were raised for two years, but after that period the Legislative Council refused to renew the Act.

Q.—During the period that the increased fees were in force, if a document from another province, where a lower rate prevailed, were produced in a Bombay court, would the presiding officer at once require the additional fee to be paid?

A.—Well, those difficulties might arise. As regards court-fees, they are chiefly fees on suits. If you file a suit in a Bombay court, you have to pay the Bombay fees; the fees in other provinces do not matter particularly.

Q.—If a document is produced?

A.—That does arise. Then they have to pay the fee which is in force in the particular province.

Q.—Did you make a provision for levying a surcharge corresponding to the difference in fees?

A.—There is no special provision for that in this province.

Sir Percy Thompson. Q.—Does not the general provision apply, that a document shall be stamped in accordance with the schedules, because your courts would not look at the document unless it is properly stamped?

A.—Yes. It is very awkward of course having different stamp duties in different places, and particularly as regards probate. Suppose a man has got a large estate in Calcutta and a small estate in Bombay, his heir can take out a probate in Bombay for a lower fee than in Calcutta.

Q.—In the case of a probate, although the Bombay fee is lower, the Bombay probate is good in Calcutta? They cannot insist on further payment.

A.—Yes. It is good in Calcutta and they cannot insist on further payment.

Q.—Can you tell us anything about the incidence of fees in the High Court?

A.—The court-fees on the Original Side of the High Court are laid down by the High Court themselves, and they are very low when compared with the court-fees outside Bombay city. But that is a matter for the High Court: Government cannot interfere. They have been slightly raised in the Bombay High Court, but not, I think, sufficiently.

Q.—Can you give us any idea as to how they compare with Madras and Calcutta?

A.—I do not think I can. It is difficult to decide what the total fee is in each case. On the Original Side of the Bombay High Court a low court-fee is levied at first when the suit is filed, but there are further charges as the case proceeds.

Q.—It is rather the same as in England.

A.—Yes. In the presidency towns the law is based on the English law.

Q.—This power to fix the fees is given only to the High Courts in presidency towns?

A.—The position is that all the High Courts have power to levy special fees on their original sides. But there is no ordinary original civil jurisdiction except in Calcutta, Madras and Bombay, so that for practical purposes the special court-fees apply to the Original Side of these courts only.

Q.—The actual position is that it is cheaper to bring a suit in the Presidency High Court than in any of the mofussil courts.

A.—Yes.

Dr. Paranjpye. Q.—But the subsequent fees mount up higher in Bombay. What about the solicitor's fees? Is litigation taken as a whole cheaper in Bombay than in the mofussil?

A.—It is difficult to say that.

The President. Q.—The lawyers get the difference.

A.—Yes. The Government does not get it.

Q.—Is there a ruling in your High Court under which a man who values his suit at a particular figure originally is allowed to revalue his suit in order to enable him to appeal to the Privy Council?

A.—No. That is not done. It depends on the valuation that he puts originally.

Q.—Is there not such a rule in Calcutta?

A.—I do not know of it.

Q.—You think that fees should be uniform throughout India?

A.—Yes; they ought to be uniform.

Q.—Do you think it right that the State should take a little more from court-fees than the actual cost of administration of the courts, including the cost of buildings, pension charges, etc.?

A.—I do not see why it should not.

Q.—It has been suggested to us that suits should be divided into two classes, necessity suits and luxury suits and that the luxury suits should be charged very heavy duties. Luxury suits will include suits for declaration and suits relating to charitable and religious endowments, etc.

A.—The fees on suits for declaration should be increased in any case I should think that it would be difficult to work such a distinction.

Q.—Under luxury suits you might include such items as suits for declaration, suits relating to charitable and religious endowments.

A.—You might work it out on those lines to some extent.

Sir Percy Thompson. Q.—Why should suits relating to charitable endowments be made to pay more?

A.—I do not know, except that the plaintiffs are not directly concerned in them.

Q.—People are directly concerned in charity.

A.—As a matter of fact there is a low rate at present on suits relating to religious endowments.

The witness to the President.—The point you mentioned about giving back part of the fees. I do not think there is any objection to that, namely, if the matter is disposed of or settled at the very beginning. In the Presidency Small Cause Courts, where any suit settled by agreement between the parties before the hearing of the case, half the amount of the fees paid are repaid. Another instance is that of the Madras City Civil Court, where half of the fees are returned, if there is a settlement by agreement before the issues are framed. I do not think there is any objection to that.

The President. Q.—That would cover the case where one party does not appear.

A.—I would leave it at 'settled before the hearing' or 'settled before the issues are framed.'

Q.—Then you made some suggestion as regards suits taxed *ad valorem*.

A.—The lower the amount the higher the rates are proportionately. It does not seem to be fair. The modern idea is to have a graduation against the rich man. The rich man pays a much higher succession duty.

Sir Percy Thompson. Q.—But a suit for a higher sum does not take a proportionately greater time for hearing and disposal. A suit for a crore of rupees does not take hundred times the time taken by a suit for a lakh of rupees.

A.—That is of course an argument on the other side.

The President. Q.—Has the High Court issued any rules on suit valuation?

A.—No. Rules have been framed only in Madras, the Punjab, Oudh and the Central Provinces.

Q.—It is a common complaint that the absence of rules has caused some difficulty.

A.—Well, I think there is some difficulty arising from that.

Q.—I do not know if you are acquainted with the proposals of the Civil Justice Committee. They propose that a large number of transactions which may be proved by evidence should be required to be proved by documents, but they add a corollary that you should not make it an engine of taxation; in other words, all documents which require stamps under this recommendation should be taxed more lightly than similar documents which are already required to be stamped.

A.—It is a rather difficult proposal to follow out. I do not know if it will be practicable.

Q.—Do you agree generally in their view that you should bar oral proof of transactions which could ordinarily be reduced to writing?

A.—That is practically the law to a great extent—not entirely the law, but the courts rely on documents more than on oral evidence.

Q.—But you will allow oral proof of wills?

A.—Yes. In Bombay city they have got special rules about wills. But in the Presidency outside Bombay, oral wills are allowed.

Dr. Paranjpye. Q.—Would you not admit entry in an account book as evidence?

A.—Yes.

The President. Q.—Can you prove Stock Exchange transactions orally without a contract note?

A.—I think you can prove them orally. It is a question of evidence.

Q.—These are the sort of transactions which would fall under the Civil Justice Committee's recommendation?

A.—Yes.

Q.—Would you require in that case that they should be reduced to writing? Do many cases come up in the Bombay courts where proof of such transactions is given by oral evidence?

A.—I do not think so.

Q.—The court-fees in Bombay are actually comparatively small compared to other major provinces.

A.—They have not been raised in Bombay.

Q.—The amount of fees collected in Bombay for 1922-23, when the higher rates were in force, was 73 lakhs as against 2 crores in Bengal.

A.—In Bengal they have the Hindu Wills Act in force throughout the Presidency.

Q.—You just referred to proof of contracts by production of accounts.

A.—That is done.

Q.—We were told the other day that these accounts which ought to bear very heavy stamps, are allowed in with one-anna stamp.

A.—They do not pay any material stamp.

Q.—Is it a fairly common practice for one man dealing with another to acknowledge a debt by writing in the man's account book?

A.—Yes.

Q.—Such contracts do not come under the Stamp Act. The account book is not subject to stamp duty. Is it not?

A.—They do not pay any duty if it is proved by the account book.

Q.—If the contract is put in a piece of paper, they have to pay stamp duty?

A.—Yes.

Q.—Do you think that the penalties of the Stamp Act are unduly severe?

A.—I do not think so. I do not think there is any particular complaint about that.

Q.—You have made a special study of the succession duties?

A.—I cannot say that. There have been proposals in this Presidency for introducing succession duties. There is actually a Bill drawn up two or three years ago. Mr. Wild, who is now District Judge at Poona, drew it up.

Q.—Do you think that the Court-fees Act wants pretty thorough revision?

A.—Yes, certainly. The Bill has been introduced in the Assembly and it has been referred to a select committee. It had previously been sent to the Local Governments for criticism.

Sir Percy Thompson. Q.—It is only the law that they are going to revise, and not the rates?

A.—Yes. At the same time they want to introduce the same probate fees throughout India.

Q.—There is nothing to prevent any Local Government from introducing its own Court-fees Act?

A.—The Court-fees Act is now in force in all the provinces, and it can be amended in the local Councils with the sanction of the Government of India.

The President. Q.—Does the High Court's power to fix fees extend only to original jurisdiction?

A.—Yes. It applies only to the ordinary original jurisdiction of the High Court.

Q.—Do you make advocates pay a stamp duty in your High Court?

A.—They have to pay Rs. 500 on enrolment.

Q.—When he appears?

A.—No. He is in the same position as a barrister.

Dr. Paranjpye. Q.—No vakalatnama?

A.—No.

Q.—Do you charge any fee in magistrate's courts for filing the memorandum of appearance?

A.—No.

Q.—You do not recognize that?

A.—No. We have vakalatnamas.

9th June 1925.

BOMBAY.

Present:

- Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*
 Sir BHAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja
 Bahadur of Burdwan.
 Sir PERCY THOMPSON, K.B.E., C.B.
 Dr. R. P. PARANJPE.
 Dr. L. K. HYDER, M.L.A.

Mr. A. N. SURVE, M.L.C., Bombay, was examined.

Written memorandum of Mr. Surve.

- Q. 1.—Inadequate and unreliable.
 Q. 2.—No.
 Q. 6.—Yes.
 Q. 8.—No. No.
 Q. 10.—Negligible.
 Q. 12.—No.
 Q. 13.—A bare return.
 Q. 15.—I prefer (2).
 Q. 16.—Yes, in shape of betterment tax, provided irrigation does not lead to damage to land.
 Q. 17.—In *khoti* tenure the *khot* is benefited.
 Q. 19.—Locality benefited should bear the incidence.
 Q. 21.—That would depend on the commodity, for instance, salt which no man can do without. Tax would be involuntary and cannot be excluded.
 Costly wine can fall in the other category.
 Q. 22.—To taxes on commodities which are not necessities of life, the classification may be extended; but there too distinction will have to be observed, e.g., tobacco, though strictly speaking, not a necessity, figures as in the case of a labourer and without it his efficiency may be affected.
 Q. 23.—Where the consumption exceeds moderation or the legitimate needs, the view may be accepted.
 Q. 24.—Tax upon entertainments, e.g., cinemas, theatres, etc., causing dissipation may be unobjectionable; but amusements inducing efficiency, e.g., holiday outings, are objectionable.
 Q. 25.—Yes; entertainments and railway journeys in cases of the rich who indulge in them as mere luxuries are unobjectionable. Yes, provided there are *bona fide* respectors of religious or customary prohibitions.
 Q. 27.—Yes.
 Q. 28.—Yes.
 Q. 29.—If taxation is equitable, it is immaterial whether it is direct or indirect.
 Q. 33.—No, provided small incomes are exempted. Investments in securities, dividends, etc., such as would not drive away capital or would kill industrial or commercial enterprises.
 Q. 35.—Yes.

Q. 36.—Yes.

Q. 37.—Continuance favoured.

Q. 38.—No. Yes.

Q. 40.—Theoretically, it would be fair.

Q. 42.—Illiteracy would prove an obstacle. Standardized forms are issued by income-tax department; thus in practice, a form is in existence.

Q. 43.—Unnecessary. Sufficient provision to safeguard fraud exists.

Q. 44.—Yes.

Q. 47.—Yes; provision for refund prevents undue taxation.

Q. 49.—A few may be subjected to excise.

Q. 50.—It would be impracticable, where articles are not sufficiently graded, e.g., salt, matches, cloth used by the poor, wheat, *bagri*, etc.

Q. 51.—In the Bombay Presidency salt is used as manure and for curing fish also. Its use is not confined merely to cooking. With extensive sea coast its yield can be limitless. Unless all other sources fail, salt may not be resorted to for taxation.

Q. 54.—No.

Q. 61.—The Bombay Presidency has adopted prohibition as its goal. It is to be attained universally and as quickly as possible.

Q. 62.—Bombay claims from Central Government half of income-tax as its share; if that is conceded, less of excise revenue can be made good out of it.

Q. 63.—Dalton's statement is not absolutely true: beyond a certain limit prices could not be raised for fear of illicit practices and lack of control over foreign liquors.

Well's statement—Consumption of liquor in foreign countries is not considered immoral. In India its consumption is considered immoral. Revenue from that source is considered tainted. It is favoured there on account of its suitability for taxation.

Hobson—Here *per capita* consumption is so low as 5-1 drachms; therefore it can hardly be considered an article of luxury indulged in by all. Nor is it detrimental to public order, there being only 3,762 cases of drunkenness during 1923-24.

Jones—In this Presidency the object was mere revenue without any idea of deliberate discouragement.

Stamp—There is hardly any direct tax which the Bombay labourer pays.

Stamp—Alcohol is not taxed in Bombay with the idea that it is the root of grave social evil.

Q. 64.—It falls short. For the sake of revenue, alcohol should not be perpetuated. But if prohibition proves impossible, alcohol may be taxed to keep it under control.

Q. 65.—They are already too high in the Bombay Presidency—the limit is almost reached. Owing to increase in still-head duty, country liquor is suffering in competition with cheap foreign liquors. Variety is employed with the object of controlling consumption and on administrative consideration, e.g., proximity to foreign or State territories. Uniform rate will not leave elasticity—so necessary in excise administration.

Q. 66.—It is premature to say so, but there are indications in that direction.

Q. 67.—Restricting foreign liquors would be the proper course. If that is not feasible, local produce should enjoy same facilities as foreign.

Q. 68.—Yes.

Q. 70.—It is already heavily taxed under tree-tax and vend fees regulated by biddings at auction.

Q. 71.—Yes. They appear to be based on grounds of administrative control.

Q. 72.—Here monopoly system is discontinued.

Q. 73.—Is productive of more revenue.

Q. 74.—Barring a few privileged licenses and even their cases, vend fee is charged on upset basis: the bids at auctions fetch more than monopoly prices. The figures for 1902 and 1922 will bear out this statement.

In Bombay city license fees may be received in instalments instead of in a lump sum. This suggestion, if accepted, would increase revenue.

Q. 75.—Administrative considerations lead to differentiation in duties, it appears.

Q. 78.—If tariff as a retaliatory measure is to be out of consideration, it should be confined to few articles in common use.

Q. 87.—Any of these are not advocated for purposes of substitution. The Bombay Presidency has adopted tax on entertainments and is contemplating tax on betting as additional source of revenue.

Bombay City Municipality is empowered to tax advertisements, and it taxes motors and bicycles under the name of wheel tax.

Some municipalities in the mofussil tax pilgrims. Railway travelling is also taxed.

There is a tax under the name of wharfage fund, but its object is to provide facilities out of its proceeds to passengers on ferry steamers.

Q. 89.—Collections from stamps should be limited just to pay for costs of courts. Dispensation of justice should be as cheap as possible and within the means of the litigants.

Q. 90.—If duty is moderate, it will not act in restraint of trade.

Q. 92.—Grant of license to play music in streets and other licenses issued by the police in the City of Bombay.

Q. 93.—Higher charge, out of sheer necessity, may be considered legitimate in this Presidency.

Q. 94.—Speaking for the Bombay Presidency, 'no'.

Q. 98.—Partly.

Q. 99.—Where fluctuations in prices are influenced by world demand it is unavoidable. But where they are due to speculation or manipulation, it is avoidable by legislative action.

Q. 100.—No. It is possible to ascertain agricultural income. In its absence holdings are fractionized and if introduced, it would increase the evil.

Q. 101.—No. Legislative measure.

Q. 102.—No.

Q. 106.—No.

Q. 107.—Not necessary. Yes.

Q. 108.—Octroi results in making the incidence on the poor heavier than on the rich; therefore it is unsatisfactory to that extent.

In its eagerness to increase revenue house and land tax is immoderately increased, therefore it is unsatisfactory.

Land cess is less unsatisfactory.

Q. 109.—Criticism is true.

Q. 110.—Perhaps owing to want of better substitutes.

Q. 111.—If proceeds are appropriated towards spread of education, their maintenance may be tolerated. 10 miles.

Q. 112.—It is not right, but owner is likely to shift the burden on the occupier in any event.

Q. 114.—Section 143 of the Bombay City Municipality Act states exemptions. Refunds and drawbacks are permissible in some cases.

Q. 117.—If funds permit, two-thirds and four-fifths of total expenses to municipalities and District Boards would appear ideal.

Unconditional, but subject to supervision in respect of proper utilization of money granted.

Half and two-thirds are given at present, more is necessary.

Q. 118.—No, especially in mofussil.

Q. 136.—(c) preferable.

Q. 141.—Inappropriate.

Q. 144.—No, by the valuation put forth by the party concerned.

Q. 149.—No.

Q. 150.—Yes.

Q. 151.—Yes.

Q. 156.—No. Yes. Equally.

Q. 166.—No.

Q. 168.—No.

(N.B.—These answers are given in the light of knowledge of, and the conditions prevailing in, this Presidency.)

Mr. Surve gave oral evidence as follows :—

Dr. Hyder. Q.—In answer to Q. 13, you say that Government should make a bare commercial return. How will you apply this to irrigation schemes in the Deccan?

A.—Government should realise only a commercial return on the irrigation schemes in the Deccan.

Q.—That means that the rates should be raised.

A.—In the Deccan at present the rates realised give a return of about 2 to 3 per cent on the capital cost. The agriculturists receive less return, as the water-supply is not sufficient, and they would not get a commensurate return for any higher taxation that they may be asked to pay. Therefore in the Deccan that principle cannot be applied.

Q.—Is it not a fact that sugarcane is largely cultivated in the Deccan and people make very good profits out of this cultivation?

A.—That was so during the war boom. Sugarcane does not yield good profits now.

Q.—The area under sugarcane cultivation has not diminished.

A.—But there is a fear that it will be less remunerative.

Q.—Has there been any diminution in the extent of land under sugarcane cultivation since the termination of the War?

A.—So far as I am aware it has not yet diminished; but I think the tendency is towards curtailment. Another point which I wish to bring to your notice is this: in Sind we are getting more than 6 per cent return on the irrigation works. What is lost on the irrigation works in the Deccan can be compensated for by irrigation works in Sind.

Q.—Then you wish to treat the irrigation schemes of the province as one whole?

A.—They are as a matter of fact one whole.

Q.—If you suggest that what is lost in the Deccan can be made up in the returns on irrigation schemes in Sind, will not the Sind people object to subsidising the works in the Deccan?

A.—The point is that the Government cannot ask for more return on irrigation schemes in the Deccan because the schemes are faulty. They are not quite as suitable as they are in Sind.

Q.—It is not the fault of the Government that there is not an Indus in the Deccan.

A.—Though there is not an Indus, there are small rivers.

Q.—It costs more to construct a canal or a reservoir in the Deccan than it does in Sind.

A.—I do not know anything about that.

Q.—Please turn to Q. 15. Your aim is to charge a fair commercial profit; and you do not like these other alternatives?

A.—I do not like the other alternatives.

Q.—Have you got any experience of irrigation affairs in Sind?

A.—No.

Q.—Will you please explain what a *khoti* tenure is?

A.—There are different kinds. Under the old Government certain people made agreements with them and took up the lands for cultivation. Those persons again distributed the land themselves and assessed the land making a certain profit for themselves. This kind of tenure is prevalent in the Ratnagiri, Kolaba and Thana districts. So far as *khoti* tenure is concerned it will not come in the way of irrigation proposals.

Q.—So, you will delete this?

A.—Yes.

Q.—Do you approve of a tax on salt?

A.—No. I have stated that it should be the last article that should be taxed.

Q.—What you mean by saying that: "That would depend on the commodity, for instance, salt which no man can do without."

A.—It has been urged that under indirect taxation people can regulate the consumption of an article according to the taxation—light or heavy—imposed on it. I say that it is not true in the case of salt. The point involved there is the difference between the effects of direct and indirect taxation.

Q.—You say tobacco is a necessity?

A.—Yes; to labourers.

Q.—Do you suggest that if a labourer does not use tobacco it will impair his efficiency?

A.—Yes; as a matter of fact tobacco is consumed by labourers in one form or another.

Q.—Do you think that tobacco is as necessary as salt?

A.—No; I do not elevate it to that level.

Q.—Are you in favour of taxing all theatres and cinemas and other kinds of entertainments also?

A.—At present we are charging almost all sorts of entertainments. All public entertainments to which admission is by ticket are taxed.

Q.—Suppose a Sardar in the Deccan or a rich merchant celebrates the marriage of his daughter or son and arranges a music party, would you like such entertainments to be taxed?

A.—There must be the element of payment of money. I would like to tax even such entertainments as they are of a dissipating nature.

Q.—Do you think cinemas also are of a dissipating character?

A.—Yes.

Q.—You might have read in the papers about the proposal of the G.I.P. Railway people to utilize cinemas for educating the people and carry a cinema outfit in the train, to which the cotton people also have offered help.

A.—Cinemas have an educative value. But where it is only intended as an amusement there is the element of dissipation. In Bombay these are places of dissipation. Therefore I say they should be taxed.

Q.—Do you mean to say that there is more dissipation such as drinking at the theatres where people meet than in the actual performance?

A.—Drinking is practically out of the question in places like cinema theatres. But when so many people congregate in a close atmosphere like that of a cinema theatre it affects them physically. The effect is not exhilarating.

Dr. Paranipye. Q.—Which would you prefer a tax on entertainments or a tax on tobacco?

A.—A tax on entertainments.

Dr. Hyder. Q.—Why should you single out the rich for taxation with regard to railway journeys?

A.—Because they can bear the burden.

Q.—Travelling in higher classes forms part of the standard of living of rich men. It is a necessity to them. Why should you tax it?

A.—I have given a qualified answer. If the journey is on commercial business, I would not tax them. If it is for mere pleasure, I would tax them.

Q.—It is very difficult to ascertain as to when they travel for pleasure and when they travel on business.

A.—My idea is that they generally travel for pleasure and very rarely on business.

Dr. Paranjpye. Q.—You have read often in newspapers that the third-class passengers pay far more than the cost of carrying them, while the first and second class passengers do not pay enough. Consequently do you think that there is a good case for increasing the first and second class fares?

A.—Yes; you can put it that way.

Sir Percy Thompson. Q.—In answer to Q. 43, you think that the publication of income-tax returns is not necessary as there are sufficient safeguards. On the other hand, the Chamber of Commerce do not recommend a higher rate of income-tax, because they think that there is evasion.

A.—There is very little fraud. Every man sends his return and the income-tax is assessed on that. Now a days, very few people escape being taxed to the full value.

Q.—Is there no such thing as making a false return?

A.—The man who makes a false return runs the risk of being prosecuted.

Q.—Is the danger of being prosecuted a serious one?

A.—Respectable people do consider it so.

Q.—Have you heard of any such prosecution?

A.—So far I have not come across one.

Q.—I think the risk is extremely slight.

A.—So far Government have not been able to prove that there is evasion.

Q.—Though Government have known such cases, they have found them difficult to prove.

A.—I do not know of such cases.

Q.—Referring to your answer to Q. 47, you think that it will be advisable to adopt the English system of assessing on three years' profits. There were at times very serious complaints with regard to this system on the ground that under it people had to pay more, if the income was not constant.

A.—No. Under the Indian system if my income falls below the amount for which I am taxed I can claim refund.

Q.—I shall give you an example. Supposing that in one year you make Rs. 1,50,000, in the next Rs. 1,00,000 and the next Rs. 50,000. You are assessed in the next year on Rs. 1,00,000.

A.—In that case, if my income falls below the amount for which I am assessed, I can at the end of the year claim refund.

Q.—I do not think you can.

The President. Q.—On the subject of excise, you say that alcohol is not taxed in Bombay with the idea that it is the root of grave social evil; that it is not detrimental to public order; that it can hardly be called a luxury. Why then is it taxed?

A.—For the sake of revenue.

Q.—If drinking is not detrimental to public order, why do you wish to suppress it?

A.—Because it is against Indian susceptibility. We consider it as immoral and that is why we object to it.

Q.—Do you think it practicable to secure prohibition?

A.—That remains to be seen. Personally I do not think it practicable, unless the consumer himself is convinced that drink has evil effects.

Dr. Paranjpye. Q.—You say that drinking is considered immoral in India and that it is considered as a tainted source of revenue. Do you know that there are some people in India like the Sikhs who would never consider drink immoral?

A.—I do not know.

Q.—Excuse me for saying that your own community draw toddy and they do not consider it immoral.

A.—It is not the hereditary profession of my community. Even they feel that it is an article that should not be consumed. Several orthodox people of my community, after they return home, take their bath, perform worship and then take their meals. My community looks upon it only as a source of living.

Dr. Hyder. Q.—They first break the law and then expiate for it?

A.—They do not draw toddy for their own sake. There is a demand for the article and moreover they have to make a living. They have taken to this calling only because it affords them a living.

Q.—There is a demand and if the State suppress it, it will lead to other complications.

A.—We have been agitating that State should introduce prohibition. The question is whether it can be possible to keep under control people who have already got that craving, because in the Bombay Presidency there are various considerations. There are foreign States and Indian States which are not likely to suppress this evil. All people who have got a craving for the article can go to those territories and satisfy their craving. Another thing is that illicit distillation can be carried on on a large scale, because the formation of the country is such that it gives room for such practice.

The President. Q.—In spite of reduction of consumption by 20 per cent, there are more prosecutions for excise offences?

A.—They can be counted in hundreds. But that increase is not very considerable. For instance, in Poona city, there have been a large number of prosecutions for illicit sale on account of the fact that the shops were closed on Sundays. After this experience, the department has allowed the shops to be kept open throughout the week.

Dr. Paranjpye. Q.—Do not you think that the policy of prohibition would be regarded by your community as an infringement on their occupation?

A.—No; I can tell you that hardly 5 per cent of my people are engaged in this occupation.

Q.—A large number of people of your community who have made large fortunes in this profession will feel it as an encroachment on their hereditary occupation.

A.—I do not think so.

The President. Q.—Here I have got certain official statistics relating to the prohibition policy in America. The value of property seized is Rs. 3,45,00,000; the total number of years of imprisonment for offences in one year comes to 2,781; the total value of forfeitures is Rs. 1,53,00,000; the total cost is 76 crores of rupees.

A.—I quite follow what you have read out. When the resolution for prohibition was under consideration in our Council, it was I who moved that 20 years should be the period for reaching the goal of prohibition. I know it cannot be brought about in a day.

Q.—You do not advocate simply prohibition on paper?

A.—Certainly not.

Q.—We are concerned with the revenue. If this revenue is abolished, we must replace it by some other sources of revenue.

A.—Yes.

Q.—If prohibition proves impossible, you will not regard this revenue as tainted?

A.—No. Still I shall consider it as an undesirable source of revenue.

Q.—You suggest that license fees should be received in a lump sum.

A.—In instalments.

Q.—It has been suggested that a great deal of revenue would be derived if the Government owned the places of vend. Do you agree?

A.—That was a recommendation made by one Excise Committee that preceded the last one. I do not know why Government should not have adopted that. I am not sure if it would increase revenue, but it would do away with a lot of trouble which is experienced at the time of changing sites of shops.

Q.—In reply to Q. 87 you say "Bombay City Municipality is empowered to tax advertisements". Under what law?

A.—The amending Act—Bombay Act VII of 1921. Under that Act they are empowered to tax advertisements. I think at present the advertisements on the posts, etc., are taxed. My impression is that the municipality gives the monopoly to one man and collects the tax from him.

Q.—There is difference between letting out the right to put advertisements on municipal property and taxing private advertisements.

A.—I do not think that posts are municipal property. I think the municipality is empowered to tax advertisements on private property also. Perhaps they have not yet given effect to the provisions enacted in 1921.

Q.—With regard to Q. 92, do you think that a higher fee might be charged for a license?

A.—I say that it is made a source of profit, which ought not to be the case.

Dr. Paranjpye. Q.—Is not playing music in the streets a kind of luxury?

A.—Suppose a poor man has to celebrate a marriage; if he employs some sort of music according to his station in life, I do not think it is a luxury. But in some cases, where they use different kinds of music, perhaps it may be a luxury.

The Maharajadhiraja Bahadur of Bardwan. Q.—In reply to Q. 100, you say "No. It is possible to ascertain agricultural incomes. In its absence holdings are fractioned; and if introduced, it would increase the evil." What is the evil you refer to?

A.—The evil of fractionisation.

Q.—You say "even in its absence holdings are fractionised".

A.—Yes, even to-day the holdings are fractionised when income from land is not taxed.

Q.—And you think that ascertainment of agricultural incomes would make the evil of fractionisation worse than what it is at present?

A.—Yes. If you impose income-tax on agricultural incomes, certainly the evil would become worse.

Q.—Therefore, you deprecate it on the ground that fractionisation of holdings would increase?

A.—Yes.

Dr. Paranjpye. Q.—You think that if a man is getting Rs. 3,000 from land, he would give away half of his land to somebody else in order to escape income-tax?

A.—Yes.

The President. Q.—In reply to Q. 108 you say, "In its eagerness to increase revenue, house and land-tax is immoderately increased". Surely the rates of house-tax in the municipalities of the Presidency are very low. Are not they?

A.—I should not think so.

Q.—Do they come to 7½ per cent?

A.—In the mofussil, the letting value of the property is very low; therefore, the increase in tax would lead to the raising of rents and the people are too poor to bear them. If you compare the rates in India with the rates in some foreign countries, you might consider the rates here very low. But India is a poor country and the incomes the people get are very small. Therefore, I do not think that the rates in the municipalities here are inadequate.

Q.—They seldom reach 10 per cent.

A.—I do not know that. But Bombay municipality charges 11½ per cent as general tax, 3¼ as water tax and 3 as *halalkhore* tax; in all 18¼ per cent.

Q.—And in England they often reach 100 per cent.

A.—That may be. I have no knowledge about that.

Q.—You say that the octroi is a bad tax because it falls on the poor. What is the corresponding tax you would put on the richer classes in the towns, for instance, shopkeepers, money-lenders and so on? Would you impose a profession tax on them?

A.—Yes, certainly. Some municipalities are considering that point.

Dr. Paranjpye. Q.—With regard to tobacco you say “(c) is preferable”. Now the question is “Would you advocate the prohibition of wholesale and retail sale except under license? If so, which of the following systems would you adopt:—

(a) to give contracts for monopoly of retail vend for fixed areas”; You do not like that. Then,

“(b) to limit the number of licenses and sell them by auction;” You do not like that. Thirdly,

“(c) to issue licenses to all applicants on payment of a moderate fixed fee”.

You like that. You know that tobacco dealers are of different kinds. A man may be getting Rs. 5 a year from the sale of *biris*, while another man may be getting a lakh of rupees from tobacco dealing. Now, would you have the same kind of fee for both?

A.—You are speaking of hypothetical cases. I do not think there will be any case of a man getting a lakh of rupees from the sale of tobacco. I am talking of the Indian tobacco.

Q.—All kinds of tobacco. Would you have a common fee for all kinds? Would that not hit the poor man very much?

A.—It does not very often happen. What would be the license fee?

Q.—Whatever it is, would it not hit the smaller man very much? Suppose it is only a rupee. It would hit the man who is getting only Rs. 5 from the sale of *biris* more than it would hit a man getting a lakh of rupees. Take the case of Macropolo and Company, for instance.

A.—You should not consider such cases.

Q.—Take the case of a shop in Budhavarpur in Poona getting, say, Rs. 1,000 a year and take the case of a small dealer in the village who may be getting perhaps Annas 8 from the sale of the *biris*.

A.—My idea is that the fee should be nominal. I have no intention to make it a source of income.

Q.—What do you think about the first proposal “to give contracts for monopoly of retail vend for fixed area”? The idea is to divide the Presidency into a certain number of areas—say, half of a taluk or even a quarter of a taluk; sell the right of vend by auction; and nobody would be allowed to sell the tobacco except the monopolist.

A.—Are you going to restrict the prices?

Q.—Probably under the contract system they will be restricted.

A.—In the case of excise the man has a right to sell at any price.

Q.—That is only within the last six or seven years. Before that even the prices were fixed. Now suppose as a condition of the license, the man is required to sell the tobacco at a fixed rate; and with this condition as well as certain other conditions, the retail vend is auctioned.

A.—You may not find many bidders.

Q.—In the beginning it may be somewhat difficult. But in course of time and more especially in bigger towns, you may get a large amount of money.

A.—I think the experience in the Bombay Presidency is otherwise. There have been several complaints.

Q.—In the Bombay municipality, the tobacco shops take out a license and you know the municipality does not get much revenue out of it, whereas the underlings get a lot of money. But suppose certain conditions are imposed and the municipality sells by auction the right to sell tobacco. Don't you think that it will get a large amount of revenue from this source?

A.—If you are going to enforce these conditions you may get it.

Q.—So with these conditions, you would favour the monopoly of retail vend?

A.—Yes.

Q.—With regard to death duties, you remember that the Primary Education Committee of this Presidency recommended them as a possible source of revenue in order to pay for the cost of compulsory primary education; and the Excise Committee also have referred to them. If you are in favour of introducing compulsory primary education or in favour of a policy of prohibition to be reached in the course of twenty years, you naturally contemplate meeting the expenditure or making up the loss of revenue by imposing death duties.

A.—Our idea is to get a half share of the income-tax.

Q.—For that, the Government of India will have to be moved. But at any rate, there must be some additional source of taxation if you want to embark on new policies.

A.—We have actually raised the local cess.

Q.—But Government will have to pay something under the Act.

A.—Government have put the entertainments tax and they have tried to raise some new taxes this year but we did not allow them to do so.

Q.—Then you will have to go without prohibition or elementary education.

A.—That is to be seen.

Q.—So you are entirely opposed to death duties? Now you are an advocate of the interests of the poor man; and these death duties will hit only the rich man. Incomes of Rs. 5,000 or Rs. 10,000 may be exempted.

A.—What are you going to do with the joint Hindu family system? If the Hindus are to be taken into account, I think, we must not, at this stage, think of these death duties, unless we come to some practical solution of the difficulty.

Q.—But would you be prepared to consider and arrive at some practical solution of the difficulty? Let us try and see what can be done. Do you think that the death duties are a possible and fair tax?

A.—I have not yet come to that line of thinking.

Dr. Hyder. Q.—Are they not a good tax?

A.—According to my notions, they are not. Because in India, you have to take into account the Hindu Law of Succession.

Dr. Paranjpye. Q.—At any rate, every Hindu when he dies leaves some property either actually or potentially. There is a certain ascertainable share left by him.

A.—His heir will obtain letters of administration or a succession certificate or take out a probate. In that case he will pay a certain duty.

Q.—Unless there is a will to be proved, he does not need to pay anything.

A.—Suppose he has to recover a debt?

Q.—Only if there is any difficulty in recovering it. In the case of land he does not take any kind of certificate. Ordinarily, a man succeeds to the land without recourse to any court. Except in the case of Christian, Parsee and perhaps a few other communities, people of other communities generally escape any kind of contribution to the State on the passing of property. Don't you think, therefore, that death duties are a reasonable source of taxation? They will hit only the rich and not the poor.

A.—In that case they may be considered.

Mr. J. GHOSAL, C.I.E., I.C.S., M.L.C., Commissioner of Excise, Bombay, was next examined.

Written memorandum of Mr. Ghosal.

Q. 23.—Yes. Immoderate smokers and drinkers do contribute heavily to taxation. Every smoke or drink is not necessarily a luxury. In moderation it may be a necessity. Immoderation in the use of smoke and drink is a luxury.

The taxation does impose an economic burden on the community as a whole to a certain extent as the majority of immoderate drinkers are mill-hands and factory workers, and the present high taxation on liquor which absorbs a considerable portion of their wages is followed by a demand for higher wages, which is reflected in an increase in the prices of the commodities produced by them. The increase eventually falls on the community as a whole.

Q. 25.—It is a well-known fact that classes which are by religion and custom prohibited from taking intoxicants do resort to such intoxicants. It would, therefore, be fallacious to exclude the excise revenue from consideration when estimating the burden of taxation on these classes.

Q. 32.—As my Department has nothing to do with these taxes, I have no opinion to offer.

Q. 48.—(1) Excellent theoretically. But the difficulty lies in the fact that a very few of such items would result in full taxation of the poor without touching the rich. There can be no graduation in such taxation. For instance, the excise duty on salt and the customs duties on matches practically touch all classes, but though falling heavily on the poor are a bagatelle to the better classes.

(2) This is only theoretical. In practice that ideal 'point' cannot be discovered or acted upon. For instance, most workmen spend, say, a fair portion of their income on liquor. If the cost of liquor is increased gradually in order to tap this wastage, then I feel sure that the workman will still drink almost as much by trenching on other necessities and so impair his efficiency. I admit that there is a happy medium, but it is most difficult to locate. Extra taxation in my opinion affects more the moderate than the heavy drinker. It is difficult to make any one moral against his wishes, unless simultaneously we take adequate preventive measures. In the case of liquor, for instance, we are encouraging illicit practices to an alarming extent.

(3) I agree.

Q. 49.—I have no suggestions to offer. It seems to me that in such cases the distinction between the two duties is more or less arbitrary.

Q. 50.—I presume this refers to both necessities and luxuries. What is a luxury to the poor may be a necessity to the rich. We cannot altogether ignore this factor. In my humble opinion, it is also extremely difficult to distinguish between necessities and luxuries, and I am not altogether in favour of taxing necessities according to income. Coming to the concrete case of tax on whisky. The proposal to tax higher the better grades of whisky seems *prima facie* sound, but there are certain practical difficulties. It is not easy to decide what is a higher grade whisky. We can only go by price. This means that we impose simply an *ad valorem* duty. Experience shows that there are various means of evading such taxation to the full. We can levy customs on the declared value, but we cannot always compel the trade to sell at a minimum rate for each grade. Besides, as a rule, the better the whisky the more wholesome it is, and the less it should be penalised. I would much rather tax heavily the unwholesome cheap liquor.

Locally-manufactured tobacco is not consumed by the wealthier classes, and I have, therefore, no remarks to offer.

Q. 61.—Government has already accepted the proposition that total prohibition should be the goal of their policy.

Q. 62.—I am not an advocate of total prohibition in the immediate future, simply because I do not consider that it is a practical proposition in India, unless every province and Indian State combined.

In the Bombay Presidency, according to my estimate, by total prohibition we shall not only lose four crores of direct revenue, but we must incur two crores at least of additional expenditure on preventive establishment. I see no prospects of securing so much extra revenue without economic revolution. In my humble opinion, the best way of making up for the loss is by introducing local option, and asking the 'areas' which want to go dry, to make up, as they think best, the loss of revenue and extra expenditure involved.

Q. 63.—I agree to the statements made in the extracts from Dalton, Bullock, Hobson, Jones.

Q. 64.—The policy in Bombay advances the policy which I would approve. If anything, it is rather in advance.

Q. 65.—The present rates of still-head duty prevailing in this province have been arrived at after a deal of consideration and are very suitable. Owing to differing local conditions it is not feasible to introduce a uniform rate.

The rates cannot certainly be raised any further. It is for serious consideration whether in view of the steady increase of illicit distillation it might not be necessary to lower the rates in the near future. This Presidency is also so surrounded by and interlaced with Indian States with lower rates of duty that it is necessary for us to modify our rates according to the variations in these States.

Q. 66.—For the last two years there has been no increase in the rates of still-head duty, but the increased license fees realized in auctions together with the limited supply due to the rationing system have raised the price of liquor and so given an incentive to illicit production.

Q. 67.—Locally-made imitations of foreign liquor are unable to compete under present conditions with cheap foreign spirit, and so some reduction in the rate of duty is necessary. Reduction to the rate of Rs. 17-8-0 per proof gallon is now under contemplation in this Presidency.

Within the Presidency, such liquor is given the same freedom of transport as foreign liquor.

Q. 68.—In that case, unless there was co-ordination amongst the different provinces, the same kind of liquor would have to pay different rates of duties in different presidencies and vary in price. This would entail serious complications and be unfair to the trade. There is no harm, however, in imposing a small supplementary duty.

Q. 69.—I have no suggestions on the point, but the only solution seems to be that in case of export a refund should be granted, and the importing province should levy its own duty. This is sure to result in many evasions.

Q. 70.—Toddy is adequately taxed in this province. The rates of tree-tax are shown in Appendix D to the Administration Report of the Excise Department for 1923-24. The rates vary according to the local conditions. Licenses for the sale of toddy are disposed of by public auction. The incidence of taxation on toddy is sufficiently high having regard to its alcoholic content.

Q. 71.—As the conditions in every province vary, the rates vary too. Each province tries to get as much revenue as possible out of these drugs consistent with discouraging this habit. The rates of duty are fixed as high as it is possible to do, without driving the people to illicit practices. These conditions vary from province to province, and so the rates must vary.

Q. 72.—It is as satisfactory as it can possibly be under present circumstances.

Q. 73.—Yes, very satisfactory, as the auction system which at present prevails in this Presidency brings more revenue than any previous system and has taken away a fair share of the surplus profits of the licensees.

Q. 74.—Reduction in the number of licensees must put up the value of those which remain. As licenses are purchased in open auction, the ordinary laws of supply and demand must prevail. In this Presidency, this has been accentuated by the system of rationing. As soon as a limited supply is available for a particular area, a monopoly is created at once.

Q. 75.—With the exception of Burma, it may be possible to arrive at a greater measure of uniformity, as the difference in the rate of duty between the remaining provinces varies by a few rupees only.

Q. 76.—No. I have no experience on this point.

Q. 77.—Yes, an increase of establishment is necessary for the control of smuggling.

The Government, whose revenue is affected by such smuggling, must take the necessary steps to prevent it.

Q. 87.—The only taxes which I would advocate and even so only to a moderate extent are—

Armorial bearings.

Betting.

Entertainments.

Motor cars.

Foreign tourists.

Q. 92.—The only fees levied by my department are license fees for the sale of excisable articles, a nominal fee for tobacco licenses, which is recovered on behalf of the Bombay Municipality, and a vend fee on foreign liquor. There are no other fees in which an element of taxation appears so far as my department is concerned.

Q. 120.—I have no criticism to offer.

Q. 121.—I agree to the statement that a tax on tobacco is more desirable than a tax on salt. Without exhaustive enquiry I am not prepared, however, to admit that it can be administered at very low cost. The precautions necessary for taxing the produce of Indian States imported into British territory might require a large initial if not recurring expenditure.

Qs. 122 and 123.—Owing to the wide prevalence of cultivation in India and the Indian States and the immense possibilities of smuggling, the system described at Q. 122 (2) seems the only course practicable.

Q. 124.—No limitation of cultivation is necessary if the system at Q. 122 (2) is adopted.

Q. 125.—No answer is required as I do not advocate an acreage duty.

Q. 126.—I am not prepared to answer this question.

Q. 127.—Yes. To a certain extent with the employment of a large preventive staff if the system outlined in Q. 122 (2) is adopted.

Q. 128.—I am unable to say.

Q. 129.—No. The best plan would be to insist on all tobacco being placed in bond, after which a certain amount could be given to the cultivator as free tobacco. It would be very difficult to control cultivation for domestic consumption when mixed up with tobacco grown for sale to the State.

Q. 130.—As I have advocated the system at Q. 122 (2), I am of opinion that the State should pay for the tobacco as soon as it is taken over from the cultivator.

I am in favour of a warehouse at each taluk headquarter, attached to the *kutcheri* under the supervision of the revenue authorities.

Q. 131.—I do not advocate this.

Q. 132.—No definite suggestion can be made. It will depend on the system adopted. If a State monopoly is established, then an *ad valorem* duty would be the best. If there is no monopoly, then the duty may be fixed by weight, but as the quality of the tobacco varies so greatly, different rates will have to be fixed for different areas.

Q. 133.—As I have advocated the system of taxation mentioned at Q. 122 (2), an *ad valorem* duty would, in my opinion, be easily leviable, as the value of the tobacco would be ascertainable on purchase by the State.

Q. 134.—I have no definite information to give on these points.

Prima facie, the increase in manufactured tobacco is due to the growing habit of smoking and to the preference for cigarette to *biris*.

Indian cigars are often all of inferior quality and cannot compete with foreign produce, when duty is by weight and not *ad valorem*.

In the case of a Government monopoly, except for an increase in price, there would be no adverse effects to the cigar trade so far as can be seen at present.

Q. 135.—I have no information to give on these points.

Q. 136.—Yes. In order not to raise the price of tobacco too much, the system at (c) would probably be the best.

Q. 154.—In excise, the duty is credited to the province of consumption and not to the province of production.

At present the Government of India takes the revenue derived from the duty on foreign spirit and opium, and the Local Government takes the vend fee. The full revenue from country spirit is provincial, also the revenue from hemp drugs. The revenue derived from tariff-duty-paid Indian spirit is also provincial. The Central Government derives quite enough of revenue from foreign spirit, and I am of opinion that the present arrangements should not be disturbed.

Q. 155.—The Government of India already takes the full duty on imported tobacco. If an Indian duty on tobacco is levied, it should go to the Provincial Government.

Q. 166.—In this Presidency the contract system of supply is in force only in Gujerat. For the rest of the Presidency the supply is departmental. As the departmental supply system gives greater profits to Government, I advocate its extension.

Q. 169.—The breaking-up of these establishments has caused extra expense to Government, because in certain tracts, two establishments have to be maintained where formerly one set of officers did the work. It is too early to say whether the separation has resulted in decrease in efficiency. For the sake of uniformity the customs arrangements at the minor Continental ports may be taken over by the Customs from the Salt Department.

Q. 170.—If a tobacco tax is imposed, I am of opinion that the administration should be entrusted to the Revenue Department.

Mr. Ghosal gave oral evidence as follows :—

The President. Q.—You are the Commissioner of Excise, Bombay?

A.—Yes.

Q.—In reply to Q. 23, you make rather an interesting comment. You say, "The present high taxation on liquor which absorbs a considerable portion of their wages is followed by a demand for higher wages which is reflected in an increase in the prices of the commodities produced by them".

A.—Yes; I am only stating facts. I know that a good deal of wages is absorbed in drink and that it does react on the general question of wages and on the community in general.

Q.—Do you think there is truth in the converse argument that when you introduce prohibition, wages will fall and consequently the price of cotton cloth will be reduced?

A.—If real prohibition is introduced; to that extent, I dare say the reduction would be possible. But other factors would be coming into operation. If absolute prohibition is introduced, so that the labouring classes could do without drink or its substitute, then it might be possible that their claim for wages would be less.

Dr. Hyder. Q.—Surely wages are governed by what the labourers themselves produce.

A.—Yes; and also what they can live on.

Q.—Even if this element of liquor is eliminated, other factors would come in the forefront and they might demand high wages.

A.—Yes, for instance, if they turn out better work.

The President. Q.—Have you any evidence of decrease in efficiency on account of drink?

A.—No.

Q.—For instance, is there a large failure to attend at the mills on Monday morning?

A.—I have heard complaints about that; especially after the pay-day many people do not attend, for instance, in Ahmedabad.

Q.—Have you any figures to show that?

A.—No.

Q.—In answer to Q. 48(2) you say, "If the cost of liquor is increased gradually in order to tap this wastage, then I feel sure that the workman will still drink almost as much by trenching on other necessities and so impair his efficiency".

A.—Yes.

Q.—You admit that there is a happy medium?

A.—I say it is more theoretical than practical. The question says that there is a certain point where we can just touch and it will all be to the good. That is a difficult point. If really a man is inclined to drink, he will rather waste more money on drink than on other necessities.

Q.—I do not understand why the Excise Committee hold that increasing the price by higher taxation would not check consumption. That is one of the propositions which the Government did not accept. That means they do not propose to increase the still-head duty further.

A.—We have reached the limit of taxation.

Q.—But at present you relinquish the control of prices?

A.—Yes.

Q.—You leave it entirely to the licensee?

A.—Yes.

Q.—And through the rationing system you give him a very close monopoly over the small quantity he gets?

A.—Yes.

Q.—And that monopoly is so valuable that he bid another 19 lakhs for it last year?

A.—Yes.

Q.—So that the effect of the system is to drive the retail price up to the highest point possible?

A.—There is a limit to that. This year we had a loss. The amount realized at auction fell this year.

Q.—But the tendency is to raise the price.

A.—Yes. But you cannot raise it beyond a certain limit. The Government argue that they have practically reached that limit and further raising will lead to illicit distillation and malpractices.

Q.—I can understand your controlling the price; but the point is about the still-head duty which stops a long way short of the price.

A.—But the shopkeeper makes his profit by raising the price still more. He wants something to live on. He says, "I am going to make up my usual thousand rupees on this small quantity".

Sir Percy Thompson. Q.—Suppose you have 100 gallons; you cannot sell more than 100 gallons. The still-head duty is so much. Surely what you are going to say is, "I am going to charge for these 100 gallons the maximum price I can possibly get". And then you charge such a price that the still-head duty becomes insignificant in comparison with the profit you can make.

A.—But the price has already gone up so high that the licensee cannot raise it any more.

Q.—Supposing his ration is 100 gallons and supposing he can charge a certain price for it. Surely he can charge much more with a ration of 50 gallons than with a ration of 100 gallons.

A.—The people who drink it cannot pay more than a certain amount.

Q.—The demand may fall. Don't you subscribe to the doctrine that if there is a shortage, up goes the price? The effect of your rationing is that the price goes up.

A.—But the other factor is that they can get it otherwise too.

The President. Q.—Your present price is made up of a fixed part and a variable part—the still-head duty and what you take by auction. Is it not desirable that the fixed part should form a large proportion of the whole? Your variable part may be influenced by all sort of circumstances.

A.—It does not make much difference. If we fix a low still-head duty, the licensee might sell at a higher price and give more license fee, otherwise, the net profit must be comparatively low and the fee less.

Q.—Has your attention been called to the system they tried in Bengal, by which the still-head duty is raised with each additional quantity taken from the distillery?

A.—I do not know about that. It might be practicable to work it under certain conditions.

Q.—It is an automatic system of rationing.

A.—After all, last year we sold 40 per cent less than what we did four years back. We are already so much handicapped that there is not much scope for this system.

Q.—Control of prices was formerly the leading feature of the Bombay system?

A.—It was. Still it was given up when the auctioning system came in.

Sir Percy Thompson. Q.—If control of prices was necessary before rationing, it is all the more necessary after you have rationing.

A.—Yes. If my personal opinion is wanted, I am rather in favour of reducing the duty. I think the time has come when we must do something in order to reduce the prices.

The President. Q.—Actually your duty is less than in several other provinces.

A.—That may be so. Still the duty need not be so high. If the duty be less, the licensee can afford to pay more fee. I think the license fee looks after itself.

Q.—Actually it is Rs. 15 in the Punjab as against your Rs. 10. I am not saying that it is a wise policy, but they actually have a duty nearly 50 per cent higher.

A.—They have no rationing and can sell as much as they like.

Dr. Hyder. Q.—In the Punjab the position is that the sturdy Punjab peasant says, "I am going to make the liquor myself and I shall see who prevents it", and he does it. Here the situation may be otherwise. Your view is that prices are so high that there is illicit consumption and therefore you want reduction of prices. It really comes to this, that the policy of Government, "maximum of revenue and minimum of consumption" is a failure.

A.—I say that this is difficult with rationing. I admit that to a certain extent it is a failure.

The President. Q.—You are not going to alter the price at which the monopolist sells his liquor to the consumer. He has a limited quantity of a hundred gallons. If he is going to get maximum revenue, how can you prevent him charging what he likes?

A.—That is why I say that the only solution is to have the maximum price. In fact I have recommended in one or two places that the maximum prices should be re-introduced where illicit distillation is bad.

Q.—With regard to Q. 48(2), you think we are encouraging illicit practices to an alarming extent?

A.—That is a fact.

Q.—Actually your excise crime has doubled now.

A.—Yes. This is a special report which I got from the Collector of West Khandesh on this year's administration report. You will see from this report what is actually happening.

(A copy of the report was handed to the President for perusal.)

Q.—Do you consider that you have got your jails full of Bhils who are mostly illicit distillers?

A.—We tried every plan we could with these Bhils and found it impossible to stop this illicit distillation. If we fine them, they pay the fine; if we send them to jail, they do not mind going to jail. Therefore it really does no good.

Q.—Can you say if the rationing policy is really causing an increase in the cost of jail administration of your Presidency?

A.—I do not think so, because a good deal of the punishment consists of fining and that adds to the revenue.

Dr. Hyder. Q.—You have got this state of affairs in one district or in a number of districts?

A.—Yes, but specially in Khandesh.

Sir Percy Thompson. Q.—Do you think a report like this supports the view that public opinion in India is in favour of suppressing the drink traffic?

A.—The Bhils do not mind going to jail or being punished for this offence, because they think they are doing the right thing. Their public opinion is in its favour.

Dr. Hyder. Q.—You mean it is the Legislative Council people who know nothing about the Bhils are legislating for Bhils in a manner of which they do not approve?

A.—Not only that. Legislation by itself may be an excellent thing. I think we are trusting too much to it to bring in prohibition. The fact is there is no public propaganda to back up the legislation.

The President. Q.—Does your department get any help from public men?

A.—Never. There are no public bodies who do real temperance work. I think there are a few scattered societies doing spasmodic work.

Q.—You say that. "In the Bombay Presidency, according to my estimate, by total prohibition we shall not only lose 4 crores of direct revenue but we must incur 2 crores at least of additional expenditure on preventive establishment".

A.—Yes, that is my estimate.

Q.—You see no prospect of securing so much extra revenue without an economic revolution?

A.—I calculated the present cost of our preventive staff as 25 lakhs and therefore I put it at ten times more which will amount to two crores of rupees. This amount is not easy to raise by taxation.

Dr. Paranipye. Q.—You say illicit excise crime has increased, due to the rationing system, but why has it increased even in places where the ration has not been taken up?

A.—My theory is this, I may be wrong, that the rationed figure will never be touched. The point is that this year we may have a ration of 100 gallons, and the licensee sells 90 gallons this year. Next year the ration is reduced to 90 gallons. The shopkeeper says, I am going to make the same profit as I did on 90 gallons. He calculates that he is going to make the full profit by selling not the whole, but 75 gallons. He does not sell more than 75 gallons. My theory is that the actual consumption never touches the ration. The fact that the ration has not been taken up is no real test at all of the demand.

The President. Q.—His principle would be, "I will raise the price to the maximum that people can pay?"

A.—Yes.

Dr. Paranipye. Q.—You would then advocate retail sales by Government Officers?

A.—I say we should reduce the price, that does not mean that Government should sell themselves.

Q.—Supposing the rationing system is to be continued and you do not want people to make exorbitant profits by raising prices too high and thus driving people to illicit distillation. Government might have liquor shops of their own.

A.—That is not necessary. All that you have got to do is to have maximum price.

Q.—Is it not difficult to enforce, owing to corruption?

A.—It is. It is open to corruption, there is no doubt about that. On the one hand, there is the question of malpractices; when there is so little to be sold, the question is which is the lesser of the two evils.

Q.—The best thing would be for Government Officers themselves to sell.

A.—Do you think then there will be strict honesty in that? What about the corruption among the subordinates?

The President. Q.—You contemplate reducing the duty on locally-made foreign spirit?

A.—It has been reduced to Rs. 17-8.

Q.—Then that is practically the same as on country spirit?

A.—Not quite. In Bombay, country spirit is paying Rs. 7-12 per gallon.

Q.—Bombay is the highest. It is Rs. 11 per proof gallon.

A.—I think so.

Q.—You have still got 11 different rates in force?

A.—I thought there were more.

Q.—If you reduce them all to proof gallons, it comes to Rs. 11.

A.—It may be.

Q.—That is more than in any other province in India.

A.—I think the conditions in this Presidency are quite different. They vary very much, because we have so many Indian States, all with different rates surrounding us that we have got to be guided by them.

Q.—When you have no maximum price and monopolistic sale, does the duty make much difference?

A.—It does when the neighbouring States are selling at a lower price. There is a certain amount of rivalry between those areas.

Q.—Have you got any mutual arrangements with the States?

A.—Oh yes, with a large number of States we have got mutual arrangements.

Q.—With some of them you lease?

A.—Yes.

Q.—You tried the rationing system with some of the States, and they objected. They do not care to follow your policy?

A.—Yes. It is agreed that there should be no rationing in the States. Where there is no lease, we have a shopless zone or an agreement as to the still-head duty.

Q.—Is it true that they are making considerable profits out of your policy?

A.—Yes.

Q.—In some cases liquor revenue forms very considerable part of the total income of the State.

A.—Quite true.

Q.—As a matter of fact three quarters of the total income sometimes.

A.—Yes.

Q.—They will never give it up in order to co-operate with your policy?

A.—Probably not. It is for the Government of India to look after that.

Q.—The transference of your Political Department to the Government of India makes it still more difficult?

A.—Yes.

Q.—With regard to Q. 68, you say there is no harm, however, in imposing a small supplementary duty on foreign liquor?

A.—No.

Q.—Have you not raised the pass fee?

A.—Yes, we have.

Q.—It is no longer small?

A.—It is only Rs. 1-8 per dozen.

Q.—It was fixed as a license fee?

A.—We have doubled the license fee in the case of foreign liquor, not the pass fee.

Q.—The pass fee is that taken from everybody?

A.—Yes.

Q.—Including private importers?

A.—Yes.

Q.—I thought it was imposed as a vend fee.

A.—Call it anything you like, but it is the same.

Q.—If it is a vend fee, you should not impose it on the private importer.

A.—May be.

Q.—In Q. 69, you say, "the only solution seems to be that in case of export a refund should be granted."

A.—Yes.

Q.—You say this is sure to result in many evasions; have you any experience of such evasions?

A.—Yes, as regards our pass fee a fair amount of liquor comes from other Presidencies which you cannot always touch.

Q.—Otherwise you would have to have a preventive force right round the border of the Presidency.

A.—Yes.

Q.—In the matter of *tari*, may I read to you a remark that was made when the Indian Excise Committee came here in 1906? "In the districts of Sholapur, Bijapur, Dharwar and Belgaum, where the consumption of toddy is highest, the number of trees tapped has decreased in the last fifteen years by nearly 50 per cent, while the license fees have risen by over 100 per cent and the reported yield per tree has risen in a like degree in spite of successive years of drought. Thus the higher recorded consumption appears as the result of tapping only half the number of trees used in the years before the famine period. The average incidence of taxation per tree tapped amounts to Rs. 5-15-9 and the average selling price per gallon Re. 0-5-0 which at the average reported yield (18 gallons) is less than the taxation". Looking at the figures for the same districts now, I see the same sort of variation in the average yield per tree. You see the average quantity of *tari* jumps from about 15 to 30.

A.—The average per tree in the statement is the yield?

Q.—It is the quantity shown by the shops. I see you say in your last report there is a lot of illicit *tari* being distilled in which case it does not go to the shop, but from the large yield per tree, it seems that more trees are being tapped than pay duty.

A.—The conditions sometimes suggest something of that nature. There are other reasons also for this, for instance, in Sholapur a large number of trees was tapped, but suddenly the demand fell and they could not sell the *tari* and so they did not carry on the tapping process. Cases of this sort happen owing to plague, etc.

Q.—Have you got a sufficient staff to patrol all these trees and make sure there is no illicit tapping?

A.—No, I have been howling for extra staff, I do not know when we are likely to get it.

Q.—On the question of duty on drugs, conditions vary from province to province, but have they not come now almost to a level?

A.—Here again, the same considerations apply. The fact that we have got lots of States surrounding us makes a lot of difference.

Q.—I mean on drugs.

A.—On drugs the duty is all one.

Q.—There is nothing to prevent you having one rate all over India?

A.—Well, it depends upon many other factors. We find our consumption is getting more or less steady. We have already raised the duty from Rs. 17-8 to Rs. 22. We find there was a slight reduction and it has gone up again last year.

Q.—You got Rs. 2,000 increase last year?

A.—Yes, five years ago it was Rs. 49,000.

Dr. Hyder. Q.—Do you think it is a practicable scheme to have one rate for these drugs all over India?

A.—It may be possible, I think. In our province we are trying to check the consumption. Anyhow, Rs. 22-8 is about the average as far as I remember.

The President. Q.—With regard to Q. 77, you say the Government whose revenue is affected by such smuggling must take the necessary steps to prevent it.

A.—Yes. The Government of India should contribute a share of the opium revenue.

Q.—Aren't you disputing it?

A.—I said that the Government concerned are interested too.

Q.—Supposing a lot of smuggling was going on through the Central Provinces into Bombay, would you not send your officers to operate in the Central Provinces?

A.—But they must take the responsibility; it is to their interest also.

Q.—Do you want that the Government of India should appoint special C.I.D. officers to do this work?

A.—Why should they not trust us to do it and give us a proper share of the profits accruing to Government?

Q.—Supposing they have information of habitual smuggling going on from Malwa through the Central Provinces into Bombay, how are they going to protect you?

A.—We have co-ordination already: besides they have a *thaggi* department.

Q.—We had an officer from Burma who came over and started these separate provincial Excise bureaux. It was not intended that there should be a central co-ordinating department: that fell through. We were told that the United Provinces are not interested in stopping the illicit sale of opium by the cultivator, because it is the Government of India's business, and Bengal does not bother about it, because it goes through Bengal to Burma and it is Burma's business to stop it. It is not anybody's business to look after inter-provincial smuggling.

A.—I think we work harmoniously, so far as this Presidency is concerned.

Q.—You are on the borders, don't you need protection?

A.—We need protection; at the same time we afford protection too.

Q.—You would not like the idea of a central co-ordinating office?

A.—That is more or less an Intelligence Bureau: it is all right as long as we have our own staff to look after our interests. Our Intelligence Bureau works in harmony with the rest of the Presidency.

Q.—Would you like to lend a man, for instance, to co-operate with Burma?

A.—There may be a joint concern. There is no harm in it.

Q.—You say you collect the license fees for the sale of exciseable articles and also a duty on tobacco on behalf of the Bombay Municipality. How is it that the Excise Department controls the duty on tobacco?

A.—It has a long history. The tobacco tax was first regularized under the Regulations in 1827: it was levied even before by Government. The Bombay Municipality then urged that they had not enough income and that Government ought to give them some extra revenue: the income from the tobacco tax was given over to them in 1856. It was originally a provincial tax. In 1857, the present Tobacco Duties Act was passed. Unfortunately, it was called a municipal duty and that is a mistake. The municipality said that it was entirely a municipal tax and Government said it was not. In 1858, Government told the municipality that as they had enough income they would not give them the tobacco duty any more and from that year the tax was kept for the Government of Bombay. The municipality again urged that they were very hard up and so in 1866 Government again gave them the income from the tobacco tax. In 1909, Government said that they were going to repeal the Act.

as they did not want it as a provincial source of revenue and they did not want the odium of collecting it and offered to allow the municipality to levy the duty if they liked. The municipality said that they did not want to do anything of the kind, that it should be levied as a provincial, tax and that the income should be given to them as heretofore. That is how it stands.

Q.—Haven't the municipality some staff actually to collect other town duties?

A.—I don't know, but they frankly said that they would be heavy losers if they undertook the collection of the tobacco tax.

Q.—From your experience of collecting the tobacco tax, do you think it would be practicable to collect a similar tax in other towns?

A.—I think so: the cost of collection will not be very heavy. In the Bombay city, the cost of collection is about Rs. 70,000 against an income of Rs. 4.85,000 in 1924-25.

Q.—Do you think it would be practicable to collect a tobacco tax in rural areas? That would practically be an octroi?

A.—There is also a shop license.

Q.—Don't you bond the tobacco?

A.—We charge Rs. 7-8 a maund for all tobacco brought in. It may be possible to do it similarly in rural areas.

Q.—Why don't you auction the shops?

A.—That will only raise the price of the tobacco.

Q.—You can get more revenue.

A.—It may be so, but some of the shops only sell *biris* to the poor people.

Sir Percy Thompson. Q.—Can anybody start a tobacco shop?

A.—A license has to be obtained and we generally limit the number. We have 5,000 licenses in the Bombay city.

The President. Q.—What is your fee for a license?

A.—It is one rupee, only a nominal fee.

Dr. Paranjpye. Q.—It is supposed to be a great privilege to get these licenses?

A.—They make good profits.

The President. Q.—As regards a general tobacco tax, your suggestion would be a Government monopoly?

A.—I ought frankly to say that I have thought over this matter a good deal. I suppose you are aware that in 1917 Mr. Ley came over from the Government of India to make enquiries about this tobacco tax. The question of acreage and bond was then considered, the whole question was thoroughly thrashed out and we found that a tax could not be imposed economically. I believe the papers are with the Government of India.

Q.—Was the question of vend monopolies considered?

A.—I do not know about it; I have not got the papers.

Q.—On the subject of the division of the proceeds of taxation, you say that, "the Central Government derives quite enough revenue from foreign spirit and I am of opinion that the present arrangements should not be disturbed". Supposing it were part of a general arrangement beginning with the division of income-tax, would it not benefit the provinces?

A.—It would give us a *quid pro quo*: there would be no harm in that. Theoretically, I should say that, when you put a tax on an article which is entirely local produce, it ought to go to the Local Government.

Q.—Practically, the supply of spirit is at present a Government monopoly?

A.—Yes: we have only one contractor in Godra: the rest of the Presidency is supplied from three distilleries.

Q.—Is not Khanapur going to be closed?

A.—No.

Q.—Did the breaking up of the Salt and Excise establishments cause a lot of extra expense?

A.—Yes: the last budget shows an extra Rs. 40,000 for the Excise Department.

Q.—What about the result?

A.—It is too early to say: we have only just started the experiment.

Q.—It would considerably have decreased the number of men you had on preventive work.

A.—Especially the higher officers, i.e., the supervising staff, have been reduced.

Q.—Is not that a great danger, especially under present circumstances?

A.—That is the real point at issue; I am a great believer in supervising staff.

Mr. H. B. CLAYTON, C.I.E., I.C.E., Municipal Commissioner for the City of Bombay, was next examined.

Written memorandum of Mr. Clayton :—

Q. 106.—I am disposed to agree with the distinction indicated in broad lines.

Q. 107.—The scheduled taxes are ordinarily adequate but special cases must be met in a special manner. The levy of specified taxes should not be imperative.

Qs. 108 and 109.—Octroi should be abolished as it is the subject of constant speculation and complaint from the trades affected. Where suitable, a non-refundable town duty may be substituted. House and land cess are not inequitable and should be continued. I do not think that the objections which apply to octroi should apply to a light terminal tax. I have actual experience of the evasion of octroi duty but not on a very extensive scale.

Q. 110.—Octroi has been retained in many cases owing to the unwillingness of the people to submit to a more direct form of taxation. This unwillingness no doubt still exists but it should not be encouraged.

Q. 111.—Tolls should be abolished. If they are to be retained, they should be at intervals of not less than 10 miles, and should only be upon the principal roads where the traffic is comparatively heavy, and they are worth collecting. No toll-gate should be allowed at any place where the revenue is less than Rs. 10 per day on an average.

Q. 112.—Yes, the owner is able to shift the burden of the tax on to the occupier.

Q. 113.—I do not consider that the English system of giving the local authority power to impose an unlimited rate on the annual value of land and buildings is a success or should be copied in this country. Some limitation on that power is normally necessary. I know of no instance where such limitation has induced local authorities to have recourse to less desirable forms of taxation.

Q. 114.—See Section 143 of the Bombay Municipal Act. I have no comments.

Q. 115.—The policy by which land is rated on the revenue which it actually produces is the only sound one. Theoretically, the policy of rating land on its undeveloped value may seem desirable, but results in difficulties which are very considerable.

Q. 117.—Grants from general Government revenues to local bodies should ordinarily be conditional on a proportionate expenditure by the local body towards the same object. The amount of the local contribution must vary in individual cases and ordinarily amount to at least half of the total amount involved.

Q. 118.—If any grants are made except on the condition that the local authority undertakes at least an equivalent expenditure, there is no assurance that the money will be reasonably and economically expended.

Mr. Clayton gave oral evidence as follows :—

The President. Q.—You are the Municipal Commissioner?

A.—Yes.

Sir Percy Thompson. Q.—In answer to Qs. 108 and 109, you condemn the octroi and you say that, “where suitable, a non-refundable town duty may be substituted.” What do you mean by a town duty?

A.—It is a form of transit duty.

Q.—Like a terminal tax, levied on goods entering by road or by railway?

A.—By every way, so far as it is leviable at a profit. In certain cases it would not be leviable at a profit by road.

Q.—I take it that your general view is that both octroi and terminal taxes are essentially bad and, while you cannot get rid of them entirely, they ought to be gradually replaced by some form of house tax or some other direct tax.

A.—A terminal tax is, in my opinion, preferable to octroi, but in principle it is not defensible.

Q.—Theoretically, at any rate, is not the terminal tax worse than octroi?

A.—It is theoretically.

Q.—Suppose you were able to get rid of the corruption in octroi and get it to work really like a business machine, would not octroi be preferable?

A.—I have known a certain number of instances in which octroi has been levied, but I have never seen it levied in such a way as a matter of practice: so I take it that the difficulties are such that the condition of things you suggest is not practicable. But where it is practicable, I admit that theoretically, octroi would be more equitable.

The Maharajadhiraja Bahadur of Burdwan. Q.—When you say that you would prefer a terminal tax, I take it that you prefer the kind of terminal tax which is prevalent in Northern India, say, in Amritsar.

A.—I do not know Amritsar, but I know there is a similar kind of tax levied in Karachi.

Q.—I presume that you do not contemplate a terminal tax, similar to what we have in Calcutta on passengers.

A.—I do not know how it is worked.

Q.—It is added on to the railway ticket.

A.—Presumably a season ticket is exempt. In Bombay where we particularly wish to encourage people to migrate to the country, it would be absurd to put a tax on them when they come to Bombay every day. You only want to tax a stranger.

Q.—In Calcutta the idea was to get more money for the Improvement Trust and I think that probably season tickets were exempt. When you refer to a terminal tax, I think it is really a kind of octroi which has not all the intricacies and inconveniences of an ordinary octroi.

A.—The worry about that appears to me to be that you are definitely making it expensive for people who are going through a city: the same difficulty applies as in the case of octroi.

Sir Percy Thompson. Q.—In reply to Q. 113, you say that you “do not consider that the English system of giving the local authority power to impose an unlimited rate on the annual value of land and buildings is a success or should be copied in this country.” What would you do in England if you do not levy an unlimited rate?

A.—That I do not know. The result of levying an unlimited rate in England has been that local administration is extraordinarily expensive. That is the result of giving them these powers.

Q.—The fact remains that they have to perform certain functions and they have to raise certain funds to meet that expenditure: it is left to the electorate to see that their representatives are not extravagant and, if they are extravagant, to turn them out at the next election. I do not know that it can work perfectly, but I cannot see what other system you can have.

A.—My remarks were to the effect that it was not a system suitable for introduction in this country. I said that "I do not consider that the English system is a success or should be copied in this country." I am afraid that my experience of England is comparatively limited, but one does feel, when local taxation runs up to 25 shillings in the £, that there is something radically wrong. It ought not to be so.

Q.—I suggest it to you that, when the cost of everything that the local authority does goes up to three times what it was, you must raise the rate of taxation three times in order to get the same funds to meet the expenditure.

A.—I quite see the difficulty.

Q.—Supposing you were to limit the local authority to raising a rate of 10 shillings in the £, you certainly would be forcing them to impose some other kind of tax which might not be desirable.

A.—Or they might spend less.

Q.—There is a certain minimum which you cannot help spending.

A.—The question is whether that minimum has not been exceeded in England. From the small knowledge I have of England, I am emphatically of opinion that it has been exceeded, simply because the local authority had the power to go beyond it.

Q.—Every possible attempt has been made to curtail expenditure, but they have not succeeded in curtailing it very much. When you get to the point of scavengers' striking for a pay of £4 a week, whereas the pre-war rate was 18s., you must either leave the streets uncleaned, or raise the rates.

A.—The point is that, when you accustom people to receive more, they won't be satisfied with less. I was the first person to discover that in Bombay. We began to put in asphalt roads in Bombay and I found that we were driven to the necessity of putting them in places where we should not have put them otherwise.

Q.—It seems to me that, in India, the result of your limitation in the case of house tax, is that if the tax does not raise enough funds to perform the services, the services are left in an inefficient state.

A.—That is perfectly true in certain cases.

Q.—Is that a desirable state of things?

A.—It is not desirable, but are there a large number of cases where the local bodies concerned have worked up to their limitation and found the necessity for more funds?

Q.—I do not know about the necessity for funds, but they have simply left things undone which they ought to have done.

A.—The limitation can be raised by a competent authority in such cases, but my position is that the advancement of local self-government in India at present is not such as to warrant the power of unlimited taxation being placed in the hands of the local authority.

Q.—One characteristic that strikes me as prevalent in India is the aversion of the local authorities to put up rates: they would rather leave the services unperformed than raise the rates, whereas in England the inclination of the local body is to raise the rates.

A.—That may be true in certain instances. I know of a municipality where I think no Muhammadan pays any tax under any circumstances whatever.

Q.—How does he avoid it?

A.—The governing body happens to be mainly composed of Muhammadans: so they do not pay. The Hindus pay, that is all.

Dr. Hyder. Q.—But how is it that a certain class of people get out of their taxes?

A.—It is just shown as arrears. My statement is intended to be exaggerated, but the taxation of one particular community is very much heavier than it is on another. Under those circumstances, I suggest that it is not equitable or safe to allow unlimited powers of taxation to the local body.

Sir Perry Thompson. Q.—With regard to grants-in-aid, you don't think that they should be in excess of the expenditure by the local authority on that particular service?

A.—I know that certain exceptions must be made, but I think, that should be the standard rule.

Q.—Would you attach a condition to give the Provincial Government power to withhold the grant if the service did not reach a minimum state of efficiency? That is the English system (I am referring to education).

A.—A system of education cannot be built up in one, two, three or four years. It takes some time, and Government would be perfectly justified in saying "we have given you half your cost for five years; unless you improve within two years, we hereby warn you that we will withdraw the grant." That will be perfectly reasonable.

Q.—You might adopt a system they have in England and let the payment of the grant depend on the Inspector's report.

A.—That is quite reasonable. My experience in the Bombay Municipality has been that on the vote of some member or other, the Corporation has sanctioned thousands of rupees as grants-in-aid to a particular institution and that the money is wasted in ninety-nine cases out of a hundred, simply because they do not feel they have to work for it and get it.

The President. Q.—Now I would like to ask you some questions on a few heads of revenue of the Bombay Corporation. You have an enormous gross valuation. In 1899 it was 8.29 lakhs.

A.—I think it has been revised. The valuation is over 11 crores now.

Q.—Who do the valuing?

A.—It has been done by an expert staff. I have got a large staff of about 120 with an expert at the top. I think it is very much under the real figure still.

Q.—To whom does the appeal lie from the expert?

A.—There are so many appeals that it is necessary to provide several officers to hear them. Appeals lie to the Municipal Commissioner or Deputy Municipal Commissioner and the ultimate appeal is to the Small Cause Court.

Q.—Is there any appeal to any committee or body of the Corporation?

A.—There is an appeal to the Small Cause Court where we have to demonstrate in accordance with the forms of law that the assessment is rightly put on. I know for certain that the assessment at present is definitely under the mark.

Q.—It is entirely official and the last appeal is to a court of law?

A.—Yes.

Q.—What is the total rate, including the consolidated rate, the rate for house tax, *halalcore* tax and the water tax?

A.—All in. I think, it works it out at about 20 per cent.

Q.—That includes the police rate?

A.—We have not got a police rate. That has disappeared.

Q.—Up to 1877 you used to have a police rate?

A.—I am afraid I cannot go back as far as that. We started on our present constitution at about 1878.

Q.—It also includes a lighting rate?

A.—It is all consolidated.

Q.—The lighting rate is a general rate for public roads. It is not for services rendered.

A.—That is true, but it is all consolidated in the general tax now. We do not collect it separately.

Q.—Then, you have a wheel tax and tolls?

A.—We have no tolls now. They have been abolished.

Q.—How long ago was that done?

A.—About three years ago, Government were good enough to give us an yearly subsidy of Rs. 25,000; our collections were about Rs. 30,000 or Rs. 40,000 and we abolished it with much joy.

Q.—The wheel tax alone has suddenly gone up from Rs. 7,85,000 to Rs. 12,50,000.

A.—We put up the rate quite recently. Our tax on motor vehicles is not anything like what it is in England.

Q.—That is mostly on motors?

A.—Three quarters of the revenue comes from motor cars. The good old bullock-cart pays Rs. 6 a quarter, i.e., Rs. 24 a year. The hire of a bullock-cart is roughly Rs. 5 a day. The tax is obviously inadequate.

Q.—You say that you are still considerably short of the Home tax?

A.—Very much.

Q.—Yours is a municipal tax, is it not? And at Home it is a Government tax.

A.—Yes.

Q.—Then you have licenses on trade, land conveyance and music?

A.—They are practically negligible. The license department policy is only to take a fee adequate to finance the expense of control, and not to make any profit at all. We have set it as a policy before us, from the time of Sir Pheroze Shah and even before, lest we should be tempted to hinder trade, that we should not make a profit on licenses.

Q.—What sort of trades do you license?

A.—Small factories and petty industries and things of that sort where machinery is used almost entirely. Some noxious trades are also licensed, such as preparation of cow-dung cakes, the object being to prevent the trade being carried on at all except in places where it is suitable. But mostly they are small trades, polishing works, lathe works, etc.

Q.—Is there any need for control?

A.—Yes. We get many complaints about these trades becoming a nuisance to the public.

Dr. Paranjpye. Q.—Do you refuse licenses in undesirable localities?

A.—Every day we refuse them with great rapidity. For instance, we have to enquire into complaints regarding the working of the ordinary grinding machine in the ground floor of a *chawl*. Some people want the machine there so that they can take their wheat and get it ground into flour. But the man who lives at the top hates to have this thing going underneath driven by electric power all day and part of the night, and he naturally objects.

Q.—Licensing of eating houses come under that?

A.—Eating houses are licensed. They are liable to become nuisances in certain localities. But the object of licensing eating houses is to see that they are conducted in a proper manner. A very great deal has been done in that direction in the last eight or ten years. It was initiated by Dr. Turner, and there has been a distinct improvement in the standard of eating houses.

The President. Q.—We are told that one class that escapes taxation is the small trader, and it is rather remarkable that Bombay has less tax in the shape of a profession tax than in any other province.

A.—It is a definite policy that we have adopted as far as our taxation is concerned.

Q.—What is the reason?

A.—We want to make it clear that we never have any financial motive in licensing.

Q.—The license is for the purpose of control only?

A.—Yes.

Q.—You have never considered the introduction of a tax in the nature of a profession tax?

A.—We have. About four years ago, I went into it and put up a report which the Corporation considered. We examined the Madras system and the Calcutta system too, I think, and it appeared to me to be too nasty and inquisitorial for it to be reasonably carried out in a city of this magnitude. Besides, you would want the assistance very largely of the income-tax returns, and you have to provide a proper system to ascertain what a doctor is earning and things of that sort.

Q.—It would be a very troublesome thing to get at?

A.—I think it would involve more heart-burning than it is worth. As far as I recollect, I estimated that we should collect about six or seven lakhs under a profession tax, and if it is going to be very much objected to by every body it is better not to attempt it.

Dr. Paranjpye.—You can have a tax on every shopkeeper.

The President. Q.—I should have thought it would bring ten times your estimate.

A.—I made the calculations on the rates as charged in Calcutta, and, speaking from recollection, I think it was under ten lakhs.

Q.—Calcutta has a flat rate for every person exercising a certain profession.

A.—That is true.

Q.—Then, land conveyance. Is it not a stamp duty?

A.—I do not know what it means. We do not get anything from it.

Q.—Calcutta, Madras and Rangoon, all have a surcharge on the stamp duty.

A.—The history of that in Bombay is rather curious. I do not know whether you have studied it. I am speaking again from memory, I am afraid. About 1911, Government asked the Corporation to put an addition to the 1 per cent of the Stamp Act for the support of the Improvement Trust, and the Corporation thought that the mill trade might be taxed first of all at 4 annas a bale on cotton. Government then six or seven years later, put on a tax of one rupee per bale. Then, two years ago, I brought up the matter again before the Corporation. I said, "We have got to finance primary education, which is going to cost us 25 lakhs a year and we ought to ask to be allowed to put on the surcharge on stamp duty, about which we did not agree before." And the Corporation agreed more or less, with a good deal of opposition from the landlords of Bombay. But when we put up the proposal before the Government, we were told by the Government that under the Devolution Rules any addition to the stamp duty was not a local but a provincial source of revenue, and therefore we could not have it. And so the denouncement was at the last meeting of the Legislative Council where Government put up a proposal to enhance the stamp duty in Bombay city only, the proceeds to go to the provincial exchequer. I am afraid I must confess I persuaded all the representatives of the Corporation, to oppose it tooth and nail, because I did not think it in the least fair, my position being—I do not know whether it is correct—that if you put such a tax on Bombay city only it is a tax on local values and therefore under the Devolution Rules it comes to the local body: if Government put it on all over the Presidency then it is a stamp duty and may go to the Provincial revenues.

Q.—Then you license music?

A.—We get about a lakh of rupees. The police collect it and pay us the money.

Q.—It is a police fee?

A.—Yes.

Q.—It is for services rendered?

A.—Yes.

Q.—Then you have 17 lakhs from town duties on sugar, etc. You give a refund on export?

A.—Yes. There is very much trouble about these refunds and the system is rotten.

Q.—Then you have a town duty on cotton, which has no refund?

A.—That is a town duty, and we are maturing proposals to substitute for the refundable town duty a non-refundable terminal tax.

Q.—Town duties are octrois.

A.—Yes. We got the support of the Chamber of Commerce and the Indian Merchants Chamber to substitute a terminal tax for town duties, because the system of levying the town duties and making these refunds was anything but satisfactory to business men who were prepared to get rid of it almost at any cost. I am afraid the Chamber of Commerce has now gone back on their opinion of two years ago.

Q.—Are there not differences between an octroi and a terminal tax? The one is that in the case of the terminal tax you have not to give refunds, and the other is the original idea of a terminal tax was a flat rate for whatever might come in without regard to the contents: you never open the case.

A.—In our proposals for a terminal tax we have fixed varying rates according to the nature and value of the goods imported and not a flat rate per unit of weight.

Q.—I mean the terminal tax on sugar was not a terminal tax.

A.—It was so much a maund.

Q.—May I now come to the Millowners' Association? One of their complaints against you is that though the town duty on cotton was levied in order to provide housing for workmen, still the workmen are not getting the houses.

A.—That is not against me, it is against Government. I am of course exceedingly interested in the matter. Four-seventh of the cotton duty goes to the Development Department who have constructed these *chalets*.

Q.—There is a certain amount of justice in the complaint—is it not?—that the workmen of the mills for whom they were constructed are not using them.

A.—I know more or less what the Development Department's position is. They originally set out to construct 50,000 tenements which they were going to let at about cost price or very nearly cost price. They were going to finance the loss by the 17 lakhs a year which they get from the cotton tax. They put up some of the *chalets* and then found that they could not let the rooms at the economic value. They never expected to let them at the full economic value, but they expected to let them slightly under the economic rent. The economic rent was about Rs. 16. They tried to let them at Rs. 16, and they could not get anybody to pay that rent. They then tried to let out at Rs. 14, and then at Rs. 12; and now they are offering to let out in certain cases at as low a rent as Rs. 6-8-0, at which rate they will, I think, be able to let their rooms. But at this rate, they can obviously construct only a small number of *chalets*, because the loss per room will be so much greater.

Q.—It is not that the rooms are going to a different class.

A.—It may be to a certain extent.

Q.—Then the next thing is, the amount paid by the mills in the shape of water tax, *halalcore* tax, etc., has gone up from Rs. 7,42,000 to Rs. 20,66,000.

A.—I have not checked the figures. But they speak as if the same thing had not happened to every other citizen, householder or landholder of Bombay. The question about water tax is rather a long story. The ordinary mill gets much more than its share of water. It does not say it does, but it does as a matter of fact, because it takes it off the same main as everybody does; in addition when the supply is opened, it has an engine which pumps and pumps until it has filled its tank. The ordinary citizen has not got such an engine nor such a tank. The mills do get much more than their proportionate share of water. The mills here have been exceptionally favoured in the past. The rate for water has gone up very considerably during the last five years but you have to set against it the fact that the mills were grossly under-assessed in 1914; they are still under-assessed.

Q.—Do they pay both an assessment and a rate per thousand gallons?

A.—They pay simply for what they consume: nothing else.

Q.—You raised your water-rate in order to enable you to increase your water-supply for the whole city of Bombay, and the benefit of it has gone to other people and not to the mills.

A.—That is, if I may say so, absolute rubbish. The actual realisations from the water tax on value, though the rate has not been raised, have increased even more than the realisations from the mills, as the rateable value gone up enormously. The mills have had more than their share of the water available in the past. I should have got the new supplies of water in by this time if it had not rained, but I hope to get it in by the end of the month, when the mills will be the chief people who will benefit. You can imagine what would happen if you threw money down in the streets and a lot of people scramble for it. The man who has got a suction pump will be able to gather more than the man who has to pick the coins up with his hands.

Q.—You get the benefit of what is practically a town duty on tobacco. The Government keep a staff to collect it, and you have your own staff to collect the town duties on other things. Is that economic?

A.—I think so, because we should not be able to collect it as well as Government do.

Q.—You have two town-duty staffs working.

A.—That is true, but Government after all have got to have a staff to control opium and so on. Would you wish to hand over opium to us?

Q.—Have you not got your town-duty staff at all entrances to the city through roads?

A.—We do not practically have a town-duty staff on the roads at all. As a matter of fact, we share a man with the Port Trust on each of the roads. But what comes in here by road is practically negligible.

Q.—There is no octroi for what comes in by road?

A.—Not on the roads, but on the railways and ports. What comes in by road is really hardly worth worrying about.

Q.—Then you have a fire tax? That is for services rendered.

A.—Yes.

Q.—It is to maintain the fire brigade. It is a form of insurance?

A.—Yes.

Q.—You get that out of the insurance companies?

A.—I think we ought to get it from the insurance companies. As a matter of fact, I have had that subject under consideration. Our fire brigade is, I think, exceedingly efficient, as efficient as any in the world.

Q.—It costs about 5 lakhs a year?

A.—Yes.

11th June 1925.

POONA.

Present:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajahdiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Mr. A. W. W. MACKIE, I.C.S., Settlement Commissioner and Director of Land Records, Bombay, was examined.

Written memorandum of Mr. Mackie.

Q. 2.—I have nothing to add to already well-known criticisms of the earlier estimates. As regards recent ones, Nos. 8 and 9 evaluate in reality two different things, and their results would be widely divergent, however, complete and accurate the statistics from which each is calculated. Mr. Shirras makes a liberal use of guess work, but gives no details which would enable a reader to judge just how far his achievement in arriving at a *per capita* income is genuine. Messrs. Shah and Khambata show in detail how they get or guess their results; but they omit some of the items ordinarily regarded as necessary to an evaluation of *per capita* income, and their data would be put to better use if employed to evaluate *per capita* income of producers only.

Q. 3.—I think that sufficiently reliable results for large sections of the population of India could be obtained but not for the whole population.

Q. 4.—Crop outturn figures could be improved.

Minor crops constitute 15 per cent of the net cropped area and are lumped together. As the areas are all collected separately in the villages, these crops can be dealt with separately down to any degree of detail required.

At present there is a 'normal' outturn for each district as a whole. In a majority of the districts of the Presidency proper, the normal outturn varies in different parts of the same taluk, and much more in different parts of the same district. The district "normal" is decidedly inaccurate.

The Collector reports the anna valuation of a crop for the district as a whole. This could as well be done for taluk separately and should be so done for those districts. (In many cases, the climate varies sharply from part to part even of the same taluk.)

In taluk where suspensions exist or are likely, the villages are divided by a committee of officials and representative agriculturists into batches in which the crops are judged to be uniform, and the committee decides the anna valuation of each crop in each batch. Their decision may be revised by the superior district officers. These anna valuations could be used to calculate the value of the crop outturn batch by batch. It only involves some increase in arithmetic.

The definition of the 'normal' is rather indefinite in the Presidency, and a somewhat more definite standard is perhaps possible.

Far more crop experiments ought to be carried out than at present; and far more care than at present ought to be given to the choice of crops for experiment. A proposal for an increase in the number of crop experiments is under the consideration of Government in another connection.

I think that statistics of cottage industries could be collected in rural areas by the revenue staff and would have some value, and that statistics of agricultural wages and prices could be improved without extra expense.

I do not think there has been a sufficient realization of the importance of such statistics in the past, and that they must take their proper place in the training of the revenue staff in the future.

In most districts honorary correspondents could be enlisted for the collection of family budgets.

Q. 5.—What sufficiently reliable statistics are, or can be made, available should first be seen. It may be found that there are small gaps in them and that their value can be greatly enhanced by filling up these gaps by a census confined strictly to this purpose. For instance, the production of village industries might be ascertained as well as some approximation to pastoral and dairy production, in order to arrive at a fairly complete picture of the economic condition of the rural population. An inquiry into indebtedness would also help in completing the picture. A far more exact knowledge than we have at present of the economic condition of the agricultural classes is necessary if the land revenue system is to be made really scientific.

In any case, there would remain large sections of the population, viz., those dependent to a considerable extent on 'gifts of nature,' which would have to be left aside.

Q. 6.—It is advisable that the legislation should be uniform; but perhaps experience of such legislation in Bombay would be advisable before all-India legislation is undertaken.

Q. 7.—The figures of each section of production can be used to some extent as a check on the estimated incomes of the various classes engaged in that branch of production.

Q. 9.—I omit opium, customs and excise, from consideration and can attempt only a rough division. An approximate rate of taxation per head for (1) cities, (2) towns and (3) villages could be arrived at. But this would not go far enough. In cities income-tax payers form a class at the top of the scale, and the labouring class and others who live on the same scale are at the bottom. Others would form an intermediate class. The two higher classes would each be subdivided into two according as the income consists of (1) profits from industry or (2) salary wages or professional earnings, as industry (including trade) contributes to the stamp and registration revenue, and in some places pays special local taxes. There might be a profession tax, which would necessitate a further subdivision. The lowest class probably escapes the brunt of municipal taxation, and it contributes nothing to the entertainment tax.

In the village there are (1) a few income-tax payers, (2) landlords and cultivating occupants, who pay land revenue (sometimes held to be a tax) and local fund cess and contribute to the stamp and registration revenue, (3) money-lenders and employer industrialists who do not pay income-tax, and (4) tenants, village industrialists and labourers. Classes (3) and (4) contribute practically only to the salt tax, and might perhaps be lumped together as regards taxes paid.

In towns a mixture of all these classes would be found.

It would be impossible to calculate the taxation per head in each class as several classes contribute in unknown proportions to the same tax.

The collection of a large number of family budgets throughout the Presidency, which has been suggested in connection with the proposed economic inquiry, would help to show how the people should be divided into classes with respect to the taxes that affect them.

Q. 10.—In the Presidency proper and Sind 4.7 per cent of the current demand consists of items of fluctuating miscellaneous revenue. A majority of these items do not fall within the definition of tax, but I am unable to say what proportion of the 4.7 per cent these non-tax items constitute.

These figures exclude Bombay city where the non-tax items for the years 1921-22 and 1922-23 together amount to 81 per cent of the total land revenue:

The percentage for the two years for the whole Presidency, including Bombay city, is 8.8.

The total of non tax items for Bombay city fluctuates greatly.

Q. 11.—Such items appear in registration and stamp revenue; also perhaps in excise revenue under which there is a head "Fines, compensation

and miscellaneous" in the budget. They also appear in municipal and local board revenue; and in revenue from Courts of Justice.

Qs. 33 and 34.—I should prefer death duties and a tax on agricultural incomes to an increase in the income-tax.

Q. 36.—I think that with the joint family system to make such allowances would open too wide the door to evasion, and that such evasion could not be prevented without proceedings of an inquisitorial nature.

Q. 38.—Yes; provided the proceeds go to the Provincial Government, since the tax would in reality be an increase in the land revenue.

If the land revenue is regarded as not being a tax, but as Government's an ancient, crude, and inequitable tax which takes as large a provision of his income from the raiyat with a few acres as from the opulent land-owner. To impose a progressive surtax on agricultural incomes above a certain limit would bring the taxation of land more into accord with modern ideas of equitable taxation. The proportion of rent taken as land revenue is at present necessarily limited to that suitable for the one-man holding.

If the land revenue is regarded as not being a tax, but as Government's share, according to immemorial right, of the produce of the land, there is still less reason for refraining from imposing income-tax, as the owner of the land (subject to the right of Government) simply applies his property energy and skill to produce an income like anyone else whose property is of a different kind.

On neither of the preceding views does there appear to be much of a case for differentiation between the farmer and the absentee landlord, etc. To make the distinction suggested would give the farmer an advantage when purchasing land in competition with a purchaser who would be liable to the tax, and to this extent it would be a good thing. But I doubt whether the effect would be appreciable.

With reference to this last point I may say that, at least in the southern part of the Presidency, there would be found many occupants of land who are at once farmers in respect of some land which they cultivate though their servants, money-lenders who have acquired land by the foreclosure of a mortgage, and landlords of other land in more or less distant villages, acquired by purchase and cultivated by tenants.

A landlord's ordinary work may lie far from his land as in the case of a clerk, but he may visit it at sowing time to arrange for its cultivation and at harvest to get his share of the produce; or he may have a relative on the spot to look after his land.

The distinction proposed would introduce too many difficulties and complications. I think.

Q. 39.—The figures used by Messrs. Shah and Khambata in their argument do not carry conviction. I find their meaning difficult to follow. The words "If the agricultural incomes, which now escape taxation altogether, are taxed, etc." mean that all agricultural incomes escape taxation altogether, whereas the authors clearly regard agricultural incomes in temporarily-settled tracts as taxed by the land revenue. The words just quoted appear to be meant to apply to permanently-settled tracts only and to mean "If such agricultural incomes as now escape taxation altogether are taxed, etc."

An inquiry into the yield of an income-tax on agricultural incomes is in progress in this Presidency. The estimate for one division is 4 lakhs. Taking this as applicable to each of the other two divisions and 8 lakhs for Sind, the total is 20 lakhs. The total land revenue for this Presidency is about 5 crores, and from the whole of British India (according to Messrs. Shah and Khambata) 36 crores. These figures indicate that somewhere about one and a half crores only would be the yield, if this Presidency is taken as typical of the whole. At any rate, Messrs. Shah and Khambata's estimate seems to be very too high. They have probably not reckoned with the fact that a very small proportion of agricultural incomes exceed Rs. 2,000.

Q. 40.—I think this argument would lead to difficulties. If the income-tax limit of exemption ought to be lowered, because there is no exemption for agricultural income, why ought not equal limits of exemption to be

allowed in both cases? And, after allowing this exemption, why should not the proportions taken of the surplus in taxation be equal?

It is not a full and fair statement of the case to say that there is no exemption in the case of agricultural income. An agriculturist with a holding not below a certain limit, which he can easily manage, draws a living from that holding on the same scale as he would do if he were its tenant. Over and above this there is a surplus, which is the rent that would be paid to a landlord. Government takes its land revenue out of this surplus only. In the same way income-tax is taken out of the surplus over the amount exempted. As for the landlord who has acquired land by purchase, the fact of payment of land revenue has modified the price paid and he has no claim at all to any exemption, which would simply amount to making him a free gift at the expense of the community (vide Q. 100 also).

Q. 43.—I fear that caste, factions and the vogue of the anonymous petition would render such measures ineffective, and that much bad feeling would result.

Q. 89.—The administration of the law ought not to be a source of revenue.

It is not legitimate to tax ability to pay as exhibited by resort to the law.

The stamps collected ought not as a matter of course to pay for the cost of courts including pensions of officers and capital cost of buildings.

In his recent budget speech the Finance Member, Bombay, stated "Our administration of justice costs us 76 lakhs and brings in a corresponding revenue of only 16 lakhs."

Q. 92.—Registration fees in this Presidency.

Q. 93.—I think it would be inadvisable to base the argument for registration fees containing an element of taxation on this consideration alone, though doubtless it is an important consideration. It would be better based on general considerations of ability to pay and the incidence of taxation. Unless I misunderstand the question, the existence of optional registrations would create difficulties in regard to the argument suggested in the question.

The absence of complaints about the pitch of registration fees and the large number of optional registrations are themselves strong arguments in favour of this form of taxation.

Q. 97.—No. Vagaries of the monsoon, uneconomic holdings, excess of population on the land, lack of subsidiary occupations.

Q. 98.—Not in the least.

Q. 99.—I do not see how this can be avoided while the 30 years' guarantee is maintained, as all settlements could not be made at the same time. Discrepancies could be minimised by grouping the districts into homogeneous tracts, and dealing with the resettlement of each tract within the shortest practicable number of years existing settlements being extended so far as necessary to make them all fall in about the same time. Of course, if assessments were revised solely on the basis of change of prices once every ten years, the discrepancies would practically disappear; but I do not advocate this course.

There are other far more serious inequalities in the pitch of assessment in this Presidency than those referred to, and much more easily removed.

The first plan mentioned above has in fact been employed in the case of a few taluks in order that all the taluks of a district might be resettled about the same time.

Q. 100.—Rs. 2,000 is far above the subsistence level. With a high limit like Rs. 2,000, I think, it would be practicable to ascertain whether an agriculturist's income exceeded it as there would be few cases to deal with; but with a real subsistence level limit the thing would be impracticable.

One effect would, I think, be to induce further fractionisation. In my reply to Q. 40, I have remarked that it is not a full statement of the case to say there is no exemption in the case of agricultural incomes. No agricultural tenant pays tax on his income, and if the income-tax limit of exemption happened to be low such a tenant's income might exceed it, yet he would pay nothing; while a tenant of a cinema with the same income

would pay income-tax. The land revenue is a share of the rent. The landlord pays it, but as he acquired the land subject to it and paid accordingly, he has no case for any exemption in regard to it. Government in effect says: "This tract of land requires so many people to cultivate it, and it will provide a living for that number of people on a scale prevalent in the tract, plus a surplus. Government will take a share of this surplus only."

Q. 101.—I am not inclined towards such a tax.

Q. 102.—Yes.

Q.—103.—I am not sure that I understand the question. On building land in this Presidency the general practice is to levy 6 per cent on half the revenue-free market value of the land, guaranteed for fifty years. Municipal taxation of landed property generally takes the form of a house-tax on selling or letting value.

Q. 104.—Methods (1) and (2) may be at once ruled out.

I am not sure what method (3) means. In Bombay every bit of land separately owned has been classified, and its agricultural capacity represented by a number. Fields are referred to as being of so many annas classification value. The scale of classification is invariably precisely the same (for the same kind of cultivation, e.g., dry crop, rice or garden) for all the land within the limits of a taluk, and often for all land throughout several districts. But if the soils in two regions are intrinsically different, as for instance in the Konkan and the Deccan, a 12 annas dry-crop soil in one is not exactly the same as a 12 annas dry-crop soil in the other. Nor is the classification scale the same for rice or garden as for dry-crop. And even in adjoining taluks the scales are sometimes different even for the same kind of cultivation. Still, these difficulties are not insuperable. One scale could be expressed in terms of another. But I understand that it is only in the Central Provinces and Bombay that materials for such a comparison as here proposed could be found and so further discussion is unnecessary.

Prima facie this method takes no account of climate.

As regards method (5), to compare the percentage borne by land revenue to gross produce would not do, because, for one thing, of differences in cost of cultivation.

But to take 'net produce' instead is a very different matter. This, I think, would theoretically be the best basis of comparison. By 'net produce' I mean the balance which remains over out of gross produce after the tenant has defrayed his costs of cultivation; out of which balance the tenant has to get his and his family's maintenance for the year, and the landlord his rent, and the State its land revenue. This method would exhibit how net produce is divided between these three parties in each province. Into precisely how this comparison ought to be exhibited I shall not enter, because the impossibility (at present) of discovering 'net produce' with a sufficient degree of accuracy in every province effectually bars the use of this method.

The method I advocate is No. 4; comparison of percentage borne by assessment to rent.

This method is practicable, so far as this province is concerned, because in the record-of-rights in every village there are details of every lease, and it has long been the practice in this Presidency, in connection with revision settlements, to sift out from these leases those that yield genuinely competitive rents, and to calculate from them the incidence of assessment on rent. To show the care with which this sifting is done I append an extract from the Revision Settlement Report of Man taluk. Certain difficulties would be met with where rents in kind prevail, but they are not insuperable. The main thing is that a correct and uniform procedure for evaluating rents in kind should be followed in the different provinces.

But the limitations of this method of comparison must be recognized. Suppose two provinces similar except that A has a larger proportion of good soil than B. If the land revenue is one-third of the rent in good soil in A, and one-fifth of the rent for poor soil, and if the corresponding figures for B are one-third and one-fourth, then A is more lightly assessed than B, but the averaged out incidence of assessment on rent might be higher for A than for B. One province may be more fertile than another, so that rents in it are double what they are in the other. Though the incidence

of land revenue on rent may be the same in each, the owner-cultivator in one has, over and above his livelihood on the scale of a tenant, double the surplus he has in the other. The pitch of rents may be different in two provinces, so that out of net produce of Rs. 16, Rs. 8 goes to the tenant in one, and Rs. 8 to the landlord as rent; while in the other Rs. 10 goes to the tenant and Rs. 6 to the landlord. If the assessment is Rs. 2 in each case, it is one-fourth of the rent in the first and one-third in the second; yet an owner-cultivator is in precisely the same position in each, paying Government Rs. 2 out of net produce of Rs. 16 and retaining Rs. 14.

These anomalies would be avoided if the division of 'net produce' between tenant, landlord and State were exhibited for each province, for various standards of net produce per acre. But this is impracticable, and the practicable and next best thing is to compare assessment with rent; but I suggest this ought to be done for various standards of rent per acre; which would eliminate two of the anomalies just referred to.

VALUE OF LAND AS ASCERTAINED BY SALES AND LEASES.

(1) *Sales (General).*—Statistics of sales have been collected from the record-of-rights and in almost every case scrutinized in the villages themselves. The object aimed at was to secure pure cash sales of Government agricultural land in an ordinary fit state for cultivation (i.e., neither specially improved nor deteriorated) between parties who had no common interest which would affect their relations as buyer and seller. All sales which were even suspected of not fulfilling these conditions have been rejected. The chief improvements which would cause a sale to be rejected are of course wells and tals, the latter however only if they are more ambitious structures than the small embankments which are required to make land fit for rice, or to level black soil and prevent it from being washed away. Sales in settlement of account have been excluded; so have those in which there was a suspicion that the transaction was of the nature of a mortgage or a redemption; for instance, sales in which the purchaser was the last vendor have been excluded on the ground that a conditional promise to restore the land might have been understood even if not expressed.

(2) *Leases (General).*—These statistics have been compiled and scrutinized with the same care as those of sales, and roughly the same classes of cases have been excluded. There is, however, one class of lease which I think may not have been excluded in some recent settlement reports, and the non-exclusion of which may account for the very high figures of rental quoted in them. If a man sells his land, he will frequently cultivate it on lease paying much more than the normal rent in the hope that by so doing he will retain a lien on it and some day be able to buy it back, even though there is no condition verbal or written to that effect. Such a case I place in the category of conditional sales in which the vendor continues in possession of the land sold; and the rent paid by him is really interest; and I have accordingly rejected all leases in which the tenant is the previous owner and vendor. Particular care is needed in scrutinizing leases, because owing to the facilities given by the Land Revenue Code for the recovery of rents, the *sarcar* at time finds it convenient if a debtor has no land to mortgage, to let his own land to him for a sum covering the interest on his debt, so that he can recover it under the Land Revenue Code, and be saved the trouble of going to the Civil Court. I have discovered actual instances of this. Leases of a share of the crop are very common; and those for a fixed amount of grain are also fairly common. Leases for a cash rent however are sufficiently numerous for share leases to be disregarded altogether. Cash rents should in strict theory follow closely the rise and fall of prices, and their course should, therefore, correspond with the value of rents in kind. As a matter of fact, they lag a long way behind, and only adjust themselves slowly to a rise in prices, the tendency being so long as the tenant remains the same, for him to pay the same rent from year to year whether in cash or kind.

Mr. Mackie gave oral evidence as follows:—

The President. Q.—Mr. Mackie, you are the Settlement Commissioner and Director of Land Records?

A.—I am acting as such.

Q.—You are going to be the principal witness on land-revenue questions?

A.—Yes, so far as settlement and land records are concerned. Of course agricultural matters are quite different.

Dr. Hyder. Q.—In your answer to Q. 4, you say crop outturn figures could be improved. Will you please tell us how they could be improved?

A.—The quality of the returns can be improved in this way. At present the Collector reports that the outturn of the *jowari* crop of his district is, say, 7 annas (the "normal" crop being 12 annas).

Q.—You mean the Collector assisted by a committee?

A.—No, that is a different matter. The Collector gets a return from each taluk, one may be 8 annas, another may be 6 annas and so on, and generally reports the arithmetical mean to the Director of Agriculture as the outturn of his district, giving the result to the nearest integer. Sometimes the fact that the crop being reported on is little grown in a particular taluk is allowed for in a rough and ready way. Now the fact is that wherever the crops are at all bad, there is a committee consisting of representative agriculturists and officials sitting for the purpose of determining what suspensions or remissions should be granted, and they carefully divide the villages of every taluk into batches, the outturn of the crops in all the villages included in any batch being judged to be uniform and then fix the annual valuation for each crop for each such batch. This having been done, it is a very simple thing to use these results; and this is what I propose. The area under each crop in each batch of villages is known. So you will see it is only a matter of arithmetical calculation to get an accurate estimate for the whole district.

Q.—How do you get over the difficulty of mixed crops, several crops occupying one field?

A.—The area under each crop is given separately in the village accounts and there are rules for calculating this.

Q.—How do you calculate?

A.—Crops are practically always grown in separate rows. There may be one row of *jowari*, two rows of *tur*. That means two-thirds *tur* and one-third *jowari* for that field.

Q.—In answer to Q. 5, you say "Far more knowledge than we have at present of the economic condition of the agricultural classes is necessary if the land revenue system is to be made really scientific". Will you please explain how the system of land revenue depends upon our knowing more about the condition of the agriculturists?

A.—I mean by that, that we have to examine the economic condition of the people in various parts of the country whether the condition of cultivation and the outturn of crops is different in order to see what surplus Government leaves in the pockets of the owner-cultivator. In each of two taluks the assessment may be one-third of the rent, but if in one of them the crops are secure, while in the other they frequently fail, the position of the owner-cultivators is vastly different in the two taluks, even though no assessment is collected when there is no crop. Besides the assessment is not the same proportion of the rent for the different grades of soil. At present there has been no such enquiry. We take up to half of the rent; we very seldom take half, that being the maximum.

Q.—Quite true. Suppose a district is given over to you, and as Settlement Officer you have to fix this land revenue assessment, don't you do this by considering what its outturn is, what the variations in seasons are, etc., and then making allowance for all these factors, you arrive at some idea of the pitch of the land revenue?

A.—You may say we do all these things, but now we do not rely so much on them as we used to do. Nowadays we have come to rely more and more on rents.

The President. Q.—Will you please describe briefly what is your process of resettlement?

A.—The Settlement Officer goes to the taluk—it is always done by taluks—that taluk is already divided into groups of villages, and in each group the maximum rate is fixed. The maximum rate is the same in each village in the group. Each group has a maximum rate.

Q.—Would you mind explaining your system of anna notation?

A.—About 60 or more years ago, the lands were all classified. We reckon the classification value of a field at so many annas. Originally the classification ranged from 2 annas to 16 annas, now it may go from 2 annas to 24 annas. All the fields have been classified in that way, and within the limits of a taluk—sometimes within the limits of several districts—the classification is entirely uniform, so that if you have got a 12 annas field here, it is precisely the same as a 12 annas field 50 miles away.

Q.—Then the anna notation has relation only to the quality of the soil?

A.—Yes, purely. It is supposed to be an estimate of the productive capacity.

Sir Percy Thompson. Q.—I suppose different fields in the same village may have different values.

A.—Yes, in one village the fields may range from 4 to 16 or 24 annas according to their potentiality.

Q.—I just gathered you to say that you put together homogeneous villages, but the villages themselves will not be homogeneous.

A.—No. This anna valuation fixes the relative productive capacity of the fields. The bulk of the fields in one village may be between 4 and 16 annas classification value, those of another village between 8 and 16 annas: You start then to consider how you are going to assess. You look at a taluk and in one part (as in Poona here, where the rainfall diminishes from West to East) you find the climate is very good, while it will not be so good in another part. Then you find one part of the taluk is close to its market with excellent communications. You consider the climate, markets, communications—and you used to consider the standard of husbandry, but now that last consideration hardly comes in. You thus divide the taluk into groups of villages, the villages in each group being judged to be uniform in the matter of total advantages derived from climate, markets, and communications.

The Maharajadhiraja Bahadur of Burdwan. Q.—When you say 'group', do I understand in that particular group the value of the crops or the rate is the same?

A.—I am just going to explain that.

Sir Percy Thompson. Q.—When you refer to this last grouping, you refer to grouping based on the natural advantages?

A.—Yes, purely the natural advantages I have enumerated. You do not look to the soil at all. Having divided up your taluk into groups, you say, "obviously this group ought to be more highly assessed than that other, owing to its superior advantages", and you have next to fix the relative pitch of assessments for the different groups. This is done as follows. Suppose there are three groups, and that assessment should be highest in group I, next in group II and lowest in group III, you decide what the assessment is going to be by fixing the maximum rate. Suppose the maximum rates decided on are Rs. 3 for group I, Rs. 2 for group II, and Re. 1 for group III. This means that a 16 anna soil in group I will be assessed at Rs. 3 per acre, in group II at Rs. 2 per acre and in group III at Re. 1 per acre. Similarly a field of 8 annas soil valuation in group I will be assessed at Rs. 1-8 per acre; in group II at Re. 1 per acre; and in group III at 8 annas per acre. Thus, once the "maximum rate" of a group is fixed, the assessment of every field in that group is automatically determined. It is fundamentally a matter of the arithmetical rule of three. In actual practice it is not quite so. Perhaps I need not go into details. The main thing is how the maximum rate is to be fixed. So long as we did not have the statistics of rent which we have now got, that was the difficulty.

The President. Q.—You have complete statistics of rent in the record-of-rights?

A.—Yes. Every single rent is entered in it.

Dr. Hyder. Q.—When the cultivator cultivates and owns the field, what sort of record do you get?

A.—If he does not let, there is of course no record of rent.

Q.—Is it not a fact that in your part of the country the majority of the land is let out?

A.—I cannot say the majority, but I should say 50 per cent of the land is let.

The President. Q.—Might we now come back to the process of settlement?

A.—Formerly it was difficult to arrive at what the maximum rate ought to be, because it could only be based on general considerations, the apparent prosperity of the people, changes in occupied area and prices of produce, the ease or difficulty with which the land revenue had been recovered, and such things as that. It was rather like groping in the dark till the record-of-rights came into vogue in 1900 and gradually gave us the statistics of rent which are the main thing on which we rely now. The statistics are analysed with the utmost care—that is perhaps the chief business of the Settlement Officer—because all sorts of considerations enter into them; for instance, part of the rent may be interest on debt. Every rent in the typical villages selected for the inquiry in each group is inquired into individually in the village itself and the majority of them are rejected, because the Settlement Officer cannot be certain they are true economic rents. The residue are then accepted as giving a fair idea of the pitch of rent in the villages of the group concerned. Having got the figures of rent expressed in multiple of the assessment, you test your grouping by means of these assessment figures. They may suggest a change in your grouping which you have formed on general considerations. Having finally fixed the groups, the Settlement Officer then uses these multiples to find what the maximum rates should be. The theory is that you may go up to an assessment which may be half of the rent, so that if the present rent is three times the assessment, that means you might increase the assessment by 50 per cent. That will be the most you can increase. Having seen what is the most you can increase, you consider how far, within that, you ought to go. For instance, if there is much unoccupied land in the taluk, you may think that with a moderate increase it is more likely to be occupied, than if you put the assessment as high as the 50 per cent rule would allow and that the lower maximum rate would thus in the end bring in more revenue to Government. On the other hand, there are executive orders that the assessment of a group cannot be increased at a revision of settlement by more than 33 per cent. Since the War that has been giving us a great deal of trouble.

Q.—Is that the total assessment on the villages?

A.—The total assessment on a group of villages.

Q.—Do you assess all the land, occupied or unoccupied?

A.—All the land is assessed unless it is uncultivable; every cultivable field, occupied or unoccupied, has its assessment fixed. Its classification value has been fixed once for all. Under the law there can be no general re-classification in any tract. The qualifying word 'general' is introduced into the law, not to enable the classification of individual fields to be raised, but to enable the classification of individual fields to be lowered if their classification is at any time proved to be wrong.

Dr. Paranjpye. Q.—Supposing land begins to grow a double crop after some time, what will you do?

A.—Nothing. Any improvement that the occupant makes, he takes the full value of it.

Dr. Hyder. Q.—When you reassess it, will you not change the soil classification of the field?

A.—No.

Q.—Then it means that since the British rule here, the improvements have always been exempted?

A.—Yes, that is why the classification is declared by law to be final. Under the Land Revenue Code any improvements made by the owner are entirely exempted from assessment. In the Konkan practically worthless lands assessed at 3 or 4 annas an acre have been converted into rice land. That makes no difference at all to us.

Q.—You take no account of the change in the productive capacity of the soil, that is, the land which was worth land revenue of 3 annas at the original settlement is worth now 12 annas?

A.—No.

Q.—You don't change the classification?

A.—No.

The President. Q.—How do you come to *bagayat* classification?

A.—When the original survey was made we took things as they were then. Of course it may be that ten years before the settlement the man converted dry crop land into *bagayat*—that is quite true, he may have. But a beginning had to be made somewhere and we therefore took things as they were.

Q.—Therefore anything now *bagayat* was *bagayat* 30 years before?

A.—Yes, unless water the right to which vests in Government has been taken.

Q.—You have got to the stage of second revision?

A.—Yes. In most parts it has come into effect.

Q.—It is 60 years from the original settlement?

A.—Yes.

Dr. Hyder. Q.—It does not apply to Sind?

A.—The system of settlement I have been describing applies to the whole Presidency except Sind.

The President. Q.—Having made this a complete system, why you are now considering revising it? I understand you have got a Committee sitting for the revision of the land revenue system

A.—Yes, the Committee is sitting in order to put the principles of assessment of land revenue on a statutory basis. The idea is that under a more or less democratic form of Government the representative body should fix the tax so far as possible. At present it is fixed by the executive, by the Settlement Officer and the Government. The idea is that somehow or other under the law the fixation of maximum rate could be brought pretty closely under the control of the local Legislative Council. The idea of the committee is to try and get some means of inserting provisions in the law which will enable that to be done. At present when the legislative body fixes the rate of income-tax, it fixes fairly well what a man has got to pay. If his income is Rs. 5,000 he pays so much; but the extent to which any provision in the law at present fixes, the pitch of the assessment is very small indeed. All that the law says is that in fixing the assessment Government shall take into account the profits on agriculture. That goes hardly any way towards fixing whether the assessment on a particular individual's land will be Rs. 5 or Rs. 10.

Q.—But you have a rule which practically makes it a foregone conclusion that you will take 33½ per cent.

A.—We do not by any means always take anything like 33½ per cent. In Gujarat, for instance, taluks are being resettled without any increase being taken at all; that means that they were rather heavily assessed before. In the Deccan, on the other hand, where assessments are pitched much lower, we might increase it up to 66 per cent or indeed far more to bring the assessment up to the Gujarat pitch, but this rule prevents us from doing it.

Q.—You gave us the example of the rates of income-tax.

A.—By income-tax, I meant that when you fix the rates at which income-tax is to be levied, the sole thing that remains is for a man to give a return of his income.

Q.—When the rate of income-tax is fixed, it is fixed for the community as a whole; how are you going to do that in the case of land revenue?

A.—I think myself that it is impossible to bring land revenue under statutory rule to the same extent as ordinary taxation: the suggestion I myself made was that, if the Legislative Council really wished to keep any control over this, they would have to appoint a small committee to sit in

consultation with Government in discussing settlement reports, and the Committee ought, in course of time, to acquire the necessary technical knowledge—because settlement is an extremely technical thing—and the Legislative Council itself, as a body, would know absolutely nothing about it.

Q.—Would you give that Committee statutory powers?

A.—No. The decision of Government would always have to be made final, also non-appealable to the Courts of Law; that would have to be provided.

Q.—Can't you do all that without any amendment of the Act? Under the present constitution you can appoint a Land Revenue Committee.

A.—You can certainly do it, but there are many ways in which you can make the law more precise than it is now. For example, you can put into the law the executive rules under which we now work. For instance, there is no security in the law that the increase will not exceed 33½ per cent.

Q.—Is it not probable that, if you put such a proposal before the legislative body, the 33½ per cent would be reduced to something considerably less?

A.—It is not at all improbable, but that is now what they are working at.

Q.—Wouldn't that rather bring your resettlements to a close?

A.—They are all held up at present under a resolution passed by the Council that no resettlements should be introduced until the principles for the fixation of the pitch of assessment have been put on a statutory basis. They have been held up for two to three years, and this Committee is only just starting to examine witnesses.

Q.—If you limit the increase, you will get to the position that you can never bring land revenue into a uniform ratio to the rents.

A.—That is the great difficulty at present. In the Deccan and in Gujarat, the pitch of assessment is very different and even with the 33½ per cent we cannot get the Deccan rate put up on a fair level with the Gujarat assessment.

Sir Percy Thompson. Q.—Suppose you have some land which is classed as '16 annas' soil and you find that the rent paid is Rs. 9 an acre and that you are charged for your land Rs. 3; that means that your figure of classification is just one-third the rent. Suppose you come to the conclusion that that is about the pitch you are going to take, and then you go down to the other classifications, and there again you find that it is about one-third; I think you would leave these assessments as they stand. You would then have land revenue definitely fixed at one-third the rental value, subject to the two disturbing influences of limitation and enhancement. That is to say, you would first arrive at the rental value and then decide to take one-third of the rental value as the land revenue assessment: is that fair?

A.—Yes, because when land is let out to a tenant, Government have nothing to do with how the tenant lives: this is determined by economic facts and the relation between landlords and tenants. The landlord lets out the land to the tenant and what the tenant gets out of that land is his own livelihood *plus* the cost of labour, etc. Then the rent he pays to the landlord is what is the surplus after all this has been taken out of the produce. We only look to the surplus and take a certain proportion of that.

Dr. Hyder. Q.—You say that the tenants draw so much as can keep them in a proper standard of living; in areas where the number of such tenants is very great, is not there keen competition among them?

A.—It is true that you may have areas which are rather exceptional. In Ratnagiri, for instance, a great deal of money comes in from Bombay and, therefore, people requiring lands to cultivate are willing to pay higher rents. On the contrary, in Ahmedabad it is difficult to get tenants and the rents may be low. But these are temporary disturbing factors which, in course of time, must even themselves out.

Q.—That being so, your land revenue assessments must also be higher in places like Ratnagiri.

A.—Not necessarily.

Sir Percy Thompson. Q.—We had one official witness the other day who distinctly told us that the land revenue assessment in the Bombay Presidency has no relation to the rental value.

A.—That is wrong. We leave the landlords and the tenants to work out things between themselves, and after allowing for the livelihood of the tenants, for renewal of their implements, expenses of cultivation, etc., we see what surplus goes to the landlord and Government claims a portion of that up to a maximum of half.

Q.—What is the idea behind the limitation of the percentage increase, which seems universal all over India? Take, for instance, a man who has been grossly under-assessed to income-tax. If it were found out, he would not only be promptly put up to the very limit of his liability, but they would try to get some arrears out of him.

A.—The limitation was made, because it was thought that to levy a bigger increase would dislocate the agriculturists' "budget."

Q.—Does it not dislocate the income-tax payers' budget?

A.—Certainly: personally, I think that settlements should be at shorter periods so that you would have much less dislocation.

Q.—In cases where the increase is felt to be too much, should it not be provided that the increase should be made gradually?

A.—At present we levy an increase up to 25 per cent for the first two years of a new settlement, i.e., 4 annas in the rupee; for the next two years, 8 annas in the rupee, for the following two years, 12 annas in the rupee, and thereafter the full increase, so that we go up by steps of 25 per cent every two years. This procedure might be extended and at the same time the 33 per cent limit swept away. The change in the value of money during the War has aggravated this difficulty. Had it not been for that, the 33 per cent limit would not have been felt as the great obstacle to a fair assessment it has proved to be. It is a curious thing that in sanctioning this change the Secretary of State for India said that it would not be suitable in case there any considerable fall in the value of money had occurred. So that it would be quite in accordance with the sanction of the Secretary of State if we neglected it now, but Government does not care to set it aside.

Q.—Supposing the Government of India and the Government of Bombay came to the conclusion that the present system of land revenue should be improved and that a tax should be imposed on annual values, do you think you could have a system of that kind by abolishing the 33½ per cent limitation?

A.—Yes.

Dr. Paranjpye. Q.—From your settlement reports I observe that you have collected a lot of statistics about the sale prices of land; what is the object of these?

A.—The object of these is to supplement and confirm the statistics about leases because people generally purchase land for a return which is not far different from the prevailing market rate of interest.

Q.—I know of instances in the Ratnagiri district where lands purchased would not even fetch 2 per cent interest.

A.—Yes, owing to money pouring in from Bombay. If any one wants a piece of land there, he is prepared to pay for it far more than its actual worth.

Q.—The sale prices, therefore, are not the determining factor, because people pay prices entirely out of all proportion to the return that can be obtained from the land: that is especially so near big towns.

A.—Yes, where land is bought from considerations other than agricultural.

Q.—Do you also consider price levels in your settlement operations?

A.—They are used as corroborative evidence.

Q.—Isn't letting value the main consideration?

A.—Yes, that is the main consideration now.

Q.—Do you take the average of the letting value over a series of years?

A.—Generally not, because rents are very stable. Though prices may increase, rents do not jump up, they follow any change in the value of the outturn slowly.

Q.—Although rents are fixed at a certain figure, do you know that in practice they are reduced in bad season?

A.—To some extent, there are such cases.

Q.—Do you take this fact into account?

A.—That is automatically taken into account by our suspensions and remissions.

Q.—You suspend only under certain conditions?

A.—These suspensions and remissions of rent are the same. The rent is not remitted at once, just as we suspend, the landlord does the same. If there is no rent, there is no assessment: it is a wipe-out.

Dr. Hyder. Q.—Suppose the land revenue which a man has to pay is Rs. 8. On account of the failure of the monsoon, half the assessment is suspended by Government and the man has only to pay half the assessment for that year, viz., Rs. 4. If he cannot pay even that Rs. 4, is it a condition of the remission that he should pay the whole assessment?

A.—I do not think so. The half that is suspended becomes authorized arrears and the other Rs. 4 unauthorized arrears.

The President. Q.—Your suspension is till the next year and the payment of the suspended revenue is again controlled by rules relating to the output of the crop for the second year?

A.—Yes.

Q.—You don't collect it unless it is 12 annas?

A.—On a 12-anna crop, a man is liable to pay double the assessment (if one whole year's assessment has been suspended), and on an 8-anna crop, he will pay one and a half times the assessment.

Dr. Hyder. Q.—Do I take it that your idea of a scientific land revenue system is that the land revenue should bear a definite proportion to the rent and this proportion should be uniform all over the Presidency?

A.—I have not got any absolutely definite opinion on this point, but I am rather inclined to think that it should be so; also that an income-tax should be put on agricultural incomes to introduce the necessary progression. It is, of course, a very difficult question. In doing this, we leave out entirely the profit to the owner-cultivator. That is to say, if a man is a tenant, he pays a surplus to his landlord and out of that, the landlord pays the assessment and pockets the rest, but if the man owns the land himself, he pockets the profits over and above his living as a tenant. If you look to the extent of profit on "unit" holdings, they vary greatly in different places, say, in East Khandesh, Ahmedabad, etc.

Q.—Could you give us any rough figures of the profits of cultivation? Would they be Rs. 2,000 a year?

A.—The profits might be that on sugarcane land under a canal. They are nothing like Rs. 2,000 or even Rs. 1,500 on other lands. In Solapur, for instance, if you take the average assessment as a rupee per acre, and the rent five times the assessment, the landlord pays one rupee out of five, so that four rupees an acre is his profit. If a man cultivates 20 acres, his total surplus is Rs. 80. On richer soil, for instance, in Belgaum, the average assessment would be, say, Rs. 2 an acre, and the corresponding surplus would be Rs. 160.

Q.—In calculating the surplus, do you make full allowance for all the cost the cultivator is put to?

A.—We do that necessarily.

Q.—Is the tenant considered to live with his family?

A.—Yes, a family of four or five. If a tenant only cultivates 2 acres, he does not get his living out of it. If he can get a living by cultivating 20 acres, he gets a tenth of his living out of two.

Q.—Q. 9: you say that you omit opium, customs and excise from consideration and attempt a division after dividing your population into city population, town population and village population. Is there a profession tax in the Bombay Presidency?

A.—In some municipalities there is, in some not.

The President. Q.—There are only five municipalities that get an income of more than a thousand rupees per year? Poona and Ahmedabad are the only municipalities that have any considerable amount of collection?

A.—I don't know; that is not my subject.

Dr. Hyder. Q.—You say that “the lowest class probably escapes the brunt of municipal taxation”. Do you refer to the labouring classes?

A.—Yes: the brunt of municipal taxation is generally the house tax on rental value and these people generally live in houses which escape that tax.

Q.—Have you any exemption limit?

A.—Yes.

Dr. Paranjpye. Q.—The house tax is not even half the total income of our municipalities. Is not octroi the main income?

A.—The income from octroi probably exceeds that from the house tax, but house tax is a big item. As regards octroi, the question is how much each man contributes according to the method of his living. I do not pretend to be an expert on that subject.

The President. Q.—Is not octroi in some places mainly levied on a main staple, such as cotton?

A.—That depends on the proportion of expenditure on clothes. The labourers mostly spend the largest part of their income on food and not on clothes.

Q.—Is food generally subject to octroi?

A.—There is an octroi on various grains, but I am not sufficiently expert to go into that question in detail.

Dr. Hyder. Q.—Is it practicable to divide the population of the Presidency into classes with different amounts of income?

A.—I suppose that, if you had a collection of budgets, you might be able to see the pitch of income of the various classes and be able to divide it in the way suggested.

The President. Q.—Can't you tell us by a rough general indication what taxes affect them? For instance, classes (3) and (4) practically contribute only to the salt tax: they also pay a little cotton excise duty and customs duty on imported cotton.

A.—Yes. I certainly admit that there is difficulty in attempting anything precise. In order to pay a tax, they must use articles on which there is an element of tax.

Q.—Probably that would not be much more than the salt duty and the customs on kerosene oil and matches?

A.—Yes.

Q.—Then you come to the money-lenders and the employer industrialists, who do not pay income-tax. Does that class pay more than the poorest class?

A.—Perhaps in the matter of clothes they do.

Q.—We are told that this is a class which escapes paying its due share to the State.

A.—Well, I should say that is probably true. That did not strike me.

Q.—Above that, you have the landlords and the cultivating tenants whom you would assess to income-tax over and above the land revenue?

A.—Yes.

Q.—Have you read Dr. Mathai's proposal that you should have a graded surcharge on the land revenue?

A.—No.

Q.—Dr. Mathai's proposal, as I understand it, is that as the amount of land revenue a man pays increases, you would add this graded surcharge. On the first Rs. 1,000 it would be 10 per cent; on the second Rs. 1,000 it would be 20 per cent.

A.—I should certainly agree to that, but considering the difference of rates of income-tax, does not that amount to much the same thing?

Q.—We are told that it would be extraordinarily difficult to ascertain agricultural incomes.

A.—I think you can ascertain them just as nearly as other incomes, and in fact in my opinion it is rather easier. You have got the crops in the fields and you have got the rents.

Q.—Won't it come to this: you assume a proportion of rent to be the income?

A.—A landholder who gets an income of Rs. 2,000 is in this part of the country comparatively a big landholder and he does not cultivate the land himself, and you could therefore generally take rent *minus* assessment as the income.

Q.—He would pay an income-tax and his land revenue.

A.—He lets out the land, and he gets rent. You deduct the land revenue assessment from the rent and you get the income. The number of assesses will be very small, and the individual payments would be fairly high.

Sir Percy Thompson. Q.—Do you really think it right, even if it is practicable, to graduate land revenue? You yourself have stated that it is a share of the rent. Now rent is rent, and you do not graduate rent. The landholder does not graduate his rent; he does not collect less from a poor man than from a rich man. Except in Australia, where there is a recommendation to abolish it, I do not know if in any country in the world it is graded.

A.—I agree with that and that is why I propose the income-tax, for there you have simply to consider what a man's income is, after deducting the land revenue.

Q.—But there you get an entirely different result. A man who gets Rs. 100 from land may pay more than a man who gets Rs. 1,000 from land, because he might have other income.

A.—But still I think that you must regard the two (land revenue and income-tax) as separate. I regard land revenue historically—and certainly it ought to be according to sound economic theory—as Government's share of the rent. The old Bombay Regulations on the subject speak of Government's "right" in the land and not of a land tax.

Dr. Hyder. Q.—You regard Government as part-owner?

A.—Yes.

Q.—Are you aware of the despatch of Sir Charles Wood sent in 1856 and the despatch sent by the Court of Directors before they handed over the Government in 1857, and later on the declarations of Government, in which Government disclaims all manner of ownership in the land? You still maintain that historically land revenue is rent?

A.—I am not aware of these references. I should not, in any case, rely out-and-out on history and for that reason I said "and certainly it ought to be on sound economic theory".

The President. Q.—May I take another subject and ask you to give an exposition of it? That is the taxation of non-agricultural land. Under your Land Revenue Code, section 48, land revenue is levied with reference to the use of the land (a) for the purpose of agriculture, (b) for the purpose of building, and (c) for a purpose other than agriculture or building, and where land assessed for use for any purpose is used for any other purpose, the assessment fixed is liable to be altered before the period for which it is fixed expires. The position is peculiar in your province.

A.—I do not know.

Q.—Could you give us an idea of the different classes of non-agricultural land? Have you freeholds? In Bombay city, I think you have some.

A.—I do not understand the term "freehold." I am afraid I have no acquaintance with the land system at Home; I have been concerned only with Indian tenures. There is a great deal of land which the people hold entirely free from assessment.

Q.—You might call that "freehold." Then you have the old village site?

A.—Yes.

Q.—Then there is agricultural land converted into village site?

A.—Converted to non-agricultural use.

Q.—Then there is land that once belonged to Government and has been sold subject to payment of a ground rent?

A.—Sometimes sold outright.

Q.—Could you give us an idea of the nature of the assessment to land revenue of each of these four classes? We might begin with freeholds, that is land on which Government have parted with its rights or given a grant, or its purchaser has been given a grant, such as you have in Bombay city.

A.—Government have a legal right under the law to assess it if the exigencies of the State so require, but so far no practical step in this direction has been taken and the people simply hold the land free of assessment.

Q.—The only tax which they can be made liable to is the municipal tax?

A.—Yes.

Q.—When you discuss the question of the taxation of undeveloped land, that does not cover the freehold?

A.—Undeveloped land is generally agricultural land.

Q.—Our discussion is confined to non-agricultural land. Even if a man had a large area on freehold in the heart of Bombay city which he would not develop, you would not propose to deal with him at all?

A.—There was no proposal to deal with that matter: we never came across any such case. No such case came up in the discussion between the Commissioners. Perhaps that is because it concerns Bombay city, and the Commissioners have to deal only with the rest of the Presidency.

Q.—May I take Poona city? Suppose a man has a large piece of land in the centre of the city. None of those proposals would affect that at all.

A.—No. The matter is only under consideration of Government, but the Commissioners have stated that they are in favour of taxing land which has been held back, but they say that the thing has not been thoroughly and regularly enquired into. We do not know enough about the subject and it requires to be taken in hand before any precise proposals are formulated. That is how the matter stands at present. A joint report of the Commissioners regarding non-agricultural assessment is on its way to Government now.

Q.—The matter is still open?

A.—Yes.

Sir Percy Thompson. Q.—Would the proceeds of that tax go to the municipal or the provincial exchequer?

A.—That has not been decided yet. The idea is to take it for Government.

Q.—What is the meaning of your reply to Q. 103: "On building land in this Presidency the general practice is to levy 6 per cent on half the revenue free market value of the land guaranteed for 50 years"?

A.—If a man applies for permission to build in the neighbourhood of a town, this is how we fix the rent he is going to pay.

Q.—I thought you had already dealt with that. What is this land which you have been referring to proposals to tax which have not yet come into operation?

A.—That is land which is ripe for development, which people want to build on and is required for the development of the city, but which the owner will not develop and will hold it as agricultural land waiting for ten years or so to get a bigger price.

Q.—What is the other land?

A.—Land which is actually being built on or land for which permission is applied for to build on. When the man applies for permission to build on land which is near a city we tell him, "You may do so, but the assessment you will pay hereafter on that land will be 3 per cent of the full market value of that land."

The President. Q.—We have dealt with freeholds. Then you have village sites which were given originally free for non-agricultural use. Do you propose to tax that?

A.—No. People retain their rights to hold the sites revenue free.

Q.—Then you have agricultural lands which might be converted into building sites. You have got two rules. There is the 3 per cent rule and another rule under which you classify the land. To which classes of cases would each of these rules apply?

A.—The 3 per cent rule applies to lands situated in places where there is an active demand for land, for building sites or for any other non-agricultural purpose that it happens to be required for. The other rule would apply to villages where there is no active demand. The villages are divided into five classes and an assessment is fixed in each case. When a man applies to build on his land—it is very seldom done where there is no demand for building sites—the rule lays down a maximum assessment of so many rupees or so many times the agricultural assessment, whichever is greater. That rule is just on the point of being swept away, because it is now realized that the value of land for building has no relation whatever to its value as agricultural land. What is proposed to be brought into force generally is what has practically been brought into force in the Poona district. Standard rates for non-agricultural land will be fixed for every inch of land throughout the district; a district map will be kept showing what the standard rate is in each of the areas. Of course, the same rate will not be suitable for every plot of land in an area for which a particular standard rate has been fixed, and a certain amount of discretion must be given to vary that standard rate. The proposal before Government is that these standard rates should be revised every five or ten years, but if a man applies for permission to build on his land, he gets the standard rate in force on the date of his application guaranteed to him for the next fifty years.

Q.—The reason for which change is that the land is put to a different use from the one for which it was originally granted. Now, the old village site was granted as an appanage to the cultivating fields. Government as a good landlord gave it to its tenants.

A.—He got it free.

Q.—Has not that also been converted into another use if the village becomes a town?

A.—Yes, but there has been no attempt to use that argument.

Q.—Logically it would be the same case.

A.—I think it would. But there are exceptions where land in a village site pays assessment.

Q.—I think your predecessor in noting on this makes a remark: "In my opinion we have reached that point long foreshadowed in many pronouncements, when this general exemption of village site lands will have to be cancelled and a proper taxation levied at least in respect of all future increments in value, and when, in Bombay city and other cities where land is held on pepper corn rents, measures will have to be taken to secure for the public their just share of the unearned increments."

A.—I fully concur with that theoretically to levy assessment on the increase in value. But the difficulty is practical: you have got to fix the value now and find out what it is ten years hence.

The Maharajahdiraja Bahadur of Burdwan. Q.—Another difficulty is that, with the exception of Bombay and Poona, the village site on which the village has grown with the arable lands round about, may have been granted free to induce the growth of the town or village as the case may be. A village, with a clump of five buildings forty or fifty years ago, may have now grown up into an industrial centre. How are you to assess the present value of the sites granted free forty or fifty years ago? The circumstances may be different in the case of a city like Poona or Bombay.

A.—I should not advocate assessing it now. You can certainly put on a tax on future increments in value. In an industrial town of any size we have a city survey where all the leases and all the transactions are entered giving details of value, etc. In all those places we shall have a very good guide to ascertain the increase in value.

Q.—Suppose originally when the village sprang up the land was given free. An industrial city has grown up there. The municipality will probably be able to levy a sort of ground rent or a rate for buildings. But how would you be able to levy a ground rent, when you have given it free from revenue?

A.—The President has supplied the answer. The land was given for a particular use—to be used for cultivation—but it has been converted to a different use. The condition on which the land was granted has been broken.

Q.—I quite follow that. I am really supplementing the President's remarks. It may be quite true that the original villager is no longer there: he may be extinct. It may be equally true that the arable land round this village site belongs to other people. But possession being nine-tenths of the law, how are you going to assess the land which has been paying no revenue for a number of years?

A.—There is nothing to prevent it.

Q.—The law?

A.—The law allows it.

Q.—Ordinarily 12 years' possession without paying anything makes it practically rent-free.

A.—I think I am correct in saying that there is no difficulty in law. Ever since Regulation XVII of 1827, it has been made clear that Government retains the right to assess land hitherto held free of assessment.

The President. Q.—There is one important class of land, land at the disposal of Government.

A.—For non-agricultural purposes?

Q.—What you call *nazul* land.

A.—Assessment is determined just as assessment on the converted land will be.

Q.—You do not apply the 1895 rules under which you sell the land by auction subject to a rent which is just short of the rack-rent?

A.—Ordinarily, the rule is that the lands will be sold by auction, and the Collector fixes the standard rate. In Poona it might be Rs. 120 an acre or Rs. 60 on half an acre.

Q.—The standard rate would be the standard rate for agricultural land converted?

A.—Yes.

Q.—You do not try to get a practical rack-rent?

A.—We fix the assessment, and it is put to auction, and the highest bidder gets it.

Q.—And that standard rate is fixed for fifty years?

A.—Yes.

Sir Percy Thompson. Q.—Supposing your Rs. 60 is very much less than a rack-rent, with the result that it fetches a very large capital sum at the auction. That capital sum is entirely wiped out at the end of the fifty years. And at the end of fifty years, you say that the rent of Rs. 60 is ridiculous: it should be Rs. 600.

A.—We take only half the increase. That is, 3 per cent on the full market value, or 6 per cent on half the market value. When the assessment is revised, Government takes only half the increase in value and leaves the other half to the fortunate owner. The rate of 6 per cent is subject to variations under the orders of Government, in accordance with the market rate of interest.

Q.—With reference to Q. 38 you say you would not object to cancellation of the exemption of agricultural income from income-tax provided the proceeds go to the Provincial Government. If there is a case—

it may be right or wrong—surely if there is a case for the Central Government taking the tax on income which is produced in this province, it would apply equally to income which is produced in this province from agriculture and from industries.

A.—You may call it income-tax, but it must come out of the surplus yield from land after paying land revenue: and therefore it belongs to the Local Government.

Q.—For the purposes of determining the profits for income-tax, you will have to determine it on what is left after the land revenue is paid.

A.—Yes; I think so. It is one possible way of dealing with the land revenue so as to graduate it.

Q.—My idea is that it is the wrong way to do it.

A.—That is the simplest way possible, because if you want to have a graduated land revenue it really becomes very difficult to get at a fair percentage in every case. The fairest way is to put on the income-tax on what is left over after the land revenue is paid.

The President. Q.—You just agreed that this is entirely different from the incidence of land revenue.

A.—It is different. But we have to be practical and take into consideration the difficulties in such a method of taxation.

Q.—You regard the return on the land as a provincial asset and it is why you suggest that method?

A.—That is the view I take.

Sir Percy Thompson. Q.—Yes, but the proper way is to increase the pitch of the land revenue.

A.—But you must have a limit to the pitch of land revenue on a small holding.

Q.—If you let off the small holder, we are told it will encourage fractionization.

A.—You would have to start on a unit holding. Then you should work up from that, I agree it would induce fractionization.

Q.—To a certain extent the land revenue in England is comparable to the land revenue in India. In 1898 Sir Michael Hicks-Beach introduced a provision by which land held by persons with income below £160 was exempted from land tax and if the income was between £160 and £400 the land tax was halved. He afterwards admitted that the provision was a great mistake. In Australia, the Royal Commission unanimously agreed that the graduation of the land tax should be abolished.

A.—I think the most practical way is to charge income-tax on agricultural incomes. This is the most convenient way of graduating the burden on various grades of landlords.

Q.—Can you suggest any other alternative? Would you agree to collecting the income-tax on agricultural incomes centrally and not to make a specific allocation of it to the provinces but to allocate a certain portion of the total amount of the income-tax to the provinces?

A.—I have not considered that. But I think provided you allocate the same amount all round, Bombay will be very glad to have it. Bombay very much wants a reasonable share of the income-tax.

The President. Q.—In reply to Q. 89 you say, "The stamps collected ought not as a matter of course to pay for the cost of courts including pensions of officers and capital cost of building." Why should you collect less court-fees than the courts cost you?

A.—That is rather a theoretical matter. I think it would be only fair if a man gets justice quite free of any charge at all. Theoretically, I do not see any reason why you should not dispense justice free.

Q.—It means that the general tax-payer will have to pay for the litigants. Do you not know that litigation is resorted to as a luxury?

A.—Yes; but I say it does not necessarily follow that revenue should balance cost. After considering all these things, the resulting conclusion as to the relation of cost and revenue need not necessarily be that the one must balance the other. I am speaking from a theoretical point of view.

Q.—It has been suggested to us that in certain class of suits, the filing of which implies that the man has got the ability to pay, which might be called luxury suits, it is perfectly legitimate to tax him.

A.—If it is practicable, I think it would be advisable. On the other hand, people may be involved in costly law suits through no fault of their own and against their desire.

Q.—You have quoted here from the budget speech of the Finance Member: "Our Administration of Justice costs us 76 lakhs and brings in a corresponding revenue of only 16 lakhs."

A.—That is simply a quotation from the speech and I cannot say anything more on that subject.*

Q.—You are in favour of making compulsory registration as a source of tax?

A.—Yes.

Q.—In reply to Q. 99 you say: "Discrepancies could be minimised by grouping the districts into homogeneous tracts, and dealing with the settlement of each tract within the shortest practicable number of years, existing settlements being extended so far as necessary to make them fall in about the same time. Of course, if assessments were revised solely on the basis of change of prices once every ten years, the discrepancies would practically disappear; but I do not advocate that course."

A.—The serious discrepancies are not the result of settlements being made over a long period of years. They are the result of the 33 per cent rule preventing us levelling up taluks which are assessed at far too low rates as compared with other taluks.

Q.—Is it not a fact that because commercial crops are being substituted for food crops, land is giving a much higher return in the areas concerned?

A.—That is only a very minor thing.

Q.—It would be quite possible under your system to level up land revenue to a uniform rate?

A.—Yes, if the 33 per cent rule is abolished. There exist outrageous discrepancies resulting in various ways from this rule. You find in certain taluks that the grouping was wrongly done at the last settlement, or that conditions have changed; so that, for instance, some villages from a lower group, with existing maximum rate of Rs. 2-8 have now to be added to the highest group with existing maximum rate of Rs. 3. The proper maximum rate for the new group thus formed may be Rs. 4-8; but the 33 per cent rule prevents the application of this rate. A maximum rate of Rs. 4 would give an increase of 33 per cent in the villages of the old first group with existing maximum rate of Rs. 3; but even this rate cannot be applied because the increase in the new group as a whole would then exceed 33 per cent. So, a rate less even than Rs. 4 has to be adopted, say Rs. 3-12. So, instead of a maximum rate of Rs. 4-8 a rate of Rs. 3-12 is forced on us. On the other hand, there may be a lower group with existing maximum rate of Rs. 1-8 for which the proper new maximum rate is Rs. 2; and this group therefore gets its full increase. Therefore the pitch of assessment varies in the most unreasonable fashion from group to group even within the same taluk; and these discrepancies spread and increase from taluk to taluk and district to district, so that assessment may be half the rent in one place and only one-fifth in another.

The Maharajahdiraja Bahadur of Burdwan. Q.—I take it that your idea is to tax agricultural income above Rs. 2,000.

A.—That is my idea.

Q.—Because he possesses land which yields an income of Rs. 2,000, you will put an income-tax over and above the land revenue he pays?

A.—Yes.

Q.—What is your special ground for that? I do not think in your parts you have got the permanent settlement. Your settlement is a periodical settlement. In Bengal and Madras and certain parts of the United

*These figures show the budgeted amount for the current year under Administration of Justice. They do not take into account the revenue derived from stamps.

Provinces, there is a general complaint, and the landlords are looked upon as absentee landlords. Light assessment is imposed on him, and therefore it is thought quite justifiable to put an income-tax on his agricultural income. Here, in the case of lands liable for periodical assessment, what is your ground for putting this tax on agricultural income?

A.—The Government have got a right in the land and when revising assessment, Government take their share.

Q.—You are not placing your land revenue on one basis?

A.—We should be graduating it to some extent.

Dr. Paranjpye. Q.—Supposing a man, say a pleader, gets an income of Rs. 5,000 from his profession and Rs. 1,000 from land, will you assess income-tax on his total income of Rs. 6,000?

A.—I think that his income from his lands also should be included like any other income.

Q.—In Madras an administrative difficulty was pointed out that it would be difficult to find out his other income. I think the village officer will be in a position to know the man and his other earnings.

A.—I think it will be easy for the village officer to get the information. He knows the people pretty well and can say whether a man's total income is likely to render him liable to tax and he can supply the information as to income from land to the officer concerned. I do not think there is any special difficulty.

Q.—Suppose a man owns land from which he gets a rent of Rs. 40. He lives in Bombay and earns Rs. 2,300 as a clerk. This Rs. 40 will have to be included for the purposes of income-tax. How will the income-tax officer know that this Rs. 40 also is taxable?

A.—I think that difficulty can be got over in many ways. The village officer will have an idea of that man's income. It is quite practicable to inform the income-tax officer of his income from land. It can be made compulsory for any one who makes a return of his income for income-tax purposes to state what land he holds.

Sir Percy Thompson.—The Settlement Officer in Madras said that it is impossible to furnish this information.

Dr. Paranjpye. Q.—Suppose a man holds lands in five different villages?

A.—We trace them out and consolidate them into one holding. I think the form is given as appendix to the letter addressed to the Committee by Government. The village officers prepare a systematic statement each five years.

The President. Q.—You insist throughout that the land revenue should be paid out of surplus. The income-tax itself is paid out of the surplus income.

A.—In assessing the land revenue we deduct the livelihood of the cultivator on the scale of a tenant, also his costs of cultivation, and levy it on what remains over, which is the surplus.

Q.—The point is that the two charges are on the same surplus; one includes the other?

A.—Whereas the land revenue is purely a share of surplus, the income-tax is levied both on surplus proper and cost of livelihood.

Mr. G. WILES, I.C.S., M.L.C., Secretary, Finance Department, Government of Bombay, was next examined.

Written memorandum of Mr. Wiles.

Q. 62.—I am not an advocate of total prohibition, but it has been adopted by the Bombay Government as the eventual goal of their policy.

(a) I have not had the opportunity of reading Dr. Mathai's pamphlet. There is something to be said for (i) the graduated super tax on land revenue in a raiyatwari province, as tending to remove the reproach that our land revenue (call it rent or tax) is regressive in its incidence. It would

be in effect an income-tax on agricultural incomes; but would avoid the extraordinary difficulty of assessing agricultural incomes. The land revenue of this province is for the most part so light in its incidence that I think such a surcharge could in practice be imposed.

The chief objection to it is that the burden of the revenues of this province under the present settlement lies predominantly on the rural population. Such a tax should, therefore, be accompanied by a corresponding tax on the urban population. But I am opposed to the surcharge on the income-tax proposed in (ii). The arguments against this surcharge have been referred to in the notes on page 23 of the Annexure with which I am in general agreement. Much of the force of the objection against (i) would disappear if income-tax were made a provincial source.

(b) Coming to the proposals of the Bombay Excise Committee, I offer the following comments:

(i) A succession duty has been approved in theory by the Bombay Government who have drafted a B.II. A copy of it has been supplied to the Committee.

(ii) A totalizer tax is about to be introduced.

(iii) Taxation of "futures" is a very difficult question. While I agree generally that such a tax is desirable and would be approved by public opinion, the practical difficulties are at present to my mind insuperable, though I believe that they can be overcome in time. Speaking of the cotton trade, the only one of which I have personal experience, the conditions under which the future trade is carried on, there being for the most part no written contract but the entry in the broker's books, make evasion of any tax easy and almost inevitable.

I am opposed to a percentage tax as being unsuited to the conditions of a 'futures' market. But some sort of graduation should be possible.

(iv) Local fund cess is already ear-marked for the spread of compulsory education. Nothing further can be expected of this source of revenue.

(v) I hold the proposed employee tax to be impossible. The argument in its favour rests on the assumption that all employees drink to excess. Why not have a poll-tax straight away on the ground that everyone is being so improved by the removal of the drink evil? It would be no more unpopular. This sort of pin-prick direct taxation is to my mind the worst of all forms.

(vi) A general transit tax is simply in effect a raising of the passenger rates, and must perforce be objected to by the railway authorities, who must determine their rates on a commercial basis. A surcharge on tickets could in my opinion only be justified to a limited extent to meet a local and definite liability, such as a great influx of pilgrims whose wants must be catered for by special measures. This could not justify the general imposition of such a surcharge by all local bodies to meet their general expenditure.

(vii) Terminal taxes are already a definite source of Local Government revenue. They cannot be added to but must be substituted for an octroi which is the most usual form of local taxation. A terminal tax has already been introduced in Bombay city; the 30 lakhs which the Committee thought Bombay could obtain from this tax in substitution for the excise revenue is a chimera.

Q. 147.—I agree that a theoretically correct distribution of taxes between the Federal and State Governments could be arrived at by a combination of the three methods.

Q. 148.—Given a separation of the sources of revenue, which has been introduced in India, under which (roughly speaking) the Central Government takes the indirect taxes leaving to Provincial Governments the direct taxes excluding income-tax, the tendency must be towards fluctuations, because indirect taxes for the most part are largely dependent on the fluctuations of trade. But the Central Government in India has other resources not liable to such fluctuations. Thus the salt revenue does not fluctuate much, nor the opium revenue. Revenue from posts and telegraphs and the mint must vary to some extent according to the conditions of trade, but the military receipts should not. Income-tax, of course, does follow very closely the vagaries of trade; but surely this is a condition of things which must apply very largely to almost any system dependent largely, as most modern governments are, on trade and industry. The sources of revenue open to the Central Government in India must certainly be more varied than was the case in the United States quoted in the question.

Q. 149.—No. It is the essence of the Bombay complaint against the Meston Settlement that while it allotted virtually the whole of the direct taxation in India to the provinces, it excepted the income-tax, thereby cutting off from the Provincial Governments all share in the wealth earned by their industrial population. The case has been put so often and at such length by the Bombay Government in its official protests, that it is unnecessary to answer this question at greater length.

Q. 150.—It follows from my answer to Q. 149 that I believe that it is practicable to arrive at a more satisfactory distribution, and I think this could be done in the manner suggested. We have agreed that separation of resources is, so far as it can equitably be followed, desirable (method 3). But we ask for a division of the yield of the income-tax, as laid down in method 4. The manner in which this could be effected, whether by method 2, or by any other division of the proceeds, is a matter for detailed expert enquiry. So is the proportion of the allotments.

Q. 151.—I do not think that it is essential that land revenue should continue to be a provincial source of revenue, but I agree that it is desirable. The reason for assigning it to the provinces is that given in the question, namely, the close connection of arrangements for land revenue administration with the general administrative arrangements. But Bombay has administered its own land revenue policy for many years before 1921, although it was paying a share of its land revenue to the Government of India, and always resisted interference by the Government of India with its policy. Therefore, I say that it is not essential to make land revenue a separated source of provincial revenue. But I agree that it is desirable that it should be so, owing to the risk of interference in provincial administration by the Central Government.

Q. 152.—I accept this statement.

Q. But I do not consider that such export duties should necessarily be allotted to the province of which they are the produce. For the reasons given in Q. 152, such duties are peculiarly suitable as a source of central revenue; and so long as the produce of the duties is required for central purposes, it should go to those purposes. If, on the other hand, the Central Government has sufficient funds for its purposes from equally unimpeachable sources, then I would agree that the export duties could be allotted to the particular province concerned.

Q. 154.—I do not think that similar considerations obtain in relation to excise. I have not made any particular study of excise revenues, but I think that it would be impossible to separate the questions of rates and the local excise policy. Opium is a Central subject, and for political reasons may remain so. Bombay is little affected. But I do not see what would be the object of the suggestion made in the last sentence of the question. Foreign liquor is as closely associated with the local drink policy as country liquor, and must, it seems to me, be subject to the same local control.

Q. 156.—I accept the first statement, though I think on the whole the reasoning is more applicable to income-tax than to succession duties. I can see no practical difficulty in a division of the proceeds, and the only essential principle would seem to be how much does the Central Government want. I think the division of proceeds should follow in the first instance the needs of the Central Government, and that the balance should go back to the provinces in which the tax is collected. To my mind, although owing to the difficulty of collection which has been referred to in the question it is convenient that the Central Government should administer the tax: both income-tax and succession duties are essentially provincial taxes. The actual distribution of the tax between federal and provincial can either be a simple arithmetical division, or could be based on any other method such as has been suggested in other federal countries under which the Central Government takes the tax on incomes above a certain pitch and the Provincial Governments those below.

Q. 157.—I do not think that similar considerations apply to stamp duties. On this point I agree with the conclusions of the Meston Committee. It is quite possible to make a distinction between judicial and non-judicial stamps, and I see no objection, if it were necessary, to allotting one to the provinces and the other to the Central Government as the Montagu-Chelmsford Report did. But non-judicial stamps are for the most part local in type, and there is no particular difficulty about the rates varying in different provinces, except possibly in the case of probate duties, which

are really succession duties. (These by-the-bye are included among court-fees). Even here the trouble has not been got over by making the duty applicable, not that obtaining where the probate is given, but that the province where the property is situated.

Q. 160.—I agree with the first statement and with the second subject to the reservation that Local Governments must reserve taxation of land values, and would probably be unwilling to hand this over to local bodies. With the growth of industrialization the taxation of non-agricultural land must, or should be, a fruitful source of provincial revenue. As for remissions of income-tax, I agree with the conclusions arrived at on page 23 of the Annexure to the questionnaire that surcharges of income-tax are in principle undesirable. They are, however, extremely convenient in that they avoid the maintenance by a local body of an expensive assessing establishment. But so long as the limit of exemption remains as high as it is at present, any such surcharge would leave untouched the great body of small shop-keepers and money-lenders whose incomes are under Rs. 2,000 and who must be touched by the local bodies if they are to obtain sufficient revenue. A business or profession tax, therefore, could seldom take the form of a surcharge of income-tax, and its assessment will be a matter of some difficulty to small local bodies.

Q. 163.—Some of these enterprises, notably the post office, telegraphs, telephones, are essentially federal or central, owing to the necessity of extending their activity over the whole State. The rest are provincial even local. Public utility services, like water-supply, drainage, gas and electric lighting can, when conditions are suitable, properly be undertaken by municipalities. Irrigation is a proper object of provincial State enterprise; and I am inclined to support State enterprise in hydro-electric power schemes. Such schemes have a monopoly value which should properly accrue to the State, and there are many incidental advantages of State administration in the matter of land acquisition, disposal of rights of way and the like which would possibly outweigh the usual objections to State business enterprises. Such schemes are of the utmost importance to the progress of industries, but the initial cost is usually so great that it is often difficult for private enterprises to raise the necessary capital.

Q. 168.—The land revenue establishment is not solely or even mainly employed on the collection of land revenue and other taxes. It is a large administrative department connected with every phase of the administration and performs multifarious duties which have nothing to do with the collection of revenue. The question involves the assumption that the land revenue staff is a fixed quantity which remains unchanged while the functions performed by it may be reduced in number. As a matter of fact, owing to the increasing complexity of the administration, the land revenue staff had now to perform far heavier duties than they did in the last century. Even as regards tax collection, the number of taxes for which they are responsible has remained practically the same, while their volume and the complexity of their administration has increased considerably since the last century. The only tax with regard to which the land revenue staff has been relieved is the income-tax, but this is a very slight relief and is more than made up by increase in work in other directions. After the introduction of the Reforms, Government carefully considered the possibility of retrenchment in the land revenue staff, and considerable retrenchment was effected in the year 1921-22. The staff employed at present is by no means excessive; it is just sufficient to carry out its duties.

As to the undertaking by the land revenue staff of other taxation functions, the answer to the question will depend upon the nature of the taxation and the duties to be undertaken by the land revenue establishment with regard to it. If the duties are simple and are akin to those now performed by the Revenue Department in the collection of taxes, the agency of the department may be more suitable than that of a special establishment. But if the duties are likely to be anything more than nominal, it may require an increase in the staff.

Q. 169.—Since 1st April 1924, the Salt and Excise Departments have been separated in the Bombay Presidency proper as distinguished from Sind. The break-up of the establishments has not resulted in any decreased efficiency or increased expenditure. As a matter of fact, one of the objects of the separation was an anticipated increase in efficiency. As for the minor ports, their administration is under the Collector of Salt Revenue in the Presidency proper, whereas it is under the Collector of Customs, Karachi, in Sind. The combination contemplated in the last sentence already exists.

Mr. Wiles gave oral evidence as follows :—

The President. Q.—You are the Finance Secretary, Government of Bombay?

A.—Yes.

Q.—You were at one time Chairman of the Cotton Contracts Board?

A.—That is so.

Q.—May I ask you what the Cotton Contracts Board was and how Act XIV of 1922 came to be passed?

A.—It was brought into force in 1918 by the Government of India by an executive order—by a Regulation under the Defence of India Act. Owing to the series of crises in the cotton trade in 1918, the Bombay Association rather lost control of the situation and asked that a Government body should be appointed to control the trade. The Cotton Contracts Committee was appointed under this Regulation of the Government of India. There were two bodies in Bombay—one was called the Association and the other the Exchange. They worked in conjunction in some respects and in opposition to each other in other respects. The Board functioned for about three years and with a view to the establishment of an independent Association, they made very considerable efforts to arrange some sort of agreement between the various bodies of the cotton trade; but were not very successful. An Association of sorts was started, but after I ceased to be the Chairman of the Committee, there was another crisis. I was called in again to take charge, and Government interference lasted for about six months this time, and during that period we succeeded in getting the various parties to come to an agreement or compromise and we started by voluntary effort the East India Cotton Association which is now functioning. And in 1922 the Local Government passed legislation virtually giving a charter to that body. The brokers of that Association are the only people who can legally deal in cotton.

Q.—A war measure in a sense?

A.—It was called a war measure and the original regulation was passed under war legislation. But it was not really a war measure.

Q.—It was to prevent a crisis arising out of gambling in cotton transactions?

A.—I suppose the prices of cotton were being unduly influenced by war conditions. The price of 'Broach' cotton rose from 300 to nearly 900 in a few months.

Q.—The situation was more or less similar to that which prevails on the Stock Exchange to-day?

A.—I should think it was more serious.

Q.—You were a sort of official head to that body?

A.—I was the nominated Chairman and we had nominated unofficial members on the Committee.

Q.—And now it is purely a non-official body?

A.—Yes.

Sir Percy Thompson. Q.—Is there an official Chairman still?

A.—The Chairman is elected now by the Association. He has nothing to do with the Government at all. They are given powers under the Act of 1922, under which Government has to sanction all the rules which they may pass before they come into force. That legislation ceases to function, I think, in October this year; but it can be extended by an executive order of the Government of Bombay.

The President. Q.—In reply to Q. 62 you say, you are not an advocate of total prohibition. Do you think it will be at all practicable?

A.—Personally, I do not; but it has been laid down as the goal to be adopted by the Government of Bombay eventually.

Q.—I suppose if the experience of the next few years shows increasing difficulty in enforcing it, the goal will recede.

A.—I should imagine so.

Q.—You say: “There is something to be said for the graduated super-tax on land revenue in a raiyatwari province, as tending to remove the reproach that our land revenue (call it rent or tax) is regressive in its incidence. It would be in effect an income-tax on agricultural incomes; but would avoid the extraordinary difficulty of assessing agricultural incomes”. Why do you say that there will be an extraordinary difficulty in assessing agricultural incomes?

A.—I was referring to the great difficulty of arriving at the cost of production.

Q.—A great part of the incomes would be simply incomes derived from rents and ascertainable from the record of rights.

A.—Yes; but not in the case of owner-cultivators.

Q.—But the number of owner-cultivators who earn more than Rs. 2,000 would be very small.

A.—Quite so, if you have a high limit. On the whole, I do not favour this proposal. I do not think there is any necessary relation between agricultural incomes and the assessments.

Q.—You do not favour income-tax on agricultural incomes? And you prefer Dr. Mathai's graduated super-tax?

A.—On the contrary, I would prefer an income-tax if it can be worked.

Dr. Paranjpye. Q.—You say that “the chief objection to it is that the burden of the revenues of this province under the present settlement lies predominantly on the rural population. Such a tax should, therefore, be accompanied by a corresponding tax on the urban population”. We were told the day before yesterday that the rural population escapes taxation and the urban population pays a great deal.

A.—That is true in respect of the total taxation, imperial and provincial.

Q.—That is what, after all, the tax-payer has to consider.

A.—Quite so. I am dealing with the present settlement under which most of our provincial income comes from the rural population.

Q.—But the tax-payer need not consider that.

A.—Quite so; I admit that. But the fact gives us trouble politically; and makes it difficult to introduce fresh taxation.

Q.—In other provinces we have been told that the town people escape with a rather light burden, while the great burden is mainly on the rural classes.

A.—I have got some figures worked out of the total incidence of taxation, imperial and provincial, on the rural as compared with the agricultural population. I do not know whether they would be useful; I have not had time to verify them; they were recently worked out in my office. The proportion of urban population to rural in this Presidency is as 22:78, whereas the percentage of taxation works out to about 60:40.

Q.—You include land revenue?

A.—It includes everything; it also includes salt and cotton excise, the incidence of which is rather doubtful. It is worked out more or less on the basis of proportion of population.

Q.—Customs?

A.—No attempt has been made out to distribute customs, owing to the difficulty of allocation. I omitted customs altogether; I have taken into consideration income-tax, salt and cotton excise as also land revenue, excise, stamps, scheduled taxes and the municipal and local boards' taxation. The total figure for the province is 25 crores.

The President. Q.—Might we have a copy of that note for the purpose of comparison with similar calculations which we are making?

A.—Certainly.

Q.—You don't like the idea of a surcharge on income-tax?

A.—It seemed to me that it would be dangerous to allow local bodies to meddle with that.

Q.—Only the Madras Act includes provision for a surcharge on income-tax?

A.—Yes.

Q.—And you don't think that the income-tax payers and the smaller non-agricultural population ought to pay more than they do towards the local services?

A.—I certainly think that the non-agricultural population who escape income-tax should.

Q.—If there is a uniform surcharge on income-tax and it is collected by the income-tax staff, and the collection made over to the local bodies, would you have any objection to it?

A.—I should have no objection to that. Do you propose to come down below the Rs. 2,000 limit?

Q.—That would be another question. But whether they can do it or your land revenue staff could do it is the point.

A.—I do not like the idea of income-tax being assessed by the local bodies, whether in addition to or below the limit of the imperial tax.

Q.—But as far as the income-tax-payers are concerned, you think it proper for the income-tax officers to collect the local surcharge as well?

A.—I should have no objection to that.

Q.—Most of the other provinces have a license tax or a profession tax or something of that sort on the smaller non-agricultural incomes. It is rather conspicuous by its absence in Bombay, except perhaps in a few cases; and one difficulty is that local bodies have not got a proper system of assessment. In the Punjab they have appointed a special staff of pensioned officers. But it has been suggested that it might be collected by the general tax-collecting staff, in other words, the land revenue establishments. This idea of trying to bring home to the local bodies the responsibility of taxation by making them collect is not really sound in principle.

A.—I think we ought to try and keep the local assessors beyond the reach of local persuasion. We don't want any interference with the collecting agency on the part of the local body.

Q.—You say the Local Government have approved of a succession duty and have drafted a Bill.

A.—Yes, Sir.

Q.—One of the difficulties we have had under discussion in connection with the Bill is, the method proposed really involves the assuming of a different law of succession to that actually in force.

A.—Yes.

Q.—The alternative proposal is that you should tax whatever passes without reference to the personal law of the parties. That is to say, in the case of a joint Hindu family you should tax the share of the deceased only; and in order to avoid constant irritation, you should levy no tax on the death of a child or anybody who could not demand a partition. Have you any particular preference for your own Bill?

A.—I am not very well up in the details. I rather leave that to Mr. Davis or to some other expert in the matter.

Q.—You say a totalizator tax is about to be introduced?

A.—Yes.

The President. Q.—May we pass on to the remaining proposals of the Bombay Excise Committee. You say, "Local Fund Cess is already earmarked for the spread of compulsory education". In that connection there was a proposal for levying a kind of income-tax on the non-agriculturists and a Bill was sent to the Government of India. Can you tell us the fate of that Bill?

A.—I am not quite certain what has happened to it.

Q.—Can you tell us exactly why that was sent up? Was it not practicable to levy that tax with slight modifications as a local tax or a profession tax?

A.—I am not quite certain about this. I think it is a private member's Bill. I will have the information with all the papers ready for you by Monday morning.

Q.—You say "A general transit tax is simply in effect a raising of the passenger rates, and must perforce be objected to by the Railway authorities". But in some places it is actually done for a special purpose in the shape of a pilgrim tax.

A.—Yes.

Q.—Terminal tax, you say, has already been introduced in the City of Bombay?

A.—I should perhaps say that it is in the process of introduction. The Municipality is determined to introduce it, but still they are having some trouble.

Q.—Does not that require the sanction both of the Local Government and the Government of India?

A.—I am not certain, Sir.

Q.—Is it not a fact that terminal tax can only be introduced in a town which had octroi before a certain date?

A.—That point did not occur to me.

Q.—Do you think that proposal is likely to go through?

A.—I imagine it should.

Q.—Then the net result is that the Excise Committee's proposals for replacing 4 crores of rupees whittle down to practically nothing.

A.—So it must be. There is the possibility of a tax on 'futures', but we are not going to get anything like what they hoped to get out of that.

Q.—Then with regard to the distribution of proceeds, you accept Professor Seligman's formula. Do you agree with the principle that any scheme of distribution that is worked out should be applied in the same way to all the provinces?

A.—I think so. I am not quite certain of the implications there.

Q.—You do not think that it is essential that land revenue should continue to be a provincial source of revenue, and you say, the reason for assigning it to the provinces is that given in the question, namely, the close connection of arrangements for land revenue administration with general administrative arrangements. But we gave another reason, i.e., the inequality of land revenue. It is unequal in its incidence; so that if you gave an equal share from all provinces to the Government of India, the effect would be that you would be taxing different provinces at very different rates for imperial purposes.

A.—I was not looking at it from that point of view. I was only arguing as far as Bombay Government was concerned.

Q.—Is there any method by which you could arrive at a uniform way of giving the Government of India a share of land revenue in all the provinces?

A.—I have not regarded it from that point of view. I think it is not possible.

Q.—You say that the Meston Settlement gives indirect taxes to the Government of India and direct taxes to the Provincial Government. Is it not a fact the division proceeds on the principle that the Government of India gets all the taxes which are fixed at uniform rates for all-India and the provinces get taxes fixed at varying rates?

A.—I admit my using of the word 'direct' and 'indirect' was improper. I was thinking of the term 'direct' as meaning those taxes where incidence can be directly determined as regards provinces.

Dr. Paranjpye. Q.—Would it be possible to determine the capitalized value of the agricultural lands in all the provinces and give a percentage, say, one-tenth to the Imperial Government? That would make it uniform for all the provinces.

A.—I would rather not commit myself to an opinion on that. I have seen the suggestion made, but it does not seem to me on the face of it practicable.

Q.—There would be so very little difference in the percentage that it would not make much material difference in the final results.

A.—I think it would not be practicable to arrive at any just assessment of the value of the land.

The President. Q.—On export duties, you do not like the idea of allotment unless the Government of India have got money to spare. I suppose the assumption throughout is that Government of India have got money to spare.

A.—I see no objection to it if you are dealing with it as a theory.

Q.—You think that it would be impossible to separate the question of rates and the local excise policy. Supposing you had a basic rate well below the lowest rate actually in force. Supposing you had 14 different rates and supposing the lowest of them is Rs. 5 on country spirit, would there be any harm to give the first rupee to the Government of India?

A.—I can see no objection. I misread your question as only applying to foreign liquor. I see no objection except that I do not know what effect the adoption of the policy of total prohibition would have on the proposal.

Q.—The provinces will be able to settle the policy of total prohibition, but on opium, hemp drugs and foreign liquor, the idea was to arrive at uniform rates and uniform policies, in order to save fighting between the provinces; it might be as well to make them definitely uniform, as they are in practically all countries, and distribute the duty collected according to the consumption. At present you have a vend fee which is in effect an addition to the import duty on foreign liquor. Is it not likely to lead to substantial difficulties? Won't people living on the borders of the Presidency get foreign liquor from outside?

A.—I suppose the same arguments apply as to country spirit. You can go on increasing fees as high as you can without encouraging smuggling and illicit distillation.

Q.—If there was not this conflict between the Provincial and the Imperial Governments, I suppose you would represent to the Government of India that the import duty is too low. The difficulty is there so long as you allow the vend fee to go to the Provincial Government.

A.—Yes.

Q.—The vend fee is levied from the people who do not vend. This fee, so much per dozen, is levied on all spirits, so that a club or a private person still pays vend fee.

A.—I think so. I am afraid I do not know much about the details of excise administration.

Q.—Coming to the question of division of income-tax, I think you have read Sir Percy Thompson's note on the subject.

A.—There again I rather misread the question. I did not see the full implication. I took it as dealing with the distribution between the Provinces and the Imperial Government. I did not consider the division of income-tax as between the provinces. Sir Percy's note, I think, fixes an arbitrary figure for the ratio of the division between 'origin' and 'domicile'. Is there any particular ground for arriving at that ratio?

Sir Percy Thompson. Q.—As long as you admit the principle, it is all right. You need not trouble about the exact figure.

A.—Certainly I admit the principle. I cannot see any method of arriving at anything more than an arbitrary figure.

Q.—I agree; the figure will not accurately reflect the proportion of the income derived from the companies which is actually enjoyed in the provinces. That is what you want to get at. You can only get general impressions so as to give roughly the right amount of income-tax to the provinces.

A.—Before reading the note I was under the impression that these considerations would more or less balance one another. I mean the number of Bombay shareholders who hold shares in limited companies in other provinces, and the outsiders who hold shares in the Bombay companies might be taken as balancing one another.

Sir Percy Thompson. Q.—I doubt it. It has been stated that the tendency in Bombay is for industrial enterprise to be financed by local capital much more than in other provinces. It is for you to consider whether the proportion suggested is good enough.

A.—Under your division, we still get 2 to 1.

Dr. Paranjpye. Q.—Under *Sir Percy Thompson's* division, what would happen is that the income-tax paid in Bombay would, to a large extent, not be credited to Bombay at all.

Sir Percy Thompson. Q.—In the first instance, for the purpose of getting a proportion, you are only going to be credited with one-third of the income-tax paid by the limited companies.

A.—Because the limited company is within our border.

Q.—We say that you would assign as between origin and residence one-third for origin and two-thirds for residence.

A.—But if the shareholders are also resident within the Presidency, we would get the full.

Q.—You could never know that. You will get a large proportion of it and whether you get the right proportion or not will depend on the extent of the shares held by residents in Bombay. I really cannot say how much income arises in Bombay and is enjoyed in Bombay.

Dr. Paranjpye. Q.—Would it not be possible to ask each company to make up a statement about the amount of dividend that goes out of the Presidency or is paid to people outside the Presidency?

Sir Percy Thompson.—I think it would be quite easy to do it, but it would not be worth the paper on which it is written.

Dr. Paranjpye.—In the case of a company which gets its income in Bombay, there is no case for transferring the income-tax to another province; they belong to Bombay so far as the money-earning capacity is concerned.

Sir Percy Thompson.—My proposition is that the fact that money is earned in a country does not entitle that country to the whole of the income-tax. If it entitles it to the whole of the income-tax, then the country of residence also must charge in respect of the residence and you get the income taxed twice. The only way to avoid it is to assign part of the tax to the country of residence and part of that of origin.

Dr. Paranjpye.—A man who has shares resides in the Central Provinces, but the money is paid to his bank in Bombay: my contention is that income-tax should not be credited to the Central Provinces.

Sir Percy Thompson.—The mere fact that he chooses to have his banking arrangements in Bombay cannot operate to destroy the right of the Central Provinces to tax him.

The President. Q.—At the close of your answer to Q. 156, you suggest another method "which could be based on any other method such as has been suggested in other federal countries under which the Central Government takes the tax on incomes above a certain pitch and the Provincial Governments those below." Can you give us an instance in which that is enforced?

A.—I do not know that it was ever put into force.

Q.—The suggestion in this case would be that larger incomes are all inter-provincial.

A.—I was only quoting what I think was attempted in Australia. I was not seriously putting it forward as a suggestion for action.

Sir Percy Thompson. Q.—At the present moment the tax on individuals is collected by assessment on the company. If you say that small incomes should go to the provinces and large incomes to the Central Government, you will have to look at the personal returns of everybody and see whether they fall below your limit of Rs. 10,000 a year, or you would have

to abandon the system of taxation at the source and assess everybody on a personal declaration after getting his total income.

The President. Q.—Or else, treat all big companies as inter-provincial concerns. Under a plan like that, the income-tax on incomes that go out of the country would go to the Central Government, not being the property of any particular province.

Q.—Stamps: you do not think that similar considerations apply to stamp duties: you say that it is quite possible to make a distinction between judicial and non-judicial stamps. May I take the case of a stamp on a bill of entry which is a fee for a service rendered by an imperial department: it is charged as a court-fee and credited to the Local Government?

A.—I admit that there are a number of anomalies. Probably the schedules of both Acts should be completely revised.

Dr. Paranjpye. Q.—So that there may be complete uniformity all over India.

A.—I would not lay so much stress on this point.

The President. Q.—Take the Stamp Act, how can you prevent anybody from buying a stamp in another province and executing his documents in Bombay or *vice versa*?

A.—I do not know whether people would do it largely.

Q.—Supposing you had sufficient competition between provinces and sufficient variety of rates, how can you prevent it?

A.—It can't be prevented.

Q.—So long as you have a uniform set of stamps and different rates in different provinces, unless every Government officer before whom documents are presented for execution is very alive to the fact, you may get any number of documents insufficiently stamped. Have you any machinery for collecting the difference? All the managing agents of tea companies in Assam have their headquarters in Calcutta, and the business in regard to execution of documents for these tea companies is all done in Calcutta, so that a large amount of stamp duty that ought to go to Assam is paid in Calcutta. Then again, banks have the whole of their cheque books embossed at the place most convenient to them without regard to where they are going to be used, and a province in the interior may often get nothing on cheques used in the province. These instances show that it was a great mistake to provincialize general stamps.

A.—This is something beyond my experience. I do not think similar instances occur in Bombay.

Dr. Paranjpye. Q.—You say that "with the growth of industrialization the taxation of non-agricultural land must, or should be, a fruitful source of provincial revenue." Do you think this source of revenue should be provincial or local?

A.—In Bombay it has always been a provincial source of revenue.

Q.—What do you think is fair? A local body has very often to undergo a great deal of expenditure to make the town suitable for industrialization.

A.—I think it is advisable that the administration of land revenue should remain with the Local Government.

Q.—Should not the local body have the benefit of the results of its own activities?

A.—As far as Bombay is concerned, the Local Government is committed to enormous contributions to the local bodies.

Q.—The Local Government might reduce the contributions if they like.

A.—They are bound to make them by legislation.

Q.—Take the example of a city like Ahmedabad or Karachi. The municipality has to bear an enormous amount of expenditure for developing its roads, water-works, drainage, etc.; don't you think that the benefit of the enhanced value of the land should go to the local bodies' resources instead of to the resources of the Local Government?

A.—So long as it goes to the public, I do not think it is of great importance in theory.

Q.—You have to consider the proper assignment.

A.—There is another tax very similar to this, viz., the tax on transfers of property. One reason why we have not been able to surrender it to local bodies is that the Local Government has not got enough resources under the schedule.

The President. Q.—Was not the same tax levied in Calcutta, Rangoon, and Madras? It is a surcharge on the stamp duty for transfers of property. It is a municipal tax there.

A.—The Improvement Trust gets it in Calcutta.

Q.—Was the tax proposed in Bombay and rejected by the Council?

A.—Yes.

Q.—What was the opposition due to?

A.—The opposition of the municipal members was due to the fact that they thought they ought to get the income; the opposition of the rest of the Council was due to the feeling that Government should not impose any more taxation.

Q.—Could you have carried the resolution as a municipal tax?

A.—Perhaps; if Government had restricted it to Bombay; but the Bill gave authority to extend the tax to all municipalities at the will of Government.

Q. 169.—You say that the break-up of the salt and excise establishments has not resulted in any decreased efficiency. The Excise Commissioner was telling us the other day that he was feeling very much handicapped by the shortage of staff.

A.—I confess that in answering these questions I am only a go-between.

Q.—Does it not stand to reason that, instead of two preventive staffs dealing with two different classes of fiscal crime in the same area, you get better work out of combining them?

A.—One would think so.

*Mr. Dalal**—Barring a few superior officers, the whole staff was separated before the separation of the functions. This decrease in efficiency may be due to rationing, but not to separation of the establishment.

Q.—It was on the question of tree-tax that the Excise Commissioner told us that he had not sufficient staff to supervise the trees.

A.—He has been asking us for an increase in staff owing to the rationing system.

*Mr. A. R. Dalal, i.c.s., Deputy Secretary, Finance Department, Government of Bombay, was present when the evidence was taken.

12th June 1925.

POONA.*Present:*Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

* Sir PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPYE.

Dr. L. K. HYDER, M.L.A.

Mr. G. DAVIS, I.C.S., District Judge, Kanara, was examined.**Written memorandum of Mr. Davis.**

Q. 137.—I do agree. There is much to be said in favour of the introduction of a succession duty of general application into India. A succession duty in the form of probate duty is even now imposed on the estates of Europeans, Eurasians and Jews and all non-exempted persons within the meaning of the Administrator General's Act of 1913. This is the effect of the Administrator General's Act and the Court Fees Act read together. And in certain cases, Parsees and all not exempted from certain provisions of the Indian Succession Act of 1865 and Hindus to whom the Hindu Wills Act applies, must pay succession duty in the form of probate duty.

The determination of the incidence of succession duty as now imposed in India is a matter of some difficulty and complexity. So far as the Bombay Presidency is concerned, these Acts must be considered—

The Indian Succession Act of 1865.

The Parsee Succession Act of 1865.

The Hindu Wills Act of 1870.

The Probate and Administration Act of 1881.

The Succession Certificate Act of 1889.

The Native Christians Administration of Estates Act of 1901.

The Administrator General's Act of 1913.

The Bombay Regulation of 1827.

The Court-Fees Act of 1870.

The effect of these Acts is inequitable. Succession duty is in India to-day in large part determined by the race or religion of the owner, and not by the value of the estate. This appears undesirable. Generally speaking, it is the value of the estate or inheritance which should primarily determine the incidence of the duty. Any such general proposition must, however, be subject to such qualifications as public policy may demand.

Q. 138.—I think that a combination of the three methods would be appropriate in India. Family ties in India are strong, and so is sentiment. The continued existence of the joint family is evidence of this. Therefore, I think, that in the imposition of a succession duty, not only the value of the estate but the relationship of the heir or legatee to the deceased should be considered. It may be said that a succession duty has two aspects. It is at once a tax upon accumulated wealth and upon unearned increment. Therefore, it appears that the duty should be proportionate to the value of the entire estate which the deceased has left, and to the value of that which the heir or legatee individually receives. To regard only the aspect of the duty which constitutes a tax upon accumulated wealth, and to proportion the duty to the value of the entire estate, would exclude a just discrimination between large legacies and small. To proportion the duty only to the value of that which heir or legatee receives would be to regard only the aspect of unearned increment. The most simple solution of this difficulty would be, I think, to divide the duty into two parts. Firstly, there would be an estate duty proportioned to the value of the

entire estate; secondly, there would be a succession or legacy duty proportioned to the value of the inheritance or the legacy, and the relationship of the heir or legatee to the deceased.

Q. 139.—(1) I do not agree with the first of these propositions. Equality is equity, but equity in the distribution of taxation is to be attained, not by a levy at unchanging rates, but by a levy at rates determined by the capacity to bear the burden of taxation and by the responsibilities and privileges of wealth. Succession duty, as now levied in India in the form of probate duty shows no such discrimination between the rich and poor as modern sentiment approves.

(2) I do not agree with the second of these propositions. In the Bombay Presidency I think that agriculturists should be exempted from succession duty. Agriculture is still the basis on which all civilization ultimately rests. Unemployment may be more disastrous than famine. Certain aspects of industrialism are less desirable than even that 'rustication' which some in India have deplored. I do not think it would be safe to levy a succession duty upon raiyatwari land. It would not be safe, because it might compel the peasant to charge his land. Even if the duty were small, it would arouse resentment and distrust. It would lend itself very readily to misrepresentation, and even if small holdings were exempted, village officials might abuse their power. Moreover, the peasant clings to his land. The landless man is often to be pitied. And the peasant clings to the belief that the land will remain with his descendants from generation to generation. To obstruct inheritance, even by the most trifling of payments, would, in my opinion, be impolitic. Riots preceded the passing of the Deccan Agriculturists Relief Act. The peace of the countryside in large part justifies our rule.

Nor do I think it would be equitable to levy a succession duty upon the peasant's land. The produce of the land is within certain limits constant. The proceeds of trade and industry may expand in a manner which finds no parallel in agriculture. Succession duty should, in my opinion, primarily be a tax upon accumulated profits, or that into which accumulated profits have been converted. The accumulated profits of trade and industry are often large. The accumulated profits of husbandry are not. In the case of large estates, profits may accumulate. Upon these a succession duty might be imposed. One day public opinion may approve a succession duty upon large estates with the ultimate object of the redistribution of the land. With this larger aspect of policy it is not now necessary to deal. So far as the Bombay Presidency is concerned, it is not, in my opinion, equitable to impose a succession duty upon the estates of agriculturists.

Nor would there be any great facility in the levy of such a duty upon such estates. A tax upon the accumulated profits of trade or industry could with facility be assessed and levied by the officials of the income-tax department, who would have in their possession much material information. But there is no tax upon the incomes of agriculturists. The necessary machinery to collect a succession duty upon the accumulated profits of trade or industry in fact exists and could function without delay.

(3) I agree generally with this third proposition.

Those considerations which render it expedient that a tax upon incomes should be assessed and levied by a central authority apply also when a tax is to be assessed and levied upon the sources of those incomes or upon accumulated profits.

Enquiry into the levy of probate duty in Bombay has shown the difficulties which beset the Collector, upon whom the legislature has imposed the burden of assessing and levying the deficit duty. It is no less difficult to ascertain the extent of a man's possessions when he is dead than to ascertain the extent of his income when he is alive; and for the effective levy of a succession duty, powers comparable with those conferred under the Income-Tax Act upon income-tax officials would have to be conferred upon officials, whose duty it would be to assess and collect this tax. Such powers would be necessary to the officials of all Provincial Governments alike. Effective penalties for the evasion of the tax would have to be imposed. And it appears desirable that these powers should be conferred by the Central Government upon its own officials, and that these penalties should be imposed by an enactment of the central legislature. It might still be open to each Provincial Government to exempt certain classes of

the community or certain classes of property, with the sanction of the Central Government, and to fix the rates at which the duty should be levied.

Q. 140.—On the assumption that the duties as imposed in the different countries are most appropriate to the conditions there prevailing, it is arguable that Japan offers the closest parallel with India, and that the duties as imposed in Japan are most appropriate to India. Yet, the duty as imposed in France is proportioned to the value of the entire estate, the relationship of the heir or legatee to the deceased and the value of the inheritance or legacy; and I think Indian sentiment would most approve a duty in which all these three elements were combined.

I do not think a succession duty comparable with the heavy rates now imposed in England would be acceptable to the Indian legislature. The estate duty in England is of gradual growth. It is not yet clear that the heavy English duty which urgent needs have made imperative does not unduly depress trade and industry. The Bombay Legislative Council has quite recently refused to sanction a maximum rate of $7\frac{1}{2}$ per cent as probate duty, though this refusal may be explained by causes other than disapproval of the principle of the duty or of the proposed rates. But the maximum duty in Bengal is apparently but 5 per cent. And, in view of the fact that the rates of any succession duty which may be imposed in India will be determined by the needs of the exchequer, by the burden which industry will bear and by the votes of the legislature, it appears hazardous to venture upon detailed proposals.

But I would venture to suggest that a rate of which the maximum is 5 per cent allows no such discrimination between large and small estates as modern sentiment approves; and it does not appear unreasonable to suggest that, regarded as a tax upon accumulated wealth, a fortune of one crore should pay 15 per cent to the exchequer as estate duty. But I would endeavour to appeal to sentiment by exempting from the payment of any duty but estate duty, the spouse or the lineal ascendants or descendants of the deceased. A succession or legacy duty proportioned to the individual inheritance or legacy I would impose only on the inheritance or legacy of those who were not thus closely related to the deceased. But these I should divide into three classes: firstly, brothers and brothers' sons; secondly, uncles and uncles' sons; and thirdly, all others. But though within these classes I would proportion the rate to the value of the individual inheritance or legacy, I would graduate the rates more steeply than in the case of estate duty, and I would impose the maximum rate at a comparatively early stage. But without discussion and debate all such suggestions can be made only with the greatest diffidence.

Q. 141.—I consider it appropriate in the case of a joint family to tax the share of a deceased coparcener. Even this, it will probably be argued, violates Hindu sentiment. But the share of a member of a joint family can at any time be determined by partition, and though on the death of a member of a joint family, his share passes, not by inheritance but by survivorship, it cannot be disputed that the share of each of the survivors, inchoate though it may be, has been increased.

The purpose of a succession duty is to tax that property which passes or is deemed to pass on death. On the death of the manager, the whole of the joint family property can in no way be deemed to pass. Under the Mitakshara Law, the manager of the joint family has, subject to certain limitations, the disposal and control of the whole property. But it is not his. He is but a trustee. Each male coparcener has a share which can at any given time be determined. It would be difficult to justify the levy of a succession duty upon the whole estate on the death of a coparcener who is entrusted with the management. His beneficial interest only should be taxed. Nor do I think it would be easy to justify an annual or periodic levy such as the corporation duty. It is true a joint family may resemble a corporation, in that it need never die, for the last survivor can adopt. But in real life the joint family resembles, not so much a corporation as a partnership. The Hindu joint family is no impersonal thing. Each individual member contributes his earnings to the common fund from which all are sustained.

Q. 142.—I do not accept this proposition. The law and practice of succession in England and India, so far as the administration of estates under wills and intestacies is concerned, are not analogous. In England, probate or letters of administration can be obtained only on the certificate

of the Commissioners of Inland Revenue that estate duty has been paid on the whole estate. In England the grant of probate or letters of administration is a universal practice and a necessity. But in India, probate or letters of administration are necessary only in the case of certain classes of the community or in certain circumstances. The heir of a Hindu or Muhammadan landowner, in order to enter upon his inheritance, would not ordinarily be under the necessity of obtaining probate or letters of administration. He would not ordinarily be subject to the provisions of the Indian Succession Act or the Hindu Wills Act or the Administrator General's Act. No occasion for a certificate analogous to that granted by the Inland Revenue Commissioners need arise. A succession duty upon the estates of the larger landholders could doubtless be assessed and levied by the Collectors of districts, did the legislature so enact. And in the Bombay Presidency the Record of Rights could serve the purpose of a register of titles and of lands. But before machinery similar to that in England can be installed in India, the law and practice of succession, so far as it concerns the administration of estates under wills and intestacies, would, I think, have to be drastically amended and revised.

Q. 143.—I do not think the difficulty here referred to is one peculiar to India. The joint family system in India may, I think, lessen rather than enhance the calamity which falls upon a family by death. The father may be succeeded by the son or brother, and while in a family which is not joint, the death of the bread-winner may deprive the family of all sustenance and protection, the death of the manager in a joint family may leave a son or brother to farm the land, and a son or brother in Government service or in trade. This is not the most cogent argument against the imposition of a succession duty upon the lands of small proprietors. The most cogent argument is the indebtedness such a duty might entail, and the unrest and suspicion that any obstruction in the heritage would arouse.

Q. 144.—So far as immovable property is concerned and movable property of a certain kind, such as debts, business assets, stocks and shares and the proceeds of insurance policies, it would be possible to make the grant of probate or letters of administration or a succession certificate essential to the validity of the transfer of any such property, title to which is derived from the estate of a deceased person by inheritance or succession. This is not now the law, even as regards the estates of those to whom the Indian Succession Act and the Hindu Wills Act apply. For, Sections 187 and 190 of the Indian Succession Act make the grant of probate or letters of administration a condition precedent to the establishment of a right as heir or legatee to any part of the estate of a deceased person, only when such right need be established in a court of justice. And if any such right need not be so established, the necessity of probate or letters of administration need not arise. And those to whom the Indian Succession Act and the Hindu Wills Act do not apply are freed even from this obligation. And I understand that in Bombay certain insurance companies feel keenly the absence of such an obligation on the death of an insured person. For, the firm which demands such a proof of title is exposed to the competition of a firm which will take risks and dispense with this formality. And I understand that by some a law, which makes penal such transfers, would be welcomed. But I think that an enactment which provided that probate or letters of administration or a certificate should be an essential element in the validity of the transfer of all movables, title to which is derived from a deceased person, would so embarrass the ordinary transactions of the market place as to be generally unacceptable. A certificate that income-tax has been paid is not a condition precedent to the expenditure of any part of an income which is liable to the tax.

But, I think, experience has shown that powers comparable with those conferred by Sections 37, 38 and 39 of the Income-Tax Act upon the Commissioners of Income-Tax and his assistants should be conferred upon those officials upon whom the duty of assessing and levying a succession duty is imposed. Given effective powers of enquiry and effective penalties for deliberate evasion, I do not think that evasion of the duty, even as regards movables, would be easy. Nor do I think the valuation of such property would be difficult. The goldsmith could value ornaments, and the Collector and his officials could value land. In Bombay the Superintendent of the City Survey and his subordinates now value immovable property for the purposes of probate. The cost of such valuation could be borne by the estate.

Q. 115.—It is obvious that the income-tax registers would be of great value in the assessment of a succession duty upon the estates of those liable to income-tax. These registers are not now available to the Collector of Bombay, upon whom falls the duty of checking the accuracy of those statements of assets and liabilities which, under the Court-Fees Act, are now attached to applications for probate or letters of administration made to the High Court in its testamentary jurisdiction. By law the Commissioner of Income-Tax is forbidden to disclose the contents of these registers. But if the assessment and levy of succession duty were entrusted to the Income-Tax Commissioners, no disclosure would be necessitated for their utilisation. And the fact that an extensive and efficient machinery for the assessment and levy of income-tax now exists is an argument in favour of the assessment and levy by one authority of income-tax and succession duty. And, in those cases where grant of probate or letters of administration is required, the certificate of the Income-Tax Commissioner, that duty had been paid upon the entire estate, could be made a condition precedent to any grant. The High Court at Bombay would not, I think, object to be relieved of the duty of scrutinising the schedules of assets and liabilities, which is now imposed in part upon the office of the Testamentary Registrar. So far as immovable property in the districts is concerned, the Collectors could value the property for the purpose of the levy of the duty. In short, the duty would be assessed and levied by the officials of the Central Government, with the assistance of the officials of the Local Governments concerned.

Q. 146.—In the Bombay Presidency, probate duty, which is in substance a succession duty, is 2 per cent upon an estate exceeding Rs. 1,000. In England the duty upon an estate exceeding £100 is 1 per cent. The duty in India now falls with undue weight upon small estates, especially upon those of the domiciled community. It is seemly a Government should be merciful to the widow and the orphan. Therefore, I would raise the limit of exemption, on the assumption that agriculturists are exempt, to Rs. 2,000 and on estates not exceeding Rs. 4,500, I would reduce the rate to 1 per cent. And I would transfer to the department which assessed and levied the duty the power to grant the certificate of exemption now granted by the Administrator-General. And the certificate of the department that the duty had been paid might tend, in the case of small estates, to avoid the necessity of the intervention of attorneys in applications to the courts for probate or letters of administration, and thus lessen the burden upon the comparatively poor.

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Mr. Davis gave oral evidence as follows :—

The President. Q.—You are the District Judge of North Kanara?

A.—I am.

Q.—You were for some time on special duty dealing with probate duties?

A.—Yes. I was on special duty in Bombay and in the course of my enquiry I visited Calcutta also.

Q.—You were also Secretary to the Atlay Committee?

A.—I was.

Q.—Can you give us any advice on court-fees?

A.—I was not prepared to do so. But during my enquiry I noticed one obvious anomaly, that is, that in Bombay court-fees do not vary according to the sums in suit. For ten thousand or one lakh of rupees the court-fee is the same. I do not think this right.

Sir Percy Thompson. Q.—What is the position in Bombay with regard to taking out probate and letters of administration? I want to see how far it is different from Madras.

A.—I do not think there is very much difference between Bombay and Madras. In Bombay we have Regulation VIII of 1827 which is a substitute for probate and administration in the districts, but it is not much used. There are also many Parsees in Bombay and there is a Parsee Succession Act. But this applies to Parsees in Madras too. I think

the incidence of succession duty in India is inequitable. It is in large part determined by the race or religion of the owner and not by the value of the estate. Under the Administrator General's Act of 1913, the duty falls on those who are non-exempted persons with the result that it falls very hardly on Europeans, Eurasians, Armenians and Jews. Under the Administrator General's Act of 1913, even Parsees and Indian Christians are exempted. Non-exempted persons have to pay in every case. With regard to probate, Parsees come under the Indian Succession Act of 1865. The Act of 1865 was intended to lay down the law applicable to intestate and testamentary succession and to apply to all classes save Hindus, Muhammadans and Buddhists. The Administrator General's Act of 1913 does not apply to Hindus, Muhammadans and Buddhists. The Indian Succession Act also applies to Europeans, Eurasians, Armenians and Jews and the non-exempted persons under the Administrator General's Act. It applies to Parsees also.

The President. Q.—Is there not a provision that the Hindus have to obtain a probate and pay 2 or 3 per cent duty?

A.—Yes, under the Hindu Wills Act, if there is a will made in Bombay city or relating to immovable property in Bombay city and it is desired to prove a right in a court of law to any part of an estate which is devised by will.

Q.—If any part of the estate which they want to administer is property in the city of Bombay?

A.—Yes, and if it is immovable property in Bombay city wherever the will is made under the Hindu Wills Act probate is to be taken, but not if there is no will.

Q.—Can you tell us under what circumstances probate or letters of administration are actually taken out?

A.—As a matter of fact, under the Act of 1881 which is called the Indian Probate and Administration Act of 1881, any one is entitled to take probate or letters of administration, whether he is a Hindu to whom the Hindu Wills Act does not apply or a Muhammadan. Probate or letters of administration are taken under the Act of 1881 at times. But in many cases they do not pay probate duty, because when applying they merely pay the fee on their application to the High Court, and it is apparently at times recognized in Bombay as good enough. They do not proceed further with such application. And in the office of the Testamentary Registrar there are very many petitions for probate or letters, and duty has been paid only in a small court-fee.

Q.—It entitles the administrator to deal with the estate in any way he likes?

A.—There is no need to entitle him at all. Hindus to whom the Hindu Wills Act does not apply, and Muhammadans are not compelled to take probate or letters, but some say "We want some sort of recognition," and they make an application to the High Court and it often suffices for their purpose. The Act of 1881 does not make probate and letters of administration compulsory. If a Hindu dies in Bombay, his heir is not compelled to take out letters of administration. If there is a will, he will have to take probate if he wants to prove title in court but not otherwise.

Q.—Apparently you want them to take out probate and letters of administration in order to establish the right of executor, administrator or legatee?

A.—Yes.

Q.—The Hindu Wills Act is very limited in its application?

A.—Yes. Generally speaking, it only applies to the Hindus with wills made in the city of Bombay.

The Maharajahdiraja Bahadur of Burdwan. Q.—Supposing it were possible by an executive order of the Government to apply the Hindu Wills Act to the whole of the Presidency, what would be the effect?

A.—The effect would be that where there is a will, they will have to take probate if they want to prove title in a court of law.

Sir Percy Thompson. Q.—Where there is a will and the executor is named, he has to take out probate before his position is established, but where there is no will and possibly, there are competing defendants, a mere application is sufficient?

A.—It may be so. It is a very curious anomaly indeed. No law now compels the administrator of the estate of a Hindu or Muhammadan to take letters of administration. The Hindu Wills Act applies only to Hindu wills. It has been suggested that probate and letters of administration should be made compulsory. It has been discussed in the Imperial Legislative Assembly and the Local Governments were asked to give their opinion in the matter. The general objection was that it would cause hardship to the poor: it would be very difficult to enforce and it would be opposed to custom and religion and also it would be wholly inexpedient.

Q.—Could you not impose a limit?

A.—Then there is the difficulty of exemption.

Q.—Just as in England if a poor man dies with £100, you need not take any action at all.

A.—Then there will be a question "Why compel a person to take letters of administration or probate at all?"

Q.—It is only necessary because there is a taxing question involved.

A.—Why can you not dissociate the grant from the duty?

Q.—How is it possible? Moreover, there is no doubt that succession duty would be evaded if you have not this provision. At present till you get probate, no company will recognize the executor as the owner of the shares.

A.—I do not think so.

Q.—I understand that the insurance companies will not pay except on the production of probate.

A.—Yes, they can be compelled to. A competitor will pay.

The President. Q.—Have you not seen a Bill in this connection which has been introduced recently in the Council of State?

A.—No. You might make sections 187 and 190 of the Indian Succession Act generally applicable by incorporating them in the Act of 1881. But then the Muhammadans will say that they have their own separate testamentary succession, etc.

Sir Percy Thompson. Q.—I do not care whether there is a will or not, you should only see whether the probate duties are paid or not.

A.—The tendency is not to extend probate or letters of administration but to limit their application. Indian Christians were exempted by an Act of 1901. The Act of 1865 exempts many people. That is why it has been described as a tax on Christianity, though it is not entirely true. It has been regarded as a duty on certain communities and other communities are exempt.

Q.—You are not interfering with any law of succession whatsoever?

A.—No, but you interpose a grant between the executor and the will and the administrator and the estate, and this is not the law of the Muhammadans.

Q.—We only say you must take out probate and before it is granted you must see whether the probate duty has been paid or not.

A.—Yes. There is no question of interfering with succession at all. But it has been opposed on the ground that the Muhammadans have their own testamentary law and probate is not part of it.

The Maharajadhiraja Bahadur of Burdwan. Q.—You say the most simple solution of the difficulty would be: "to divide the duty into two parts. Firstly, there would be an estate duty proportioned to the value of the entire estate; secondly, there would be a succession or legacy duty proportioned to the value of the inheritance or the legacy, and the relationship of the heir or legatee to the deceased". Well, it is all right if the property has not been divided during the man's lifetime. Supposing under the law which governs your Presidency—Mitakshara Law—there is no 16 annas property, how are you going to assess the tax? Supposing 8 annas property has already passed to another brother, what will you do? That is where the

difficulty arises. You can get over the question of Hindu Law by legislation to a certain extent, but you cannot get over entirely the question of law. That is my point.

A.—I quite see your point.

Q.—You say the duty should be proportionate to the value of the entire estate which the deceased has left?

A.—I do not mean the entire estate of the joint family. I never suggested that. You should tax the share which a man is entitled to.

Q.—We have not had much evidence as to the Muhammadan aspect of the question. Can you tell us from your experience how death duty would affect the Muhammadan Law? There are certain *wakf* estates. There are two trusts, one where there is a distinct trust, such as an *imambara*, etc., and you have another kind of trust where there is not only a hereditary trustee, but he enjoys that property also. Supposing the property yields Rs. 1,00,000 and the upkeep of the mosque, etc., is Rs. 25,000, the remainder Rs. 75,000 goes to his pocket. What will you do in that case?

A.—Yes. In this *wakf* charity begins at home. I should say it is a very difficult matter indeed. I have myself considered this question, and am of opinion that it is difficult to deal with. You will have to define a charity as charitable uses have been defined in the Statute of Elizabeth. According to Sir Henry Maine, it appears certain provisions of the Indian Wills Act have been applied to Muhammadans in the Straits Settlements in the same way as they have been applied to Chinese and others. Muhammadans in Bombay sometimes take probate. But if *wakfs* were to be exempted, every one will begin to convert his property into a *wakf*.

The President. Q.—The intention of constituting a *wakf* is to allow the heirs to enjoy the property perpetually?

A.—Yes, to keep the family from want for ever and ever. You will have in any case to introduce legislation applying to *wakfs* as to all property if you levy an estate duty. You would then see how the Council takes it. You can then see what opposition there is. But in my opinion the only way to meet the different claims to privilege of the different communities will be to abide by the principle that any beneficial interest which passes on death must pay the duty. Only in this way can privileges be met.

Dr. Paranjpye. Q.—Your answer to Q. 139(2): don't you consider that the rate of succession duty should be the same all over the country?

A.—I think that, whatever happens, agriculturists should be exempted from succession duty.

Q.—That is true enough, but would you exempt small holders as well as big holders of land?

A.—Naturally one has to draw a distinction between land on which the agriculturist is dependent for his life and land bought for the purpose of speculation or which is the property of an absentee landlord.

Q.—Would not that difficulty be got over by setting a fairly high limit of exemption?

A.—It could, but within the Bombay Presidency those who are above that limit will be very few.

Q.—That number will be very few even in the case of commercial property. I would like to know what really is the distinction.

A.—After all, in the villages you are dealing with very simple people, and if you decide that agricultural land is going to be liable to succession duty, my fear is that you may cause unrest, anxiety, distrust and perhaps bloodshed among the people.

Q.—If you have a limit of exemption, say, Rs. 5,000 or Rs. 10,000, hardly any of those classes will be liable.

A.—If you place the limit obviously high, the very highness would attract the attention of the peasant who should be exempted and help to establish confidence.

Q.—I do not personally consider that the limit should be as low as Rs. 1,000.

A.—It is far better to let some escape than to create anxiety.

Q.—Would there be any objection to land worth up to Rs. 5,000 being exempted from estate duty?

A.—There would if people came to believe that it was the thin end of the wedge and that the limit was gradually going to be lowered: but it is going to be a very delicate thing indeed. If I were a District Officer and a succession duty upon agricultural land came into operation, I should be frightened of the result.

Q.—If you exempt land, it is hardly worth while having death duties. We have been told that people in the cities, viz., business people, are already paying very heavy taxes.

A.—But they still accumulate property when they die. They manage to save a great deal and we would only tax what is there.

Sir Percy Thompson. Q.—It would come to this: that you would tax a poor shopkeeper with a thousand rupees, but not a man with land worth a thousand rupees.

A.—I would not tax a shopkeeper with a thousand rupees: moreover there is this difference that the profits of a shop may expand very considerably.

Q.—They may contract.

A.—Then I do not consider that he should be taxed.

Q.—Won't you tax according to the man's 'ability to pay'?

A.—I do not know if one can apply that principle to India as it is now constituted. We see agriculture decline in big industrial countries: and who can say whether industrial nations will survive? One must take into consideration the temperament of the people.

Q.—If land does not pay, then it is going to be worth nothing.

A.—But land may pay: it pays sufficient to maintain a peasant's family. You do not want to tax a peasant, simply because he is thrifty, lives frugally and manages to save a little.

Q.—I entirely agree with you, but precisely the same considerations would apply to the shopkeeper.

A.—You can exempt a small shopkeeper.

Q.—But I cannot see why you make this difference in the case of land except to the extent that you must make the time of payment easier in the case of land.

A.—I am not prepared to look at it in terms of money; I am prepared to regard as the produce of land, not only the cattle and crops, but the man himself.

The President. Q.—If you exempt land from this particular tax, you will have to exempt every class of person from it.

A.—My whole idea is to exempt the peasant's holding.

Dr. Paranjpye. Q.—I would exempt an economic holding which will only just maintain a family, but one that will yield a surplus I would tax.

A.—The whole question, of course, depends upon whether you can put your exemption limit sufficiently high.

Q.—I should approximately say that land worth about Rs. 5,000 is ordinarily enough to maintain the owner, if he cultivates it himself.

A.—Are not the vast proportion of the inhabitants of the Presidency peasant holders?

Q.—And, therefore, I want to exempt them.

A.—You said before that you would not exempt all agricultural land, but if the vast bulk of the population are agriculturists and are exempt, there would be little left.

The President. Q.—You agree to fix your limit of exemption, so that the peasant proprietor would escape, but you would not discriminate in favour of land as against all other property?

A.—As such, no; but it depends upon the tenure. A peasant's land is different from all other land. It is a thing apart. It must not pay duty.

Dr. Paranjpye. Q.—So that you would not exempt all land as it is, but exempt land held by peasant proprietors?

A.—Yes.

Q.—Do you consider that the levy of death duties, either in the form of an estate duty or a legacy or succession duty, should be uniform all over the country or should vary from province to province?

A.—I think the limit of exemption may vary, but not the rates.

Q.—Don't you think that there is this difficulty: that a man may have property in two different provinces, and it will be very difficult to administer the tax?

A.—Yes, that has already been discussed.

The President. Q.—In reply to Q. 139 (1), you say that "equity in the distribution of taxation is to be attained, not by a levy at unchanging rates, but by a levy at rates determined by the capacity to bear the burden of taxation and by the responsibilities and privileges of wealth." I presume you would not alter your rates to balance your budget.

A.—I agree it should not be done.

Dr. Paranjpye. Q.—In the case of a joint Hindu family, it looks as if—perhaps it is reasonable in one way—the share that passes either actually or presumptively, if partition had been executed immediately before death, should be charged to death duties.

A.—Yes.

Q.—Would not that be specially favourable to the Hindu community? Take, for instance, a Christian and a Hindu, both inheriting an estate of a lakh of rupees from their fathers. They have no children at the time of inheritance. After they have inherited, each gets a son. In the case of the Christian, on his death the whole lakh of rupees would be charged to death duties, but in the case of the Hindu, only Rs. 50,000 would be charged to the duty. It is therefore obvious that there is an advantage to the Hindu.

A.—I suppose it will all come to the same thing in the end.

Q.—It won't; the next charge will probably be thirty years hence if he has one son on his death.

Sir Percy Thompson. Q.—In the case of the Hindu, according to law, property can pass on the birth of a person; in the case of the Christian, it does not. What you charge in both cases is what passes on death.

A.—Yes.

Dr. Paranjpye. Q.—But your law recognizes that without any conscious act of the Hindu, the son gets the property, in the case of the Christian, there has to be a conscious act before he can reduce the estate from one lakh to Rs. 50,000.

A.—After all, it is a tax on property passing on death and it can be determined by the law the people are subject to.

Q.—Is it not a fact that in the case of the Hindu, under the Mitakshara Law, property passes not only on the death of a person, but also on the birth of a person? In the case of the others, it only passes on death. What might possibly be done is to charge the Hindu at the same rate as he would be if he had been governed by the Indian law of succession, that is to say, so far as the duty is concerned, charge the Hindu family in exactly the same way as a Christian family. It can be done this way: suppose there is only one member of the highest generation in that family, then charge him on the whole estate. If there are two or three brothers living together with their father not living, then charge him only on his share. If there are four, charge him on one-fourth of the estate, because he can get partition. If, on the other hand, the joint family consists of several generations and the topmost generation consists of four brothers, then I would charge on the death of any one of the brothers, on one-fourth of the estate, irrespective of how many sons he may have. That is what would happen in the case of the Christian family. So far as the payment of duty is concerned, I would consider all subject to the same law, in order to bring all communities on the same level.

A.—Would it not be practicable to let each of the other communities have the advantage of their own personal law as with the Hindus? After all, Christian families are not very numerous in India and they must suffer.

Q.—I don't think they will suffer. You may keep the rate of duty lower if you like. My proposition would amount to treating all the communities on exactly the same footing.

A.—I doubt if it would work.

Q.—I suppose it would. It was a suggestion made by Mr. Wild and another witness from Madras. I would, of course, tax partitions as they would be in the nature of a gift.

A.—They are not in the nature of a gift.

Q.—In the case of the other communities, gifts should not be taxed if they are made three years prior to death. Under the Muhammadan Law, anybody can claim partition if he is a major within one or two years after death.

A.—It is not an easy matter.

Sir Percy Thompson. Q.—Is your conception of a death duty some sort of a graduated tax on property which passes on death?

A.—I regard death duties simply as a tax on accumulated wealth paid by the estate of a person to the State which protects the inhabitants: it is similar to the old feudal fine.

Q.—Is your measure of the duty the value of the property which actually passes on death?

A.—No; the modern idea apparently is that those who get more should pay a higher percentage.

Q.—I am talking about the estate duty which is chargeable on the corpus of the estate and on the value of the property which passes on death. If any member of a Hindu family dies, it is perfectly useless to contend that he has not got something at the time of death which has a value in the market. All you have to ascertain is the value of the property which passes on death. It is perfectly clear that if there is a father, four sons and ten grandchildren, what passes on death is not the whole value of the property of these fifteen persons, but the value of the interest of that one person who dies.

A.—That is what I thought.

Q.—In the case of the Hindus, on the birth of a child, that child acquires his share of the family property. Suppose a Christian decides to do what the Hindu does and when a child is born makes over by conveyance part of his property to him. If you are going to charge the Hindu on the whole Rs. 1,00,000 of his property, it is quite clear you cannot charge the Christian on more than Rs. 50,000; it seems to me that you are penalizing the Hindus against the Christians.

A.—I agree.

Sir Percy Thompson. Q.—In the case of a Hindu, a partition is the result of the expression of a custom.

A.—It is a form of socialism.

Dr. Paranjpye. Q.—If you are going to allow different communities to make suitable laws for themselves, the effect of it will be that they escape taxation in one way or another.

A.—You are only dealing with things actually in existence. If you depart from the principle of levying a duty on property passing on death, you will get much confusion. I think one has to look at it from the point of view of how it will be accepted by the people as a whole. If you bring in a Bill on these particular lines, viz., that the duty shall be levied only on property passing actually on death, I do not think either Christians or Muhammadans would object to it.

The President. Q.—On the other hand, if you brought a Bill which said that, for purposes of taxation the Hindu law of succession was to be made similar to the Christian Law, it might give rise to difficulties.

A.—It would.

Dr. Paranjpye. Q.—The duty charged would be the same as if the family had been governed by the Indian law of succession.

A.—But they never have been.

Q.—You will obviously have to pass a law for it.

The President. Q.—Is there not also this consideration that, in the case of a Christian, the property remains as it is, in the case of the Hindu the property is liable to be reduced?

A.—Besides, I do not know if the Hindu joint family will in the future form so important an element as it now does, because when people get money the tendency is to divide and separate.

Q.—That means a fresh joint family is formed.

A.—It will take time.

Dr. Paranjpye. Q.—You consider that the duty should have regard to these three principles, the total estate that passes, the amount of legacy obtained by each individual and the relation to the deceased?

A.—Yes.

Q.—In the case of distant successors, would you make the duty fairly heavy?

A.—I should.

Sir Percy Thompson. Q.—Don't you think it will be as well to limit yourself, at any rate at first, to the estate duty?

A.—Then it might be said that you should first have a legacy duty which will show greater discrimination. I think one ought to go slowly. As a matter of fact, I should call the legacy duty a succession duty; then in the case of an estate duty you would be leaving out the question of sentiment and not charging according to relationship.

Dr. Paranjpye. Q.—A Hindu family would rather allow the levy of a legacy duty on distant relations.

A.—So far as I can ascertain it, the prevalent opinion among Indians is that those who have money ought to contribute to the expenses of the State. Here in India there is much accumulated wealth that should pay its share to the State.

Q.—Isn't one of the bases of these duties the taxation of windfalls?

A.—I was not looking at it from that point of view: it is a windfall to the exchequer, not to the legatee.

Q.—In a Hindu family oftentimes, if a man dies intestate, the second cousin inherits the estate; it is obviously a windfall.

A.—I think you will find that in India the opinion is prevalent that those who have left a great deal of money should in proportion contribute to the expenses of the State.

Q.—You can have both these duties at a lower rate if you like, but in the case of succession by distant heirs. I think personally that the duty should be charged at a much higher rate.

A.—Then you should charge an additional duty.

The President. Q.—In a country of so many religions, you know there is the process of adoption taking place.

A.—Why introduce these complications when you can avoid them?

Dr. Paranjpye. Q.—You cannot avoid them with justice: because a man has got interest in his son, he would not have as much interest in a distant relation.

A.—The chief aspect of adoption is property not spiritual benefit, at least on the part of the adopted son. This is my experience in court.

The President. Q.—In the report of your enquiry into the incidence and levy of probate duty, you say that the present duty falls with undue weight on small estates. Is it not very unfair on the poor Eurasian community?

A.—It is.

Q.—You propose that sections 187 and 190 of the Succession Act should be incorporated in the Probate and Administration Act, but why were they omitted from the original Act?

A.—I do not propose this. I say it is a means of making the duties equitable. They were omitted from the Act of 1881, because it was thought that to insist on the grant of letters in the case of every person who died intestate would result in hardship and expense to the bulk of the people who are poor.

Q.—You think it would be a good thing to have the sections incorporated in the Act?

A.—Only if it is necessary for fiscal purposes, but if I could avoid it I would. As regards wills, I should distinguish between wills and letters of administration. A man who leaves a will is generally wealthy.

Q.—One point I do not understand is why you say that “though chapter III-A of the Court-fees Act prescribes certain penalties for undervaluation, a condition precedent to the imposition of one penalty, at least, would appear to be the application of the offending parties.”

A.—That is the result of a ruling of the Calcutta High Court. It has been generally accepted.

Q.—Under what section is it?

A.—It is a section which relates to fraud:—section 19-E.

The President. Q.—I think it gave powers to the chief revenue authority. My own view of the section was that it did not give the revenue authority discretion to remit the penalty; he had no option but to impose it.

A.—I looked up the law at the time, and I think it is correct to say that when there is a fraud and you know there is a fraud you cannot levy a penalty unless the party applies, but you have to regard it as a mistake. This is the usual procedure. There is an application to the court; then the court goes through the probate and then it is sent to the Collector; and then the Collector goes into the assets and valuations, and if there is suspicion he calls upon the petitioner to give evidence. But he cannot record evidence on oath and cannot compel production of documents and accounts. The petitioner has got the grant already in his hands and it is not to his interest to produce accounts and books.

Q.—But if a mistake is brought to the notice of the High Court, does not the High Court withhold the grant?

A.—Under the law they are compelled to give a grant. They cannot withhold it pending the Collector's enquiry. “The grant of probate or letters of administration shall not be delayed by reason of any motion made by the Collector under section 19-H, sub-section (4).” That is the language of the section, and that makes it perfectly clear that the court cannot withhold the grant. When it has been sent to the Collector and the Collector discovers there is a fraud, they cannot bring the law into operation and punish the man for fraud unless he applies to amend his application.

Q.—Does not section 19-E provide that?

A.—“The chief controlling revenue authority for the local area in which the probate or letters has or have been granted may, on the value of the estate of the deceased being verified by affidavit or affirmation, cause the probate or letters of administration to be duly stamped on payment of the full court-fee.” That is perfectly clear. I think I am right in saying they are not compelled to swear an affidavit or make an affirmation. So they do not bring themselves under this particular section.

Q.—Does not that refer to the affidavit in the High Court?

A.—That refers to the second affidavit which comes into account only after the papers are sent to the Collector. If you want to impose a penalty under section 19-E, they have to apply by affidavit or affirmation.

Q.—We treat the affidavit before the High Court as his affidavit.

A.—I do not think you are justified in doing so.

Q.—The man has already sworn his affidavit.

A.—You have taxed him on that. Here you have to tax him on the difference. His first affidavit has been sworn and probate has been granted on it and was incorrect, and he must apply and make another. 19-G is the section which authorises the revenue authority to act without the party. It is quite clear. 19-E requires an application and fraud. 19-G requires no application and is for mistake.

Q.—You refer to the Bill to amend the Court-fees Act. Is that the Bill which was started about 1918?

A.—It was introduced before March 1918 before the Legislative Assembly.

Q.—It was the outcome of an enquiry that was going on for a long time?

A.—Yes.

Q.—You say: "The Commissioner of Income-tax is clearly the person most competent to advise as to the particular officer to be employed when adequate powers make enquiry profitable." Would it be a good thing and profitable to have the whole thing administered by the income-tax department?

A.—I think so. Unless you do so, you cannot get access to the records of the income-tax department.

Q.—Have you studied the question of blank transfers and stamping of the contract note?

A.—When I was Secretary to the Stock Exchange Enquiry Committee, I went into the question so far as it could be gone into. It is a very difficult question.

Q.—We were told there were great legal difficulties in respect of blank transfers.

A.—Apparently in London a transfer in which the details are not filled in is not good tender; in Bombay a transfer in blank form is good tender. If it can be done in London, it can be done in Bombay.

Q.—Suppose you legislate to that effect?

A.—The Bombay Stock Exchange say they would not object. They are experts. The real reason they do not fill in the transfers is to avoid the duty. I think it is now 12 annas. If you want to compel them to abolish blank transfers or to limit the life of blank transfers, you will have to reduce the duty. But it is difficult to see how you can enforce it without the co-operation of the Stock Exchange.

Q.—Would they not be willing to co-operate?

A.—They would be willing if the duty is reduced. They do not like blank transfers themselves; nor do companies, because the companies never know in whose name the share stands.

Q.—With their co-operation do you anticipate any legal difficulties?

A.—No. The members of the Exchange are bound by the rules of the Association but blank transfers cannot be abolished generally by executive order of Government, but the Stock Exchange can forbid them to their members. It would be necessary to enact in the Companies Act that transfers in blank are void, to abolish blank transfers outside the Exchange, and the Exchange contemplate Government action.

Q.—It has been suggested that we should levy a low *ad valorem* duty on the contract note.

A.—That, I think, is the only way of taxing if you want to tax speculative transactions at all.

Q.—Do you think there will be any great difficulty in forcing the Stock Exchange to adopt the use of an uniform contract note?

A.—The Stock Exchange, as a matter of fact, have agreed to do it.

Q.—Have they a rule under which it is optional to file a copy of the contract note with the Exchange? Would you compel them?

A.—They have no rule, but such a rule would be useful, and if the brokers make their clients pay the stamp duty on the contract note, they would not have any objection.

Q.—They would not break the law to favour their clients?

A.—No.

Q.—You do not see any real legal difficulty?

A.—There are no difficulties, legal or otherwise, which cannot be overcome so far as I can see. The Stock Exchange do not object and they are experts.

Sir Percy Thompson. Q.—What would be the advantage of filing a copy of the contract note with the Stock Exchange?

The President.—The idea is to prevent the evasion of the duty.

Sir Percy Thompson.—How would that prevent evasion?

The President.—You have something to refer to.

Sir Percy Thompson.—You might file a copy, but the copy would not bear a stamp.

The President.—But we know there is a contract.

Sir Percy Thompson.—I am sorry I cannot follow you. Suppose I have a contract note and it has to pay Rs. 10 duty. I do not put the stamp on the counter-foil filed with the Stock Exchange. How are you going to find out whether the original was properly stamped or not?

Witness.—Suppose the parties fall out, then it will come to notice that this particular transaction had been entered into and then probably you will come to know that it has not been properly stamped. You can check the counter-foils with the value of stamps sold.

Sir Percy Thompson.—Suppose you have contract notes filed in the Stock Exchange that ought to have paid Rs. 4,000 duty, but you have only sold Rs. 3,990 worth of stamps, how can you ascertain which particular broker is short?

The President.—You may paste the stamps across the dividing line separating the original and the counter-foil. You have to deface the stamps any way.

Dr. Paranjpye.—You could have duplicate stamps, stamps consisting of two parts. Rs. 10 on one side and Rs. 10 on the other.

Sir Percy Thompson.—Then I might put Rs. 10 on one side and not on the other. I put it on the side which has got to go to the Stock Exchange.

The President.—You make the stamps in such a way that you could not do that without defacing the stamp.

Q.—There is just one other thing. The stamp duty on transfers is 12 annas per hundred rupees. Now you want that to be reduced to 8 or 4 annas. What duty would you contemplate so that it might be provided that each transaction should have a transfer?

A.—Then you will be making the duty very heavy if you tax every transaction. I do not contemplate between settlement days taxation of all transactions.

Q.—You have a settlement day?

A.—Yes.

Q.—Is it not a simple thing to say everything should be cleared on that day?

A.—But you cannot prevent carrying over. The whole objection if you are going to impose a stamp duty on *badli* business is, the duty is too high.

Q.—Definitely clear up everything on settlement day. Surely you can carry over, but you use transfers.

A.—They can use blank transfers. They need in practice use none.

Q.—I understood you to say there would be no objection to using a transfer if the duty is reduced.

A.—Yes, that is the opinion of the Stock Exchange and the Enquiry Committee.

Sir Percy Thompson. *Q.*—The duty on transfers in Bombay, you say, is 12 annas, i.e., $\frac{1}{4}$ per cent, in England the duty on transfers is 1 per cent.

A.—But all the members of the Stock Exchange Committee were unanimous on the point that if you really do want effectually to enforce this stamp duty, you will have to reduce the rate.

The President. *Q.*—Then as regards court-fees, they are a great deal lower in Bombay than in the mofussil.

A.—You cannot make a comparison between the High Court and the mofussil courts.

Q.—It is cheaper to file a suit in the High Court than in a mofussil court.

A.—Yes. But I would have to pay more from the point of view of pleaders, solicitors, etc., in the High Court.

Q.—That does not come to the State.

A.—No.

Q.—As regards suits in the districts, have you any observations to give us about the way the fees are levied on suits which are under-assessed, such as suits for declaration. We are told a good many of them pay only a nominal rate.

A.—How are you going to value a declaration?

Q.—Are they not suits for value?

A.—But a declaration does not always result in consequential relief which can be valued.

Q.—Would it not be possible to frame a definition to differentiate suits for mere declaration from suits which would result as a suit for value?

A.—Yes; I think it would. As a matter of fact, it sometimes happens that judges find that a suit for declaration is an attempt to defraud the revenue and that the party is really suing for possession.

Q.—Is there an agency in the courts that looks after the interests of Government in this connection?

A.—The Clerk of the Court has to look through every application: then there is the opposite party who might take objection to the shortage in fee.

Q.—You leave it to the opposite side?

A.—There is the Clerk of the Court.

Q.—Is he an expert?

A.—He is supposed to be.

Q.—Would you like to have an audit of court-fees received?

A.—It might assist.

Mr. Wiles.*—An audit was made and little was realized.

Q.—Would it be likely to yield more revenue?

A.—I do not think that the suits are grossly undervalued. After all, if the right claimed is going to be of any value, it is going to be disputed and the opposite party will take objection to the valuation. Time after time I have had to frame an issue whether the plaint is properly stamped.

Q.—Take a somewhat similar case. It is quite a common thing that the result of an application for a succession certificate with regard to a particular debt governs the whole estate.

A.—All the debts have to be shown.

Q.—What I mean is, if a man gets his certificate with regard to the smallest debt, then the other parties will not oppose him with regard to the rest.

A.—Now all the debts which he recovers by means of the certificate have to be entered. Under the old succession certificate, of course, you had not to enter the debts to be recovered through the court. It was a general certificate.

Q.—You cannot enforce it legally. But, as a matter of fact, other people would not oppose if you take out a certificate as regards one debt.

A.—That is possible, but how are you going to stop that?

Q.—I am only giving you an instance.

A.—If people agree to pay without a certificate, there is no need to have a succession certificate. The law does not compel every one to take a succession certificate if debtors will pay without it.

Q.—They agree to pay on consideration.

A.—It is their right. The law allows them.

Q.—Are there any other points with regard to court-fees on which you can enlighten us? We were told in many places that the whole schedule wants re-casting.

*Who was present when the evidence was taken.

A.—I did not go into the matter before I came here. I know when the court-fees were raised, it was thought there would be a falling off in institutions. This is not the case in my district, at least that is my present information. It was non-co-operation, not court-fees.

Q.—We were told that there has been a large falling off. One suggestion made was that there should be a substantial increase in the rates for particular classes of suits; that suits should be classed into luxury suits and necessity suits.

A.—How are you going to define luxury suits?

Q.—Luxury suits will include such suits as suits for declaration, suits for restraint of powers, and suits relating to charitable and religious endowments.

A.—I do not think you can say that a suit for the declaration of a right is a luxury suit.

Q.—If you went through 200 suits, you can easily say which of them are luxury suits.

A.—I think it will be difficult to divide suits into luxury and necessity suits.

Q.—You do not find people of litigious character who enjoy putting other people into court?

A.—If they go to court, it is due to a dispute over a right transferred or a right infringed or challenged. If a creditor chooses to transfer a right, why should not he be allowed? Every man has a right to invoke a court to adjudicate upon a quarrel.

13th June 1925.

POONA.

Present:

Sir CHARLES TODHUNTER, K.C.S.I., I.C.S., *President.*

Sir BIJAY CHAND MAHTAB, G.C.I.E., K.C.S.I., I.O.M., Maharajadhiraja Bahadur of Burdwan.

Sir PERCY THOMPSON, K.B.E., C.B.

Dr. R. P. PARANJPE.

Dr. L. K. HYDER, M.L.A.

Mr. L. J. MOUNTFORD, C.B.E., I.C.S., M.L.C., Commissioner, Central Division, Poona, was examined.

Written memorandum of Mr. Mountford.

Q. 3.—There are no reliable figures in India on which we can base a real estimate of natural wealth. The bulk of the people have an income below Rs. 2,000 and are not liable to income-tax.

Q. 4.—Would be most expensive and would involve detailed and inquisitorial enquiries. There are special difficulties also in the case of a continent with a high proportion of small agriculturists whose income varies from year to year with the vagaries of the season, and with very large numbers of depressed tribes. Within a score of miles from Bombay are thousands of *Katkaris* and *Thakurs*, whose civilization and standard of comfort is of a primeval type. Such numbers, whose income is extremely small and who support themselves on game and edible vegetable substance, would water down any estimates, and any estimates, even assuming they were absolutely correct, would therefore give no idea of "national" income. So, in any case it would be valueless.

Q. 5.—A census of production of industrial concerns is easy and not expensive. A census of gross production from agriculture is capable of an approximate estimate from our figures of crop returns, but would vary with very wide limits from year to year. For example, in Ahmednagar, a district of 6,594 square miles. The total land revenue demand is over 20 lakhs, yet in a bad year, and bad years are frequent in this area, only a few lakhs are collected and this shows the falling off in all agricultural incomes in such a year. Similarly, the figures will be susceptible of enormous variation in other scarcity tracts, which are mainly found in the eastern parts of the districts of Nasik, Poona, Sholapur, Satara, Bijapur, Belgaum and Dharwar.

For the shopkeeper class we have our income-tax returns only where the income is Rs. 2,000 and over, and the large majority of shopkeepers are below this limit. There would be greater accuracy if we lowered the income-tax to incomes of Rs. 500 as was formerly the case. Then we could get a fairly reliable return for all India.

Q. 6.—We should first see how this works.

Q. 7.—I doubt whether this would be very useful. In a large agricultural country that produces all its own raw produce, the vicissitudes of the season would make it impossible to make any annual comparisons.

Q. 8.—Most of the well-known books and treatises giving results of enquiries into the conditions of different sections of the people have already been listed in the Annexure. But it may be mentioned that a good deal of useful matter could also be found in the Land Records, Administration Reports under the headings—'Trade and Industry', 'Prices', 'Labour and

Wages', etc. It may also be interesting in this connection to see the various famine reports and to trace the present development of the famine measures now current, from which the item of 'relief works' is being gradually expunged—a fact indicating the increasing power of the masses to resist the effects of famine. Even if we add these to the list in Annexure C, it cannot be said that the material is sufficient to form the basis of an approximately accurate estimate of the incidence of taxation on different classes. Indeed, it would, in the first place, be necessary to define the different classes for which an estimate is to be attempted. This done, an expert staff will have to be engaged in making personal enquiries into the condition of the different classes in representative towns and villages.

Q. 9.—I consider that without a special establishment to examine account books or to make inquisitorial enquiries we could get no reliable data. With such an establishment, we must divide the classes into (a) agriculture, (b) professional, (c) manual workmen, and (d) officials. But this would leave out hundreds of thousands of depressed classes, *Mahars, Mungs, Bhangis*, inferior village servants, wild tribes and the like.

Q. 10.—An attempt was made to expunge the figures of 'non-tax' revenue (e.g., proceeds from penalties, from sale of waste lands, trees, etc.) from the total land revenue for collection for the Presidency for the years 1920-21 to 1922-23, and it was found that these 'non-tax' items amounted to about 4 per cent of the total land revenue demand of the Presidency.

Q. 11.—Similar items also appear in other revenue heads, e.g., 'Local revenue':

Q. 12.—No. The forests are worked commercially in one sense. In another sense, they are worked to assist the cultivator. Large revenues are surrendered to the cultivators in the vicinity of forests by free grazing or grazing at nominal rates, by privileges which enable cultivators to take material for agricultural purposes and the like. The Forest Code gives all details.

Q. 13 (a).—It should endeavour to make the department a commercial proposition as far as may be, after the convenience of agriculturists has been carefully observed, so that the department cannot be worked according to (a), (b) and (c). No.

I consider that as regards irrigation the advantage to the cultivator should be considered even though the undertaking proves a loss. If the wealth of the agriculturists which will supervene on the undertaking of large irrigational schemes is accepted as denoting an increase of the wealth of the State, as it should be, it should not be necessary to limit our irrigational schemes (as now under the orders of the Government of India) to those only which pay a substantial rate of interest.

In a scarcity tract a scheme that yielded 1 per cent, for example, would be a real paying concern; we should be saved the heavy losses by remission of land revenue; the heavy cost of 'famine' operations and the weakening of the population and stock.

Q. 14.—The public get good value for their money from (a), (b), (c), (d) and (e). I know nothing of (f). Every country is entitled to make a profit on providing the convenience of coinage.

Q. 15.—It is always a very low rate. It is fixed (a) on the capacity of the raiyat to pay, and (b) on the necessity of yielding a return. The report of the Irrigation Department shows the very small profit that is obtained. It is not a tax. I approve of (f) only, but the rate of interest should be kept so low as to make the rates easily paid. The return sought should be the advantage of the people and the State in general rather than the interest. A State cannot be run as a bank which advances money to make a profit.

Q. 16.—Yes. A betterment tax. The State should take 50 per cent of the increased value of land by instalments. But the land law will have to be altered to allow this as we have a 30-years guaranteed settlement.

Although under Section 55 of the Land Revenue Code we can charge extra rates for new water facilities, we cannot charge on the betterment of the land; this stands in the way of our irrigational schemes and a land tax law on improved lands benefiting from a new canal system should be introduced enabling the State to take 50 per cent of the betterment. On the Bari Doab Scheme in the Punjab, land increased in value from under Rs. 20 per acre to Rs. 400 per acre over an area of 60,000 acres.

Q. 19.—In all parts of India special taxes are employed for special areas (municipalities for example). There should be separate incidences shown: (1) large cities, (2) municipal areas, and (3) *mofussil* areas. (2) might be split up into three heads: areas with a population (a) of 80,000, (b) of under 80,000, and (c) under 40,000. We have small municipalities of 15,000 where resources are small, and taxation is therefore light.

Q. 20.—Yes, taxes which are earmarked for particular services must be distinguished from taxes levied for general purposes by the local body. The following is a list of taxes levied for general purposes and those levied for particular services:—

Taxes for general purposes.	Taxes for particular services.
1. Octroi .. .. .	.. Road tolls.
2. Terminal tax .. .. .	.. Water-rate.
3. Tax on house and lands .. .. .	.. Lighting tax.
4. General sanitary cess .. .. .	.. Special sanitary cess.
	Pilgrim tax.

Q. 21.—I consider indirect taxation is taxation whether voluntary or not, although, as it is more or less hidden, it is not so much complained of: the burden is increased on the tax-payer whether it is voluntary or not. Any procedure that increases the normal price of a commodity as supplied into the hands of the consumer is taxation. The favourite form in this Presidency of indirect taxation in a municipal area is octroi, and this is on food as much as on luxuries, and has to be paid.

Q. 22.—I see no reason for the distinction.

Q. 23.—All taxation whether of tobacco or other luxuries imposes an economic burden. If I pay £10 more a year by tax on tobacco, I have £10 less to invest, i.e., to spend productively.

Q. 24.—Entertainments should be taxed. They are luxuries. Railways should be looked upon as income yielding. So far as they provide a cheaper form of transport than can otherwise be obtained, they are entitled to charge at a profit. I would not put any tax on railway tickets.

Q. 25.—Difficult to answer. The communities I know, which should by religion abstain from tobacco and intoxicants, do not as a whole follow these tenets strictly, although some do.

Q. 26.—This would involve a very long thesis. Ricardo is well worth studying.

Q. 27.—Yes, except those who absolutely cannot afford to pay owing to their margin of comfort being too narrow.

Q. 28.—Yes. There should be no representation without taxation. But the idea that the people should only be taxed to the amount they desire is impossible. Human nature always wants to get something for nothing and also wants to get something better than the last. This is only a conversion of the idea that someone else must work for you free, and should next time give you better service. Such ideas are impossible to work in civilised countries. The average individual's opinion is opposed to taxation, he accepts it as a necessary evil, and if he gets the chance he would avoid it. It is for the State legislatures to impose such taxation as is necessary from the wider point of view of the general good.

Q. 29.—Both. But should follow wherever possible the line that the people object to least. In India people prefer indirect taxation.

Q. 32.—No.

Qs. 33, 34 and 35.—I consider there are other sources of taxation in addition to income-tax. I would add a tax on the profits of companies and succession duties.

I consider that income-tax is a sound system of taxation so long as it is graduated in incidence, and so long as it does not entrench too much on the individual's surplus as to limit his spending power, for, it must be recognized that if this limit is reached the trade of a country must decline. An extra Rs. 1,000 in the pocket of the individual is of more value than Rs. 1,000 in the treasury chest. The individual will spend

his Rs. 1,000 or invest it, and the result may be compared with the widening ripples of a pool into which a stone is thrown, as every merchant who receives the individual's custom will make more money. It is, therefore, essential to see that the income-tax does not reduce spending power.

I approve also of a tax on luxuries, and in this I include entertainment tax.

I consider that Indian income-tax can be increased. I would not distinguish between earned and unearned income. The subject should be encouraged to invest.

In India an income of £300 to £500 is far greater wealth than in England, firstly because the standard of comfort of the individual is lower in India than in England, and also because local rates are very low and never reach 50 per cent of his rateable value as is common in England. He has a larger margin. I consider, therefore, that the income-tax of 2.6 on an income equivalent to £300 onwards can be suitably raised (with suitable rebates. The first £100 of income should be free from tax if the minimum of Rs. 2,000 is maintained).

	Present.	Proposed.	England.
£			
300	2.6	4	0-6.8
500	3.12	6	3.3-12.5
1,000	4.7	7	10.8-18.8
2,000	7.8	10	17.22.7
5,000	11.5	15	28.30.8
10,000	14.6	20	38.39
50,000 and upwards }	32.9	40	50.50

A luxury tax is embodied in the fiscal policy of most countries and exists in India. Notice for example the duty of 30 per cent on motor cars. But care must be taken not to charge excessive customs rates which will reduce consumption to an appreciable extent. Two and two of the customs do not make four. The high customs duty, for example, on champagne in England has reduced its consumption.

Q. 36.—No. A small allowance of £25 is allowed in England for each person supported outside the family, and if names and addresses are given, the persons who are said to be supported by the payer can be verified.

Q. 37.—I do not favour super-tax. I would suggest that instead of super-tax there should be a graduated tax on dividends: and that after a 12 per cent dividend the State should take 10 to 25 per cent of the increase.

In recent years 50 per cent has been paid by many mills. Alcock Ashdown & Co., connected with ship-building and machinery, paid 100 per cent a few years back. Companies should not be permitted to exploit the necessities of a country, and I consider that 12 per cent is a dividend that would tempt investors to the fullest extent. I admit that a well-run company has a right within certain limits to make a large profit, but I think that the right should be limited to some extent as I propose. Too rigid a super-tax must drive a company to spend money somewhat freely on extensions, renewals and repairs, which can be carried much too far. I consider that if Government were to take a small proportion of all dividends over 12 per cent, there would be no attempt at evasion by such means. If a company could pay 20 per cent it would pay to the shareholders 16 per cent and to Government 4 per cent at 50 per cent or 18 per cent and 2 per cent at 25 per cent; 16 or 18 per cent is a good return to a shareholder.

Q. 38.—I do not think agricultural incomes should be taxed. Government receives land revenue, and the local bodies receive local fund cess of one-sixteenth of the land revenue (which can be raised to two annas per rupee) on every acre of occupied land. As already a contribution is made by agriculturists and *soocars* who hold land to the revenues of the country, and as this privilege has existed since our income-tax came into

force, I consider the holder of agricultural land should be exempt. Agricultural profits moreover are subject to such wide variations, especially in Bombay where we have the east of the Deccan subject to scarcity years, that the income would have to be calculated afresh every year. After a scarcity year, moreover, the question of refunds would be most difficult and complicated. I consider it most difficult to assess the profits of agriculture. The yields of individual fields in the same village vary according to the amount of energy and enterprise of the cultivator.

Q. 39.—I am afraid the estimate that the amount of income-tax levied on agricultural incomes above the subsistence level would be Rs. 15 to Rs. 20 crores is *prima facie* wide of the mark. In the first place, it is unsafe to make any such estimate without proper data, which can only be obtained by a close inquiry of the conditions in different provinces, which indicate a separate estimate for each province.

So far as the Bombay Presidency is concerned, an attempt was made in 1923 to frame estimates of the probable income-tax revenue from agricultural revenue (vide paragraph 4 of G.R. 195-B-Conf. of 12th June 1923). In the course of these enquiries, the estimate for the Central Division, the land revenue of which amounts to 1.4 crores, was found to be Rs. 7,80,000, i.e., less than 8 lakhs. If the proportion of probable income-tax revenue to the present land revenue be taken to be the same in the Presidency as in the Central Division, the income-tax revenue for the Presidency (land revenue 4.38 crores) would be about 25 lakhs, and at this rate for the whole of India (total land revenue receipts 36 crores) would be about $2\frac{1}{2}$ crores. But the Bombay ratio would not apply to India taken as a whole. Conditions in some provinces as regards the relation of agricultural income to land revenue are widely different, e.g., in Bengal with its permanent settlement. But this would at any rate indicate that the estimate of 15 to 20 crores quoted in the question is by far an over-estimate.

Q. 40.—I consider that the present limit of Rs. 2,000 is far too high. A merchant in the mofussil, who pays no land revenue and therefore no local fund cess, receives free schools, roads, *dharamshalas*, hospitals and the like. I consider the limit should at least be Rs. 1,500 but would prefer Rs. 1,000. It is bad for the subject to receive advantages for nothing, apart from the fact that it makes the burden unnecessarily heavy on others. A small income-tax on incomes of Rs. 1,000 would bring in a large revenue; and our largest source of taxation was on the Rs. 1,000 incomes.

I consider Rs. 1,000 fairly represents the cost of subsistence for an ordinary middle-class family consisting of a married couple and two or three children.

Q. 41.—It is an exaggeration to say the income-tax as at present assessed is a tax on honesty. There is no doubt that the system of having accounts of companies certified by chartered accountants has to a great extent reduced the scope of false accounts. On the other hand, I do not think that the present system of centralised control of income-tax is more efficient in this regard than the previous system.

Q. 42.—I am in favour of the issue of printed, bound and paged accounts, which alone should be evidence of a debt in a Court of Law. In Italy this has been the custom for many years. I quote from my pamphlet regarding debtor and creditor in Sind written 24 years ago:

"With such facts before us, it will be strange if some kind of commercial code cannot be made applicable to Sind as obtains in various parts of Europe. To say it is above and beyond the *Baniya* is absurd: our Specific Relief Act, Limitation Act and Contract Act are daily brought into operation by money-lenders to suit their ends, and a man, who can understand and bring to his aid the former, can understand anything. Whether or not special agricultural courts should be established to work the Relief Acts and Commercial Act is a question worthy of consideration. It would probably be found that four judges would be sufficient for the work, as suits would be far less frequent than at present, while the number of subordinate civil courts could be reduced."

"It seems absurd to allow Relief Acts to be worked by the ordinary subordinate civil judiciary, who for so long have looked upon equity as beyond the scope of their jurisdiction, and this view is borne out by the replies I received from the Subordinate Judges of the Province, who in the first fortnight of the Relief Act were still allowing 37½ per cent and

24 per cent on mortgage bonds. Whether or not this is remedied, I do not know; but I have their autograph letters for perusal, if the statement seems incredible.

"Power to go behind the bond and scrutinise debts as is allowed under the Relief Acts is meaningless at present. It cannot be exercised by our subordinate courts. It is as useless as an empty gun. Our subordinate courts have not the mind, nor the training, nor the sympathy to go into the debts, nor, having all this, have they the knowledge. Very few, if any, can read *Baniya* character, and to detect forgeries and fabrications in any system of accounts, English or Native, a little more than a scanty knowledge of the character is necessary. Hence, the suggestion of the four Special Relief Subordinate Judges for this work, unless it is ordered that the clumsy and uncouth *Baniya* character be replaced by Arabic-Sindhi, a measure which would be unwise, if as few *Banias* know the latter character as they say. But, perhaps, this ignorance is feigned.

"A great deal has been written on the indebtedness question: so much, indeed, as to provoke a retort that this pamphlet is merely vain repetition of what has been said elsewhere. But in all the reports to Government, I believe I am right in saying that no one has ever suggested that the *Baniya's* accounts should be reformed, or, suggesting this, has laid down practical suggestions. This is the more remarkable because, granting the necessity, the remedy appears so simple to anyone acquainted with the money-lender and the methods employed by him and the weak points that he finds in our law. We must first of all lay down that, as unregistered documents are not evidence to prove sale of land of over Rs. 100 in value, so unbusinesslike books shall not be produced in a Court of Law in a suit on a debt. It will then be necessary to lay down what a business book is, and having done this, to take measures to prevent fraud and fabrication, for the money-lender will not readily forego the facile profits which he has enjoyed so long.

"It will be first of all necessary to interpret Section 34 of the Evidence Act strictly, and to allow claims to confidence to those books that are entered up from day to day, and to consider that these only are regularly kept in the course of business. (I.L.R., 10 Cal., 1024). At present, the *roznama*, which is entered up two or three months, or even later, after the original transaction, has no right to be produced, even to refresh memory in a Court of Justice, while the account ledger, with its casual entries and its slipshod methods, is equally worthless.

"We have therefore to secure the maintenance of business books and, in view of the frauds that are practised, to secure those books from subsequent manipulations of an unscrupulous money-lender. In a country where the debtor class are notoriously ignorant, laws must be passed for their protection in the same way that in England laws have been passed to protect minors, seamen and others.

"Every account book must, therefore, be purchased from Government. It will be numbered, dated and paged and totalled by a responsible official, and entered in a register. No erasures or insertions will be permitted, except as notes, and no alterations which obliterate the original entry, as is now the custom. An index must be kept. At present, if an index is maintained whereby an interpolated account could be detected, it is always destroyed when the ledger is produced before me. At the close of each year, the account ledger must contain an abstract of all dealings, copy of which is to be sent to the debtors. The abstract will show the number of the account of every debtor in the ledger, the amount of principal, of payments and of interest, and will be endorsed by the officer who is appointed by Government to superintend such books. Whether he is to be an existing official or not can be subsequently determined, but verification fees would go far to pay for a specially appointed officer. No account which does not appear in the abstract and tally with the description therein shall be accepted in a court of justice, and all acknowledgments of accounts must be attested by at least one literate zamindar and not by the *Baniya's* relations or neighbours, as at present. The 'verifier' is not responsible for the correctness of the totals as his time is limited.

"Each year a new ledger must be employed, starting with the abstract of the last ledger. This will prevent the insertion of fair copies or spurious accounts in old ledgers, which is one of the features of the *Baniya's* account system at present, when he produces his books before a court that has power to scrutinise the original debt.

"The *roznama* must be closed and totalled daily. Even if the *Baniga* does this nominally, it will prevent a great deal of fraud, as insertions and additions will be more difficult, and the closing and totalling will prevent any alteration. Of course, a *Baniga* may write up his *roznama* at the end of a few months in daily totals, but his fabrications will be limited to those months, whereas at present there is no limit as he can correct his totals or not even total his *roznama*. The same rule as regards corrections, interlineations and erasures will apply.

"The *roznama* will be numbered, pagged, and the page total duly endorsed before it is opened. This will prevent insertion of pages, concealing spurious *roznamas* and writing up fair copies as at present.

"The *roznamas* will be closed with an abstract each year, or earlier, if a partnership is wound up, and will be duly attested by the official.

"The maintenance of a *roznama* will be compulsory for cash items, and in the case of grain dealers a day-book, showing the grain transactions each day, must also be written up.

"No suit on a debt will be allowed in a Court of Justice if these conditions, both as to books and abstracts, are not strictly complied with. They impose no restriction on an honest money-lender; on the contrary, they will be gladly welcomed by him, as it will make it all the easier for him to prove his debt with the least trouble possible.

"Every bond that recites consideration must quote the ledger and *roznama* in which the item occurs.

"Every payment must be entered up in the *roznama*. At the close of each year, a balance sheet must be filed, showing the receipts and payments of the year with reference to the serial number of the account and the number of the day-book.

"By such a system as this, all interpolations will at once be prevented, and we have the precedent of France, Italy, Spain, Russia, Germany, Austria and Greece to enforce on the money-lender the maintenance of proper accounts. In those countries, the trader must keep a day-book, letter file, balance sheet, showing his complete assets, the debts due to and the debts due by him with the value of each debt. The day book and the debts due by him with the value of each debt. The day-book titled, and sealed each year by the Commercial Court or the local Mayor. If these regulations are necessary in Europe, they are far more necessary in a country where the agriculturist cannot read or write and keeps no pass book or private account, and where, therefore, the history of the transaction can be easily concealed by the money-lender. Chapter III shows how necessary such a Code is in Sind.

"Such are the legal precautions I would recommend in the way of bridling the private money-lender. It may be argued that in England the law does not interfere with the accounts of private money-lenders; but there it is a trade of very little importance, while here it is universal. If such restrictions drive the petty money-lender out of the trade, so much the better, as he has to make exaggerated profits out of usurious interest and fabricated accounts in order to make up for his deficiency of capital.

"An abstract of a commercial code that should be applied in order to enforce the correct keeping of accounts has been given at page 122 of my Administration Report for the year 1899-1900, and I repeat it here for facility of reference:—

"1. Every money-lender must keep a day-book, which will show all cash items on the credit and debit sides, and every merchant shall keep a goods day-book to show all business transactions and every receipt and payment under any head. The cash and the goods day-book shall be balanced daily when transactions occur. The day-book shall be kept independent of any other books which may be required in the person's business. A money-lender who is also a merchant shall keep both books for both branches of his trade.

"2. No day-book, ledger or book of account other than those supplied by Government, and kept in the manner prescribed by this Act, shall be admissible in a court of justice in evidence of any item recorded therein. Every business person must submit annually to the *Mukhiarkar* an inventory of debts owed by and to him of whatsoever nature

and origin. The inventory must be closed by a balance sheet and statement of profit and loss, and must be entered and signed year by year by the party in a book opened for the purpose.

"4. The day-book, inventory book and ledger shall not be brought into use until each leaf thereof has been numbered and countersigned by the *Mukhtiarkar*. On the last page of the above-mentioned book shall be entered the number of pages comprised therein, and the *Mukhtiarkar* shall append to such entry his signature, duly dated.

"5 The day-book whether of cash or goods must be presented once in every year before the *Mukhtiarkar*, and shall be *visad* by him immediately below the latest entry therein. The ledger shall likewise be produced once a year, with an abstract of all accounts therein, showing the debit and credit totals and the balance due on each.

"6. The above-mentioned book must be kept in order of date and sequence, without blank spaces, interlineations or marginal alterations. No erasures are allowable, and where any corrections may be necessary, it must be made in such a way that the words struck out shall be completely legible.

"7. Whoever makes a regular business of trading in money or credit must, at the close of each year, make up the account of every person who has dealt with and has become his debtor, and within three months from the close of the year must send to such person an extract in writing, showing not only the total due, but also how the total has been arrived at. Whoever wilfully neglects to comply with this regulation shall be punished with fine which may extend to Rs. 100, and shall lose his claim to interest for the part of the year on all items which ought to appear in such extract.

"8. Every possessory mortgagee shall forward to his debtor, through the *Mukhtiarkar*, at the close of every year a statement showing the assessment levied, the expenditure and the outturn on the mortgaged land, and the amount carried forward against the debt, and at any time the mortgager shall be allowed to sue for an account and to apply to the civil court to fix the instalments for redemption of the mortgage debt."

Q. 43.—I am strongly opposed to the present day idea that the subject should be the assessor of his own taxation. Such a scheme would not work. The employment of non-official assessors and commissioners in India is not at all desirable. It would only give additional scope for speculation and fraudulent practices, and it would be impossible to get an impartial non-official assessor as all are interested parties. The growth of civic spirit which can successfully stand private and individual temptations, is not yet sufficiently advanced in India or any other country.

Q. 44.—I do not think the objection counts for much. There may be cases of preferential treatment, but income-tax-free dividend saves a great deal of investigation and is better for the State as no dividends escape payment. I prefer on the whole that dividends should be paid after deduction of tax.

Q. 45.—Yes.

Q. 46.—"Incomes derived outside India" should be liable to taxation if enjoyed in India. The justification for income-tax is, I consider, based on the fact that the subject must pay for the protection and good Government that enables him not only to earn but to enjoy an income.

Q. 47.—The present system has on the whole worked satisfactorily and is understood, and there is no case for any change. The three years assessment is troublesome, and occasions many demands for refund. A claim for refund where the previous year's income is the basis is easier to decide.

Q. 96.—Without referring to text-books I would define a tax and rent as follows:

Rent is that amount paid either in cash or kind to the owner for enjoyment and use of property by a third party, which is determined by the public demand for such enjoyment and use.

Tax is a contribution levied on an individual's income the amount of which is determined according to the requirements of the State at that time.

In the case of non-agricultural assessments the rate demanded by the State is gradually approaching the definition of rent. On non-agricultural land the latest rule is to charge half the full market value of the land as a rent-free holding as occupancy price and 6 per cent on the remainder as rent.

In the case of assessment on agricultural land the assessment is in the nature of a tax and not of rent.

Land tax is a tax on the profits of land. Government as owner of land under Section 37 of the Land Revenue Code does not take full rent from the occupier, but charges assessment on agricultural land observing the principle laid down by Lord Elphinstone that assessments must be light.

Our assessments as shown in revision settlements are often only one-fifth of the rent which the owner derives from the land.

Agricultural assessments are based upon a share of the net produce and are to a great extent empirical and are based upon general considerations. To charge on the gross produce would be to place an undue tax on energy or industry.

While the Government of India has laid down that the maximum up to which assessment should be charged is 50 per cent of the net assets, it is not bound by such a figure nor under our present law can it be held down to any definite limit. The Saranpur Rules of 1855 lay down that one-half of the well-ascertained assets is the share to which Government is entitled.

In actual practice I do not know of any case where in this Presidency we take 50 per cent of the net assets. In our revenue settlements we find that the assessment bears a small proportion to the rent the tenant pays to the landlord. This rent varies from $2\frac{1}{2}$ to 7 times the actual assessment.

Q. 97.—The assessment should be such that it can be paid by the cultivator without difficulty over a term of years. He can either work the land himself and receive the profits of the tenant and of the landlord, or he can lease out the land. When he finds the rent is sufficiently lucrative to save him the trouble of labour he ceases to labour and lives as a landlord. The landlord pays assessment and he charges the highest rent that the agriculturist can pay him. If the assessment were doubled, he could not charge more rent, and if it were reduced, he would not charge less rent.

Q. 98 (1).—The first criticism is not correct. All our settlements are based on the ability of the raiyat to pay. The falsity of such a statement is proved at once by land sales which are usually higher than 50 times the assessment (see Q. 104).

Q. 98 (2).—The second is a half truth as there is a guarantee of a settlement that shall be for a term of years not exceeding thirty. If it is meant that there is uncertainty which perplexes the owner of land, the falsity of this statement is shown by the fact that land sells under our 30-year guarantee at a very high figure and that the rate is shown in our revised settlements to be steadily rising considerably over by rate of the past settlements. For instance, in the taluks of Raver and Yaval (East Khandesh), which are typical of concentrated cotton cultivation, the figures are as follows for the average values and rents per acre for all classes of land, good, bad and indifferent:—

Period.	Raver.		Yaval.	
	Land values.	Rents.	Land values.	Rent.
1888-90	Rs. 48	Rs. 6	Rs. 34	Rs. $4\frac{1}{4}$
1910-14	165	10	170	$8\frac{1}{2}$

This shows that in twenty-five years land values increased fourfold and rents doubled. In Dhulia taluk, another typical cotton tract, land values increased threefold and rents doubled during the twenty years prior to

1918. In Sampgaon taluk (Belgaum district), which grows cereals as its main crop, land values increased threefold during the thirty years prior to 1913.

In the non-cotton tracts also the same movement was going on. Land in the essentially cereal-growing tracts of the Ahmednagar and Parner taluks (Ahmednagar district) went up to double and treble its previous value during the thirty years preceding 1916; while in the Shevgaon taluk of the same district, which had begun to grow cotton on a fairly extensive scale during that period, land values increased fivefold. Even in the rice area of the Ratnagiri district land values more than doubled themselves between the years 1897 and 1914.

Q. 98(3).—The third cannot be seriously meant. The raiyat knows what he has to pay. He gets a notice of demand; he has his receipt slip and gets receipts. He can at any time inspect the record of rights and see what he has to pay. The Government officers call up raiyats to the *chavadi* and inspect their receipts and question them, and safeguards are taken in India that are unknown in any other country.

Q. 98(4).—The assertion that 20 per cent of land revenue is spent on collection alone is not correct. The real percentage for the Central Division is about 10 per cent even on a liberal estimate of the cost. It is arrived at in this way. The total gross land revenue in the Central Division is about Rs. 1,50,000. In estimating the cost of collection of land revenue I have taken into consideration the full amount of the pay of *Talatis* and *Kulkarnis* and two-thirds of the pay of *Patels* and *Mahars* in cash, and one-tenth of the gross charges on account of the pay, etc., of *Mamlatdars*, Deputy and Assistant Collectors and the clerical establishments in the district. We thus get approximately a total of Rs. 14,86,000 which works out to 10 per cent.

Q. 99.—These so-called temporary settlements are not based solely on prices. There are also other factors taken into account, e.g., rents, value of land, progress of communications and other facilities, etc. It is not understood how prices (i.e., one of the factors taken into account) lead to an amount of inequality. The ordinary everyday fluctuations in prices do not affect the settlements in which the general trend of prices is taken into account over a run of thirty years.

Q. 100.—I do not favour taxation of agricultural incomes. Any exemption would induce fragmentation of holdings to come within the limit.

Q. 101.—No. I cannot approve of a tax on mutations though there is no objection to a tax on transfer by sale, mortgage, etc. Mutations include changes resulting from other causes as well. Partitions among Hindu families are the first cause, and we cannot change the Hindu religion.

"Every holding* becomes subdivided when the cultivating proprietor dies and leaves more than one child, and as the whole face of the country is open and without hedges, the division is easily and speedily made. Thus the field map which fairly represents an estate one year will never fairly represent it five years after: in fact, we might almost as well attempt to map the waves of the ocean as to field map the face of any considerable area in any part of India."

In any case, I do not think a tax on mutation would check fractionisation. The only effective way of checking fragmentation of land would be by making a radical change in the ordinary Hindu Law of Inheritance.

Q. 102.—I strongly support this theory which is directed against individual exploitation of State resources, the value of which has increased through the good administration of the State, which should therefore share in the advantages which it has conferred. So far as the Presidency proper is concerned, the question is more or less of an academic interest as there are no considerable areas of waste land likely to be brought into new irrigation schemes.

Q. 103.—No, it is always open to the local authorities to impose additional rates for local needs.

*Agricultural Progress in Western India, by Mr. G. Keatinge, C.I.E., (Chapter IV, page 67.)

Q. 104.—The true incidence of land revenue as affecting the persons who pay it can only be determined by a comparison of the land revenue with the actual sales of revenue-bearing land and with the actual leases. The following are the details of some of these taken from recent settlement reports:—

District.	Taluk.	Sales (No. of times the assessment.)	Rentals (No. of times the assessment.)
Sholapur	Sangola	91.61	5
	Pandhaopur	91.78	5.12
Ahmednagar	Kopergaon	62.90	4.68
	Saugamner	71.74	6.87
	P. Jamkhed	52.99	5.5
	Karjat	27.17	2.97
Eve Khandesh	Paehora	92.62	7.17
	P. Bhadgaon	88.85	6.45
	Raver	127	6.24
West Khandesh	Yaval	180	6.42
	Simdkheda	97	5.85

Of the methods enumerated, I prefer (3) and (4).

Q. 105.—We have practically no minerals in Bombay except salt.

Q. 106.—Yes. The tax should be on a graduated scale. Local conditions require different taxation, and I would make the schedule as wide as possible.

Q. 107.—According to item No. 8 of Schedule II attached to the Scheduled Taxes Rules, a terminal tax cannot now be imposed by a local body which did not levy octroi before 6th July 1917 without the previous sanction of the Governor-General. This seems unnecessary interference. It would therefore be better to omit item No. 8 of the said Schedule and to change item No. 7 which now provides only for 'octroi' to 'a terminal tax or octroi'. It would also be better to provide specifically for 'fees for temporary use of land' by insertion of a new entry under item No. 11. In the same way 'pilgrim tax', which is now actually levied at several pilgrim centres under Section 59 (X) of the Bombay District Municipal Act, should be expressly provided for in the Schedule, and the item in regard to it can conveniently be made sufficiently comprehensive by wording it so as to make it include a surcharge on railway tickets, which is more convenient to recover than a pilgrim tax. The item should be worded as 'a pilgrim tax either by means of a surcharge on railway tickets or otherwise.'

Q. 108.—Taxation to be effective must not run counter to the wishes of the local body. Each of the taxes—octroi, house tax, land cess,—has its own defects. Octroi, for instance, often acts as a transit duty unless refunds are paid fully and promptly and easily. At present the procedure is complicated, and the delay is considerable. House tax cannot always be apportioned to each individual's ability to pay. It is a tax on a particular form of property and has to be assessed with reference to the property. Such property is not necessarily an indication of the individual's means. Land cess leaves untouched the professional classes, e.g., the pleaders and the money-lenders, who enjoy the use of the roads, schools, *dharanshalas* and hospitals without any payment to the local rates. In spite of these defects, none of these taxes can be discontinued.

Q. 109.—Mr. Armitage Smith's criticism of octroi is correct. More supervision and more local interest is needed. But it must be borne in mind that the system of octroi as administered by the municipalities in the Bombay Presidency is not as bad as it at first sight seems to be. So we cannot say that all the evils described in the quotation are necessarily inherent in the system and not inseparable from it. Municipalities differ in their methods and in their efficiency of administration. If proper care and supervision is exercised, the evils of octroi can be minimised.

Terminal tax is essentially a light import duty on a limited number of articles without refunds, and as such does away with the main evils—delay or omission of refunds.

The liability of evasion, varies with local circumstances and methods employed. Where there is no proper supervision as in small municipalities, evasion is very common. The octroi *Nakedar* is of indifferent honesty.

Q. 110.—The reason for the retention of octroi in parts of India is that the people prefer it to a direct taxation. Its incidence is gradual. This reason is still operative.

Q. 111.—Unless Government can find the necessary funds to keep roads in good repair, tolls which would enable this end to be attained are justifiable; otherwise not. The growth of motor services in the Presidency demands good roads. I know cases where a man can travel 60 miles for Rs. 1-8-0 in a public car; and districts where there are services on all the main roads. The worse the road, the more must be the transit charges. The minimum distance between one toll gate and another is and should be 20 miles.

Q. 112.—As regards recovery from the owner as opposed to the occupant, land cess should not be bracketed with house tax, as the former is collected with land revenue which is levied from the actual occupant or holder of the land. House tax can be levied from the owner as the owner can shift the burden on to the actual occupier in the shape of rent.

Q. 113.—Low local rates make it impossible for a local body to reach that standard of sanitation which is essential to the country compared with other countries. India is very lightly taxed, but we must feel our way gradually. Limitations are useful so far as they are temporary. I am aware of no statutory limitation of house tax. As regards land cess, it is a certain definite percentage of the land revenue payable. Until 1923 this percentage was 6.25 (1 anna in the rupee), and recently provision is made in the new Local Boards Act of 1923 for doubling this percentage, but so far, very few local bodies have taken actual advantage of these powers. This shows the general averseness of the local bodies to self taxation.

Yes. This limitation coupled with the tendency to avoid direct taxation often drives local authorities to the expedient of the introduction of an octroi, or an increase in the rates if it already exists.

Q. 114.—The limit of exemption from house tax in the city municipalities in the Central Division varies from about Rs. 5 annual rental value to Rs. 10 annual rental value—

Exemption from house tax.		AS.	rental value.
	Up to		
Nagar	10		
Bhusaval	15		
Jalgaon	6		
Dhulia	10		
Nasik	5		
Yeola	6		
Poona City	20		
Satara	6		
Sholapur	10		
Barsi	5		
Pandharpur	10		

information for city municipalities given in the margin. Such exemption limit is required for huts and smaller structures of the very poor classes. The fault of most municipalities is that they do not provide a satisfactory graduated scale so as to impose a greater burden on the richer classes, e.g., the Poona City Municipality levies house tax at the uniform rate of 5 per cent on the rental value. In the Nasik Municipality also the percentage 6 per cent is uniform and not graduated.

Q. 115.—On its market value for development purposes, I favour an undeveloped land tax which is now being considered by Government.

Q. 116.—In the Central or Southern Division there is no 'profession tax' or 'a tax on companies' as such. There is, however, a tax called cotton manufacturing tax levied by some municipalities in the Khandesh districts of the Central Division; but it has to be noted that it is not a tax levied on cotton at the stage at which it is manufactured or converted into cloth or thread. Strictly speaking, it is a tax on the export of cotton either ginned or pressed. The following are the details of the so-called

'manufacturing tax' as levied by some of the municipalities in the Central Division:—

Dhulia.—A tax (called on cotton bales) of 8 annas is levied on every pressed bale of cotton exported from Dhulia. Income in 1923-24, Rs. 42,000.

Amalner.—A tax (called cotton manufacturing tax) of 4 annas levied on every bale of cotton full pressed within municipal limits—payable at the factory premises. Figures of a year's income not available.

Paijpur.—A tax (called cotton manufacturing tax) of 4 annas on every pressed bale of cotton levied from owners of pressing factories. 1923-24, income Rs. 4,580.

Chopda.—A tax (called cotton manufacturing tax) of one anna (increased to 8 annas in March 1924) levied on each pressed bale at the time of pressing from the owner. Income 1923-24 (old rate) Rs. 1,042.

Fawal.—A tax (called cotton manufacturing tax) of 1 anna (since increased to 4 annas) levied on each pressed bale of cotton at the time of pressing. Income in 1923-24 at 4 annas rate Rs. 4,871.

Erundol.—A tax (called cotton ginning tax) of 4 annas per palla of cotton ginned. No figures regarding income available. This tax was sanctioned by Government on the understanding that it will not be extended to cotton converted into cloth.

Parola.—A tax on cotton ginned and pressed is levied at the rate of 4 annas per palla and 6 annas per bale. It is levied on cotton not pressed or pressed and exported. No figures of income available.

No complaints have been received about the levy of this tax.

Q. 117.—Grants-in-aid of local finances from the general revenues should certainly be ear-marked for particular forms of expenditure. There have been cases of such misappropriation, and if actual expenditure from such grants-in-aid is not closely watched, there is a tendency especially in struggling municipalities to draw the grant and use it for a purpose other than the one for which it was given.

The grants-in-aid should be in proportion to the expenditure incurred by each local body from its own resources for the particular purpose, as such grants-in-aid are meant to reward local efforts and expenditure. But there should be at the same time a recognition of the fact that poorer local bodies with smaller local resources must receive from Government larger proportional support.

Q. 118.—No remarks.

Q. 119.—I have already suggested a tax on profits. I do not approve of the others.

Q. 120 (i).—I do not think that a universal income-tax embracing every income and varying with the size of family is either practicable or desirable in the present state of India. It is also to be remembered that in India with its system of joint families and of several dependants round one wage-earner, it would be practically impossible to adjust any tax so as to make it vary with the size of the family.

(ii) The proposed levy of income-tax on agricultural incomes has been dealt with elsewhere. Succession duties are necessary. Security of inheritance is only rendered possible by good administration. No tax is advisable if the yield is small in return for the trouble it involves. Ricardo's theory of taxation is as true to-day as when it was written: Hence I rule out taxes on marriages. Tobacco monopoly I rule out, as State monopolies discourage private enterprise. There is already a tax on houses by local authorities. Apart from this, I do not think that it would be desirable to have a tax on houses in places where house property has been held to be exempt. Motor cars and other vehicles have already to pay customs duty, and they are along with other vehicles—subject to wheel tax and toll tax imposed by local authorities. I reject taxes on horses and servants, as the yield would not justify the tax. A tax on hotel leaves and arcu-nuts would be difficult to collect.

(iii) A tax on dowries necessitates an amount of inquisitorial inquiry which would be rightly resented.

(iv) There is no objection to a tax on advertisements which so often are disfigurements, to the imposition of death duties which are similar to succession duties, or to a tax on patent medicines. The proceeds of a tax

on race horses is not worthwhile. As regards universal inhabited house duty, *vide* remarks under (ii). As regards increment value duty, we have got a provision in the Town Planning Act, where 50 per cent of such increment values are taken from the owners of houses in a town planning area and the proceeds are utilized towards carrying out the improvements in the area provided for in the town planning scheme. I do not think that increment value duty for house property would be a practical proposition for provincial or imperial revenue purposes.

(v) There is no objection to a small export duty on hides and skins. I understand that one existed at any rate in 1920. The Argentine exports large numbers of skins to Europe, and we must see that the tax does not hamper our trade. A marriage duty of one rupee by each party would scarcely yield a considerable sum.

(vi) I cannot advocate the abolition of land revenue and substitute in its place a chimerical idea of produce tax. In the first place, it has not been shown that the present system is radically wrong or defective, nor do the difficulties in the way of produce tax seem to have been sufficiently foreseen.

Q. 121.—No tax on home produced tobacco. We already have a heavy import tax. We want to encourage our home tobacco.

Q. 137.—I consider there is no need to consider this in replacement of any taxes. Such duties should be levied.

Q. 138.—I accept all.

Q. 139.—(1) Tax should be graded.

(2) Untrue. What about our income-tax with its exemptions, or a municipal house tax with exemptions of poorer classes?

(3) Theoretical. I see no reason for collection by a Federal Government. A State can well manage its own affairs and can do so better without interference.

Q. 140.—The British system is as good as any, and could be introduced.

Annexure P.—The death duties are not correctly shown. 13,000 to 20,000 are 5 per cent. Over 20,000 to 25,000 are 6 per cent, etc.

Q. 141.—(a) I prefer this.

Q. 142.—There would be difficulties. It is dangerous to take analogies from England where the community is more advanced.

Q. 143.—Sir James Stephen's objection is of universal application and does not apply to India alone.

I leave other questions to the taxation department as they are mostly questions of detail.

Q. 160.—Yes.

Q. 161.—The present system of a surcharge upon land revenue in the form of local fund cess is fair and reasonable so long as it is coupled with a similar tax on non-agricultural incomes. Local rates should be borne by all and should not be imposed on one class of the community alone. The present system under which the local board depends principally on the surcharge is not satisfactory. There is already a limit, *viz.*, up to 2 annas in the rupee imposed by law upon this surcharge—*vide* section 93 of the Local Boards Act.

Q. 162.—Answer in affirmative.

Q. 168.—The land revenue establishment is a misnomer. It is charged with the administrative, magisterial, fiscal and executive functions upon which the whole fabric of Government is built. It is true it has been relieved of income-tax work since 1st April 1925. But this makes very little difference, and even now the recovery from defaulters will still have to be done by the revenue department as in the case of all other taxes. Besides collecting land revenue, the revenue department has to arrange for the recovery of irrigation dues, forest grazing fees, *abkari* revenue, tolls, local-fund cess. In addition to these, the recovery of death duties, if and when they come to be imposed, will apparently have to be taken over by the revenue establishments. I am emphatically of opinion that the present staff is not adequate for the volume of work that has to be performed.

It was severely retrenched in 1921-22. A *Mamlatdar* is in charge of a taluk of 500 square miles. He is Magistrate, Treasury Officer, Superintendent of the Local Jail, arbiter in village disputes and Civil Court Judge under the *Mamlatdars' Courts Act*. These duties are also shared by his establishment. He is responsible for law and order to the Sub-Divisional Magistrate. Every branch of the administration requires the assistance of the revenue department to carry on its duties. As stated by Government in paragraph 9 of G.R. No. 4488 of 24th July 1923, "The *Mamlatdar* is not merely a Revenue Officer. He is the recognized head of the administration of a taluk. His duties connected with land revenue are manifold and can be performed by no other officer. He has considerable work to do in times of famine, plague and war. There is not a single department that could carry on its work without enlisting the services of the *Mamlatdar*". And what is true of the *Mamlatdar* is true also of his establishment.

Mr. Mountford gave oral evidence as follows :—

The President. Q.—Are you the Commissioner of the Central Division?

A.—Yes.

Q.—Were you in charge of encumbered estates in Sind?

A.—Many years ago I was in charge of about 400 encumbered estates. I had to take measures in order to liquidate the debts and improve the lands so that they could be made to pay.

The Maharajadhiraja Bahadur of Burdwan. Q.—We have got in Bengal what is called a certificate procedure for the realization of debts. Have you got any such system here?

A.—No. I had powers over the civil court. We have no certificate procedure here. I had powers to pass an award, and revise the decrees of civil courts. I carried out a settlement of the estates and was able to make them pay. I even had to perform the *batai* of the crops of some estates and got an insight into the incidence of assessment. I was able to make them all pay except a few.

The President. Q.—You say that any estimate of national income is valueless.

A.—It is too wide an enquiry.

Q.—In answer to Q. 5, you say that in Ahmednagar the total land revenue demand is over 20 lakhs, yet in a bad year—and bad years are frequent in this area—a few lakhs only are collected.

A.—Yes.

Q.—The incidence of land revenue per head is high and you have got a very much more liberal system of remissions and suspensions than in other provinces.

A.—We have to suspend from 13 to 14 lakhs a year in this connection. We cannot collect the arrears of suspension unless we get one good year every three years. If it becomes more than three years old, then it becomes a remission.

Q.—In that way you very much graduate the demand per head?

A.—Yes, I would like to say a few words on this point. When we fix the revision assessment we fix it on the assumption that the cultivator should be able to pay over an average of three years. Our idea is that the cultivator should set aside his surplus for lean years, but we find it does not work in practice and so we had to introduce suspensions.

Q.—The Madras system is based on average prices for the last 20 non-famine years.

A.—We also take into consideration among other things the trend of prices for the last 30 years; but at the same time we take into account the remissions and suspensions we have to make for bad years. We still maintain our revision assessment which is pitched low on the assumption that it will be an average assessment over three years.

Q.—You base your *annevari* on the cultivated area only?

A.—Yes.

Q.—That must mean a great amount of inspection.

A.—But it does not take a detailed inspection of a village to find out the actual area unsown unless there is an appeal against the fixing of *annevari*. It would be impossible to say exactly how much is the sown area and how much is unsown before the *kharif* season commences. The assessment is fixed in September and the *terij* not completed till December. If the area unsown is very large, say, 100 or 50 acres, we should measure it up.

Q.—Is the *annevari* estimate detailed?

A.—*Annevari* is not too detailed. It is taken on a general idea of the crop by the *Mamlatdar* in the first instance. He has to send in weekly returns of the whole of his taluk and so keeps in touch with the condition of the crop. He has to send in a statement of major and minor crops. An average is made on the sown and unsown areas. Whenever there is an appeal against *annevari*, detailed investigation is necessary. The statement in the Land Revenue Code Rules is merely given as an example to be followed.

Dr. Paranjpye. Q.—Suppose the normal cropped area is 1,000 acres. Only 500 acres are cultivated and the other 500 acres are not under cultivation. The *annevari* of the cropped area is estimated at 8 as. Will you bring down the *annevari* to 4 as.?

A.—If the *annevari* for the normal sown area will be 6 as. we would reduce the *annevari* to 4 as. only.

Q.—You will not reduce it to 3 as.?

A.—4 is our zero point. We take our assessment down to 4 as.

The President. Q.—Does any subordinate official go round for inspection?

A.—The circle inspector goes round, consults the people and puts down his own idea of the crops. That is checked by the *Mamlatdar* and it is again checked by the *Prant* officer. Then to a certain extent it is checked by the Collector. There is the tendency that the *annevari* should be less strict against the cultivator according to the nature of the past seasons. If past seasons were good, as we would be on the border line, we should be more strict. It is very difficult to say whether a crop is 5 as. or 5½ as. If the *Mamlatdar*, continued for a long time in a taluk, he would have all the details and we can proceed on his estimate. But in Government service there are bound to be transfers of officers. If a *Mamlatdar* is transferred from Khandesh to Sholapur, his estimate of the crop will be low. When I myself came from Sind and saw the *jowari* crop in Sholapur I estimated it at 6 as. which they called 8 as. If an officer comes from Gujarat to the Deccan, he will tend to undervalue the crop.

Dr. Paranjpye. Q.—Is there a transfer of *Mamlatdars* from one division to another?

A.—Not from Gujarat to the Deccan but the *Prant* officer and Collector are transferred from Gujarat to the Deccan.

The Maharajudhiram Bahadur of Burdwan. Q.—Does the *Mamlatdar* collect the revenue direct?

A.—No; it is collected by the village officers who remit it to the sub-treasury.

Q.—Does he deposit security?

A.—Only as sub-treasury officer.

The President. Q.—How do you pay the village officer?

A.—The village officer is paid from the treasury twice a year.

Q.—How do you pay the stipendiary village officer?

A.—He is paid every month. He is treated just like a clerk of the department.

Q.—Where have you got the system of hereditary village officers?

A.—In the Deccan and Konkan.

Q.—Are they paid or not paid?

A.—These village officers enjoy *watan* lands and are known as *watandar kulkarnis* and get a percentage of collections under the Wingate scale. The stipendiary village officers can rise up to a *Mamlatdar's* grade, which carries a salary of Rs. 350. In the case of *watandar kulkarnis*, we have been trying to commute their *watans* and introduce the staff of stipendiary village officers. A great deal in this direction has been done in the Central Division. The *watandar kulkarni* has got *watan* lands for which he pays a sort of quit-rent.

Q.—Can you prevent him from alienating his land?

A.—We can under the *Watan Act*. The *watan* brotherhood splits up into so many families that the remuneration from *watan* land is small.

Q.—Is it restricted tenure?

A.—No.

Q.—This land you give them instead of a salary?

A.—Yes.

Q.—That land descends to his son?

A.—*Watan* descends under the Hindu Law. The actual appointment is made by the Collector or the hereditary village officer under the *Watan Act*.

Q.—If the Collector finds that the man to whom the *watan* descends is worthless, can he remove him?

A.—Yes, he must appoint from within the family of that *watandar*. Sometimes these *watandars* appoint deputies and pay them, I understand, some salary.

Dr. Paranjpye. Q.—I have had some experience of this and I have found it a great nuisance.

A.—We are trying to abolish this system and we have succeeded in some cases where they have agreed to commute their *watans*. We have appointed in their places stipendiary village officers. We can move these people as we like, while it is not possible to do so in the case of *kulkarni watans*.

Dr. Hyder. Q.—You say: "I consider that without a special establishment to examine account books or to make inquisitorial enquiries we could get no reliable data. With such an establishment, we must divide the class into (a) agriculture, (b) professional, (c) manual workmen, and (d) officials. But this leaves out hundreds of thousands of depressed classes, Mahars, Mangs, Bhangis, inferior village servants, wild tribes and the like." Would it be convenient to bring these Mangs and others under one class, labourers?

A.—It is not possible to include the hill tribes under that term.

Q.—Do these Mahars own lands?

A.—Some Mahars have got their own *watans* in order to perform the duties of the village and also to assist Government servants wherever necessary.

Q.—What do you think of a profession tax such as a tax on money-lenders, lawyers, etc.?

A.—It is necessary to determine the incidence of taxation. Unless you make an inquisitorial enquiry, it is impossible to get data regarding all the professions. I am against any such enquiry for the purpose of taxation. I think it will be resented by the people. For other reasons also it is very difficult.

Q.—Among the professional class you can take up small traders and money-lenders.

A.—This will entail the examination of their account books. We have no idea as to what a man gets below Rs. 2,000. The examination of their books and so on will be an expensive matter without an adequate return.

The President. Q.—In answer to Q. 12 you say that "the forests are worked commercially in one sense. In another sense they are worked to assist the cultivators. Large revenues are surrendered to the cultivators in the vicinity of forests by free grazing or grazing at nominal rates. . . ." Are there any complaints with regard to grazing rights under your present rule?

A.—Under the present system our forests are not worked commercially. In the neighbourhood of our forests cultivators are allowed to take many things for agricultural purposes. They can take stakes for hedges, palm trunks for water courses, unreserved timber for building huts, cattle sheds, etc.

Q.—Would it be difficult to work your forests commercially?

A.—I am afraid it will not be liked by people. In Kanara we have got 3,600 square miles of forest area and we charge only 2 as. per head of cattle for grazing. It is not a commercial charge. On the other hand, private owners of grazing land charge 1 rupee per head of cattle.

Dr. Paranjpye. Q.—The large amount of remission is another reason for constructing protective irrigation works, though you do not get a good return on the outlay?

A.—Yes.

The President. Q.—In answer to Q. 19, when you say large cities, you mean capital cities?

A.—Yes.

Q.—They have their own Acts.

A.—I had in mind cities like Karachi, Ahmedabad and Sholapur. We have a few special cities which have no such Acts.

Q.—Have you got anything corresponding to notified areas?

A.—Yes.

Q.—A large number of them?

A.—A fair number.

Q.—What is the dividing line between a notified area and a municipality? Are the notified areas administered under the Panchayat Act?

A.—The Panchayat Act can be applied to any village. Notified areas are important villages at taluk headquarters and towns near railway stations, while areas with a population of 5,000 are classified as municipalities. In those places we try to have an official who can carry on the local administration. They are really exaggerated Sanitary Committees. Notified areas also impose taxes, but they are purely voluntary.

Dr. Paranjpye. Q.—You say in answer to Q. 15 that the water-rate in this Presidency is low. Is it not a fact that it is higher than in the other provinces?

A.—I say it is low from the point of view that it does not bring in an adequate return.

Q.—The Punjab Colony lands were absolute deserts before irrigation and still the water-rate is Rs. 10 only.

A.—You must take into consideration the fact that the cost of constructing a canal in the Deccan is much greater than either in Sind and in the Punjab. Here we have to blast rocks to make our canals and to build expensive dams.

Dr. Hyder. Q.—What is the rate you charge for sugarcane plantation?

A.—We charge Rs. 25.

Q.—This is an expensive crop which absorbs a great deal of water.

A.—Yes. It is charged three times more than other crops.

Q.—How many waterings do you give?

A.—It depends a great deal on the nature of the soil: a sugarcane crop takes about seven feet of water.

Q.—The rates on other crops are not so high?

A.—The charges are not so high on other crops. We have got a block system under which we allow only one-third of the area to be utilized for sugarcane cultivation, in order to prevent water-logging.

Q.—If a man agrees to pay the charges, do you allow him to carry on sugarcane cultivation anywhere?

A.—In certain places lands are liable to be water-logged. That is the reason why we have introduced the block system, by which one-third of the area is allowed for sugarcane plantation. In spite of the fact that we have restricted the land for sugarcane plantation, we have had water-logging.

Sir Percy Thompson. Q.—You say in reply to Qs. 33, 34 and 35: "I consider there are other sources of taxation in addition to income-tax. I would add a tax on the profits of companies and succession duties". And you develop that later?

A.—Yes. It is only a suggestion of mine that where the surplus was over a certain percentage, the State should take some share.

Q.—Then you go on to say that "income-tax is a sound system of taxation so long as it is graduated in incidence, and so long as it does not trench too much on the individual's surplus so as to limit his spending power". It is usually said that it limits his 'saving power'.

A.—I say 'spending power'. The saving power and the spending power are the same in this way: the spending power of a man who is left with a certain amount of surplus can be invested for the purpose of promoting the industry of the country. My point is this. The State takes Rs. 10 income-tax. The man might spend it on boots; the cobbler might spend it on clothes and so on, so that the Rs. 10 may become Rs. 1,000 in the end; but the State only spends it straightaway.

Q.—If they spend all, they are not much better off at the end.

A.—Every man would have made his profit on every single transaction.

Q.—If they all spend it, they are not much better off.

A.—The more a man spends, the more demand there is for manufactures.

Dr. Hyder. Q.—Suppose you break all the windows of this room. It will be good for the people who do business in them; but do you think that it is good spending?

A.—It is destruction rather than spending. My point is that if you make it impossible for individuals to spend any surplus, you will strike at the trade of the country.

Sir Percy Thompson. Q.—Coming to the graduation, I am afraid I do not quite follow it. Are you going to have a tax of 4 per cent on an income of £300 but allow the first £100 free, because if you allow the first £100 free, the average rate would be less than 2.6 per cent?

A.—I shall have 4 per cent on £200 and exemption of £100 right through.

Q.—Take £100 as equivalent to Rs. 1,500; that means you are taxing a man with an income of Rs. 2,000 at the rate of 4 per cent on Rs. 500 instead of at 2.6 per cent on Rs. 2,000, as at present.

A.—Yes; then 6 per cent on £400 out of £500 and so on.

Q.—On an income of Rs. 2,000 you now pay 2,000 times 5 pies: that comes to about Rs. 52. What would you do under your system if you had the first Rs. 1,500 exempt? The first Rs. 1,500 is free and you will only be taxing on Rs. 500 and at the rate of 4 per cent you get Rs. 20. That means you will be lowering the rate.

A.—I have no objection to having a low tax on smaller incomes.

Q.—You would have to make it 10 per cent to get the present rate.

A.—I see that.

Q.—Don't you think it is enough if you get your graduation by varying the rate; if you think of it, allowing the first £100 free is merely another way of getting graduation? When you have got it already by means of the different rates 5 pies, 6 pies, 7 pies, etc., have you not got all the graduation that you want?

A.—On the other hand, the public do like to have a certain amount of exemption even though their income is £5,000. It has been the principle at Home always. There we have the exemption even right up to £50,000.

Q.—You have one standard rate applied there. You don't have rates of 1s., 2s., 3s. and so on.

A.—I am in favour of a light income-tax on incomes in this country which are equivalent to £300; and I would not mind if my figures work out even less, so long as you make the richer people pay more in proportion.

Q.—It was estimated by the Income Tax Commissioner that if you reduce the limit of exemption from Rs. 2,000 to Rs. 1,000, you will only increase the assessable income by 2 to 3 per cent. That means the amount that you are collecting will be very little on the smaller incomes and it is hardly worth while collecting.

A.—I am surprised at the small percentage but I have not figures before me as regards the actual proportion of incomes of Rs. 2,000 and over to the incomes of below Rs. 2,000.

Q.—It does not differ very violently in different places. The figures given in Bombay tally almost completely with the figures given in the Central Provinces.

A.—But it will not affect the principle: that we should have a graduated tax and it should be as light as possible on the lower incomes.

Q.—I do not know. If you had too light a tax on the lower incomes, it is not worth collecting. You have all the trouble of assessing and collecting for very small results.

A.—I allow a rebate on the first £100 out of £300 and on the remaining £200 I propose a rate of 4 per cent. That amounts to £8 and I do not think £8, which is equivalent to Rs. 120, is a small amount to collect.

Q.—I agree so far as an income of £300 is concerned. But with regard to an income of £200 you are going to collect £2?

A.—It is £8 on £300.

Q.—True. But suppose the income is £200; the first £100 is going to be free.

A.—I begin with £300.

Q.—You are going to charge no tax below that?

A.—Yes, according to these figures.

Q.—Then you will make your limit of exemption Rs. 4,500?

A.—This was given according to the English figures I had taken from the Appendix and I should not object strongly to starting at £200. According to that with the exemption at £100, I should begin from £101.

Q.—If you begin from £101, what do you get for £200?

A.—I should get £4 on an income of £200. I should give a rebate of £100 and take £4 on the balance and that is equivalent to Rs. 60.

Q.—In answer to Q. 36, you say 'No'. That is you would not make an allowance for the children and other persons supported out of the incomes?

A.—The question was "Is it practicable without proceedings of an inquisitorial nature to make allowances for the number of persons supported out of particular incomes?" I say 'No'. It would not be possible to do so without proceedings of an inquisitorial nature. But we can make a general sort of allowance as in England for each person supported which, I understand, is given without enquiry.

Q.—I can assure you that there are minute enquiries made in England. To begin with, you allow £25 either for children or for dependent relatives. The dependent relatives are always verified by an enquiry and the children are verified by reference to the register of births and deaths.

A.—I do not say that an allowance of £25 should be made here. I only say that as in England some allowance may be given here.

Q.—Suppose a man says here "I have 25 children". What steps would you take to verify that statement? In England you can go and verify it from the register of births. But here you have no means of verifying at all.

A.—He must give the names and addresses of the persons in respect of whom he claims a rebate. In theory, I think the principle is perfectly fair.

Q.—I agree that the principle is fair. But there is no register of births and deaths. You have to consider whether you could work the thing in India without enquiries of an inquisitorial nature, having regard to the question of *pardah*, etc.

A.—Yes; I agree, it is difficult.

Dr. Hyder. Q.—Does not the chowkidar in every village keep the register of births and deaths?

A.—Yes.

Q.—Is it reliable?

A.—The Government of India bases its figures on it.

The President. Q.—Do your Public Health Officers find those registers satisfactory when investigating cases of epidemic?

A.—Yes; I think so.

Dr. Paranjpye. Q.—In cities, it is very unreliable.

A.—In cities, it is a different matter. I was going to say that it is fairly reliable in the villages; the Revenue Officers check the figures and I have known cases where Assistant Collectors verify the returns by the actual babies.

Sir Percy Thompson. Q.—With regard to the tax on companies, you suggest a tax on dividends in excess of a certain percentage?

A.—Yes.

Q.—They had a similar tax in America and Canada, and the question was carefully considered in England whether it might not replace the excess profits duty; but the conclusion was that there were too many difficulties in the way, and it was replaced by the corporation profits tax which is very like the Indian super-tax on companies. The difficulty if you are going to tax the dividends of more than a certain percentage, is that you can inflate the capital of companies. Instead of paying 50 per cent dividend on 100 lakhs you can pay a 5 per cent dividend on 1,000 lakhs.

A.—But then, will the investor put money into it to get 5 per cent only?

Q.—Why not? When the company proceeds to divide the profits, it sees that it has to pay a tax. It says "Why should we not multiply our capital by ten and pay 5 per cent instead of 50 per cent?" Everybody will then be in precisely the same position.

Dr. Paranjpye. You might base it on the paid-up capital.

Sir Percy Thompson. That would be most unfair. A company may have assets far in excess of the paid-up capital. It would be a serious handicap on the building up of reserves.

Dr. Paranjpye. You have got the income-tax.

Sir Percy Thompson. But this is a tax on dividends in excess of a certain amount.

A.—The difficulty is that you touch the later purchaser. Even when you invest money in the hope of getting 20 per cent return, you are very glad of having 12 per cent return. My idea was that a tax on the dividends of companies, which would not prevent money being invested, and also which would prevent a company exploiting the country too much, would be a tax that would be justified according to the principles of taxation.

Q.—I think there is a good deal to be said for the tax you suggest in principle. But you have to consider the administrative difficulties.

A.—I quite see the point about the doubling of the share capital. But at the same time I do not see how you cannot prevent the company from doubling the share capital merely to escape taxation. For example, if they wanted to raise another two millions for new buildings and machinery, it is a different thing, and that might be allowed only.

Q.—Suppose your assets are worth £2 consisting of one share. You simply make them two one-pound shares.

A.—We should watch that no company should be allowed to double its capital like that. It should only do so for new buildings, new factories and so on.

Q.—Supposing your assets are worth £2; why should you not double the capital?

Dr. Paranjpye. What is the idea?

Sir Percy Thompson. It might be to make the shares more marketable.

Dr. Hyder. Q.—Suppose you did impose a restriction that every company should state the reason why it doubles the capital; and suppose the company says that it is going to utilize the money for repairs and extensions, though it actually invests a small amount for this purpose but really increases the capital for the purpose of evading the tax. It says "My auditor values it at such an amount." How can you prevent that?

A.—My auditor will say "I do not accept that figure".

Q.—Then you will have the trouble of a difference of opinion between two sets of auditors.

A.—As I say, if the company spends the amount on more mills, more engines, etc., it will be justifiable. But if they intend to evade the law, we should certainly be able to find out whether what they give is a fictitious figure. Further, these companies are not very numerous in India. After all, the difference will not be much. There will be no objection to their doubling their capital for honest extensions of their business.

Q.—But if they spend a few rupees on such honest extensions, they may give you a very high figure.

A.—It must be carefully proved.

Sir Percy Thompson. Q.—Suppose you have a company with small capital, say £100,000. Its assets are far in excess of that figure, and it reconstructs with a capital of £1,000,000. Such cases were common during the boom in the Lancashire cotton trade, and are perfectly legitimate.

A.—I should be inclined to say that if it does not add to the producing capacity, the excess should not be allowed.

Q.—I will go a little further. Suppose this company sells its assets to another company and that company starts business with a capital of £1,000,000?

A.—In that case it would get out of the tax.

Q.—How are you going to prevent it selling to its own shareholders?

A.—We could not stop that.

Dr. Hyder. Q.—And if they capitalize their goodwill, how are you going to catch them?

A.—All the goodwill is due to their large dividends. I should still take the tax on the original capital share value. If they could prove that they are going to improve their producing capacity, it is a fair way of spending the surplus and it is for the good of the country. The difficulty is, as *Sir Percy Thompson* pointed out, when they sell to another company with practically the same people and the same shareholders, we must face such difficulties. All taxes produce extreme cases.

Sir Percy Thompson. Q.—Take the case of rubber companies. You do not get any dividends for seven years while the trees are coming into bearing. Capital is thus dwindling. Naturally, don't you expect big dividends at the end of seven years?

A.—Yes. It is only hard in the case of such companies which are building up. I think these difficulties can be got over. It will be perfectly simple for us to lay down a rule that we should take only actual dividends over a term of years. If the dividends spread over for a term of six years reach the taxable limit, we should begin the tax at that time.

Q.—I agree with you in principle. The only trouble is that this tax was tried in Canada, then in the United States of America, and it was abandoned as unworkable. In the United Kingdom again it was abandoned as unworkable. Every country came to the conclusion that you could not tax in any manner on the capital, but you should tax only on the value of the assets. That will mean a valuation of the assets every year. It was regarded as absolutely an impossible task. Again there are matters like the value of goodwill, etc.

A.—I am aware of the difficulties, but the thing is how to make these very rich companies pay a certain proportion to the people from whom they have drawn money. No doubt there are difficulties. But whether the difficulties that obtained in America and England would apply to India I cannot say. There is a small number of investors here. There are not the same difficulties in India as in England where they reconstruct companies three times a year.

Dr. Paranjpye. Q.—Is it not possible to have a tax on the nominal capital by means of a stamp duty? At any rate, we can thus discourage these bogus reconstructions.

A.—Yes, I agree. I think we could tax on capital; thus tax all the companies over a certain sum of capital.

Sir Percy Thompson.—We tax capital of companies at 1 per cent in England.

Q.—If you do that, it would act as discouragement to these bogus reconstructions.

A.—Yes.

Sir Percy Thompson. Q.—You have dealt in your note very elaborately with the ways in which you deal with money-lenders.

A.—Yes, the *Baniya's* books.

Q.—That might be very desirable on general social grounds, but do you think that you can really enforce it simply for the purpose of getting the *Baniya's* profits for income-tax?

A.—No, that was not the intention; it was to save the agriculturist from the exactions of the money-lenders. I would explain in detail. If this is an account book, it would be shaped like this: it is not properly bound at all, there is only a string tied across the top; he can insert in the middle, any other page, and he does so. He does so even in a day-book. Take an account book for 1914 and it contains very many blank pages. He can write any account up to day of 1914. It contains the "mark" of the zamindar who cannot write in many cases. The "mark" is attested by two of the *Baniya's* friends. Then the items are altered also. An old balance of debt is falsely written up as a cash loan on a false account. These are actual cases that have occurred. The day-book even is tampered with. False items were written up as cash lent: a grease spot ran through the *roznama*, yet every page where a false item occurred was free of the grease spot, and so the *roznama* entries agreed with the entries in the false account. This was facilitated by the fact that no daily balance was struck and so false pages could be interpolated.

Another case I would quote you is this. There was an old debt written in a book as a cash transaction. I had my own suspicions about this book and the date of the transaction was as far back as 1886. I was quite sure it was not a cash transaction at all. It was a balance taken from the old books. I took the account book and opened the binding. The *Baniya* had said that the book had never been restitched, nor rebound. On tearing out the binding I found there was a bit of old newspaper as a backing of the binding. That bit of newspaper described an Oxford cricket match and I found on it the name of Mr. C. E. M. Wilson. I know he was not playing for Oxford before about 1896. Therefore I at once came to the conclusion that the book dated from about 1896. If the same book had been stamped in the *Mamltdar's* office, there could have been no such mistake. He could not have interpolated a false account. Later, I found the actual account of 1886. It was a balance of an old debt swelled by high interest and not a cash debt at all.

That is why I say every account book should be purchased from Government. Such books cannot be called books kept in the ordinary course of business so as to come under the Indian Evidence Act. Yet they are so allowed although they are most irregularly kept. The account book will be numbered, dated and paged and pages totalled by a responsible official and no erasures or insertions will be permitted except as notes.

Dr. Hyder. Q.—It would place these transactions between the money-lenders and zamindars on a sound basis, and the Government also would get its due share if these books were kept in order.

A.—Yes.

The President. Q.—No action was taken on your report?

A.—Five points were taken up by the Government. I cannot say what the result was on the other proposals.

Q.—You gave us an estimate of income-tax on agricultural incomes for your Division. Can you tell us how that was arrived at?

A.—The figures were calculated by the Collectors according to my instructions. They are as follows: First to ascertain the average net income per acre, then to find out the minimum number of acres required to bring the income within the taxable limit. Then ascertain the number of persons with holdings above that taxable limit, from the district form No. 5 which gives all these details. There is no very great difficulty in getting these figures. But they are all rough. I cannot guarantee their accuracy.

Q.—On Q. 46, you say "Incomes derived outside India should be liable to taxation if enjoyed in India." Do you find any difficulty in ascertaining how much of these incomes are actually remitted from outside India?

A.—If it does not pass through any bank there will be difficulty. If it comes in the form of currency notes, there will be difficulty undoubtedly.

Q.—Would it not be simpler to tax them whether remitted or not?

A.—If it is not enjoyed in the country, it will be rather unfair.

Q.—If the man lived in this country and simply had an agent in Ceylon, you cannot prove remittance.

A.—Yes. My point is that we tax them according to the principle of where the head office is registered. The Barsi Light Railway has its office in Bombay and works in Sholapur, and is taxed in Bombay. I had the case of a pensioner who went to Baroda and drew his pension there and came to Poona and lived here on it for the rest of the year. We could not tax him. It is for that reason I say the real crux of the question should be how far by good administration a person is allowed to enjoy the given income. If a man is enjoying in India what he has earned outside, he should be taxed.

Q.—You say "In the case of non-agricultural assessments the rate demanded by the State is gradually approaching the definition of rent"?

A.—Yes, because we are nearly charging the full share of the profits.

Q.—You say "On non-agricultural land the latest rule is to charge half the full market value of the land as a rent-free holding as occupancy price and 6 per cent on the remainder as rent"?

A.—Yes, and as regards agricultural land, what we charge is a share of the rent. I believe a certain amount of significance is attached to the word 'tax' from which it might be assumed that the land does not belong to the State. It is laid down all through that the land does belong to the State.

Q.—Could you give us any reference in the Land Revenue Act?

A.—Section 37 of the Land Revenue Act.

Q.—That applies to public roads.

A.—I consider Section 37 lays down that lands belong to the State.

Q.—If you exclude all lands that are not property of the individuals?

A.—Because there are certain lands we have given out altogether called *inam* lands—on which we take no assessment at all. We only take quit-rent of other lands, the holder is only the occupant—Definition 16.

Q.—Section 37 excludes lands which are the property of the individuals. It is not confined to *inam* lands. That is defined as occupiers' lands.

A.—It is always held that the State is the owner of the property and the individuals are tenants.

The Maharajadhiraja Bahadur of Burdwan. Q.—Where you say in Section 37 about the occupier, you contend that it is only the occupier of *inam* lands or lands of that description.

A.—Yes.

Q.—You contend that the State is the owner of practically every other kind of land.

A.—Yes.

The President. Q.—Is it clear if we say that the term 'occupier' is confined only to *inam* lands?

A.—It depends on what significance you put upon the word "property."

The Maharajahkhiraja Bahadur of Burdwan. Q.—All the other land, you contend, is crown land?

A.—Yes, I mean which are not property of the individuals. The question depends upon what significance you would put on 'property' and 'possession'.

Q.—Supposing a zamindar who possesses the land—I use the words "possesses the land" purposely—and then gives it away in a permanent tenure, when he gives it away does he receive from his permanent tenure-holder rent or tax?

A.—It is rent.

Q.—Now you have said in the case of assessment on agricultural land, the assessment is in the nature of a tax and not rent.

A.—I would modify that statement. I say "in the nature of" because we are not taking full rent. If I had said a "tithe" it would have been better. We do not take full rent.

Q.—My object in asking you is this. If the State or an individual is the full proprietor of a particular field, he would take a share of the produce or a rent, but if he is not the full proprietor he takes a tax; therefore, how can you apply the canons of taxation to land revenue?

A.—It is a tax if levied upon properties which do not belong to you; and would be just like the State taxing the property of companies which does not belong to it.

Q.—I think we come back very much to the old point that in land revenue you have the elements of both tax and rent.

A.—I should like to be very clear that my views are not those of the Bombay Government.

Q.—I want you to know your own opinion.

A.—It is a very disputed point. I might quote Keatinge "Rural Economy in the Bombay Deccan", page 20. "The land revenue is a tax which has some of the characteristics of rent". Some say it has got the characteristics of rent, and others say that it has got the characteristics of a tax. On the whole, it can be said that when all lands are held from Government by tenants on a certain contract of 30 years settlement and where by law the tenant is estopped from disputing the right of his landlord, you can say that the land is property of the State. Therefore you can call it by any name, either a tax or rent. Sometimes it is not full rent, when you can call it a partial rent. The Bombay Government has always held that land revenue is a share of the rent. It originally started as a share of the produce. I would like to say why I say non-agricultural land is assessed to rent later on.

The President. Q.—That is applicable to agricultural land converted to non-agricultural use?

A.—Not entirely. It would apply even to the land in cities. We can take a full share of the profits if it is converted to non-agricultural use.

Q.—You do recognize the position that he cannot use in any manner he likes?

A.—Only with permission can he use it for non-agricultural purposes. If he does not do that he is fined. He cannot turn agricultural land into a quarry. We have got powers to refuse. If he applies, the law provides that we must give an answer within three months. If he receives no order, he may assume that he has got permission.

Q.—Coming to Q. 98 (4), you refer to the village officers. Have you any chowkidars in this part of the country?

A.—We have got *patels* the headmen of the villages. Our chowkidars are all low caste men.

Q.—In certain parts of India, for instance, in the Central Provinces, there are chowkidars, and a special tax is levied for the support of that class.

A.—We have not got any such thing here. There is no tax. The chowkidar is entirely in the hands of the *patels*. He has very often *watan* land and is chiefly paid by *balutha*. The villagers pay for certain services rendered in kind. They pay the village *joshi*, carpenter, village barber, etc. In fact there are 5 *baluthadars* in every village.

Q.—Are these enforced by law?

A.—No, it is enforced by agreement by a section of Watan Act.

Q.—It amounts to this, that you have a chowkidari tax but paid in kind.

A.—Yes. Inferior village servants are all menials such as the Mahars who have to carry the assessment to the Government treasury. They are the watchmen with various duties and are under the orders of the *patel*. He is often called the village policeman.

Q.—You have brought them under the budget?

A.—In some cases they are brought under the budget. It varies. In some cases they have *inam* lands. In some cases they are paid and in some cases they are not paid at all. I think it is quite possible that these might find place in the police budget. The emoluments of police *patels* come under the police budget.

Q.—In reply to Q. 99, you say: "It is not understood how prices lead to an amount of inequality." Are they not one of the main factors in your resettlements?

A.—Until we started our record-of-rights about 1903, they were a very important factor, but since we started our record-of-rights which gives us actual details of all leases and sales, we go far more on leases and sales.

Q.—Will not leases and sales of land rise with the price of produce?

A.—Yes, unless the rupee rose equally.

Q.—So that a district settled in 1925 would be settled on a basis of a much higher price than a district settled 30 years before?

A.—I would rather say the revision is based on leases and sales: our prices vary enormously from year to year, and the chief factor is the leases and sales of land. We find many leases in which the lease amount is five times the assessment, often more, sometimes less. You can assume that we can raise the assessment at revision, but we are not allowed to raise the limit beyond 33½ per cent.

Q.—Is it not a fact that the thirty-year settlements lead to considerable discrepancy between the proportions borne by the assessment to the rent in the more lately settled districts than in districts settled under the old settlement?

A.—I should say that the proportions have nearly been the same in almost every district during the last thirty years.

Q.—If you settle a district now and find it necessary to raise the rates by 33½ per cent, that means that the rates in other districts settled previously about the same time would be behind by 33½ per cent.

A.—Until they are revised, they get an enormous advantage by these thirty-year settlements.

The Maharajahdiraja Bahadur of Burdwan. Q.—I take it that your reasons for not favouring a taxation on agricultural incomes are twofold: firstly, the return from such a levy would be comparatively small, and secondly, any exemption which would have to be given under this system would increase fragmentation of small holdings.

A.—The latter is perfectly true: but I had other reasons than the former for objecting to income-tax on agricultural incomes. It is taxing industry. Side by side you may have two men; one might plough in good time and work hard, the other might be lazy; one might save really good seed for the harvest, the other might use up his grain and purchase absolutely bad seed; one man goes in for cultivation and stops the evaporation of the water from the soil, the other does not. The result of each varies according to his industry. In some parts a man ploughs once in 5 years, in other places a man may plough his land twice a year. Then again, I think the agriculturist is already paying rent and a local board cess, and I will not put any further burden on him.

Q.—One of the arguments against an income-tax on agricultural income put forward by a witness before us in certain province was that it would be a sort of double taxation on surplus: do you agree with that?

A.—I do not think that rent is entirely a tax and you must take the rent before you can get a surplus.

Q.—Do you think it would be a double levy if you take a rent as well as a tax?

A.—I consider that the agriculturist is a person who in a country like India, where we have such precarious years, should be given every encouragement. He has to go through very bad times and yet sticks to it; therefore, when he does get a surplus, he gets it in the interests of the country at large.

Dr. Hyder. Q.—It would be better, from the point of view of Government, to ride only one horse and not two; if the State is the landlord, it should be entitled to take the full rent, nothing more and nothing less.

A.—I agree.

Q.—Rent, as defined, is the difference between the selling price of the produce and the cost of cultivation of land on the margin of cultivation: in England, land is the property of private landlords who treat their tenants very liberally. The State, being in the same position here, can have the full rent.

Sir Percy Thompson. In England a landlord charges a tenant full rent: the tenant makes a profit equivalent to his rent and these are charged to income-tax, and the rent paid to the landlord is taxed also.

The President. Q.—Would you apply this economic theory to the *Baniya* who buys land and lets it out to tenants but never visits it himself?

A.—I would object to any discrimination in dealing with this matter. I know many *Banias* who have bought land and who cultivate excellent garden crops.

Q.—But you draw no distinction between the cultivator and the rent-receiver?

A.—It will be difficult. In Sind, we have big zamindars who get good income from land, but yet do not cultivate themselves.

Q.—But your reason for exempting the agriculturist was that he had to go through hard times: does that apply to the rent-receiver who invests money and gets his rent?

A.—He cannot get in his rent in hard times. The *Baniya* is already paying income-tax on his dealings in grain.

Q.—He is not paying income-tax on the actual produce of his land?

A.—No. I quite admit that there is a great deal to be said for taxing the capitalist who makes an income from land in the same way as he might get an income from the Stock Exchange but the distinction presents great difficulties.

Dr. Paranjpye. Q.—In the course of your answer to Qs. 33, 34 and 35, you say: "In India an income of £300 to £500 is far greater wealth than in England, firstly because the standard of comfort of the individual is lower in India than in England, and also because local rates are very low and never reach 50 per cent of his rateable value as is common in England." Would you tell us exactly what you mean by a local rate? In Poona the house tax is 5 per cent. If a landlord receives Rs. 100 as rent, he pays the municipality Rs. 5 and puts in his pocket the remaining Rs. 95. Isn't that so?

A.—No; he lets out his house for Rs. 105.

Q.—Does he include the tax in his rent?

A.—I think he does. I was told the other day by my Assistant Commissioner that recently the house tax was raised by Rs. 5 and he is now paying Rs. 5 more rent.

Q.—He might increase the rent, but on what does the municipality charge the rent?

A.—That depends on the vagaries of the House Assessment Committee; I do not know exactly how it is done. It is left to the municipality.

Q.—My idea is that if the house owner receives a gross rental of Rs. 100, he pays Rs. 5 out of that to the municipality and he receives Rs. 95.

A.—And the tenant goes on his way rejoicing!

Q.—If the municipality increases the tax, the house owner might increase the rent. I want you to tell me exactly the meaning of the word 'rate'.

A.—It is the rental value of the house.

Q.—Free of the house tax or not?

A.—I have nothing to do with it as Commissioner: it is the business of the municipality.

Sir Percy Thompson. Q.—Is there any definition of 'rental value' in the local Acts?

A.—I do not think there is.

Q.—When you define 'rent' and 'rental value' in England, you say that rent is that which would be paid year by year by a tenant doing repairs, etc., whereas in Scotland where the local rate is levied from the owner you make a deduction from the rent in order to ascertain the annual value.

A.—We have not got that definition here: we cannot interfere with local bodies in these matters.

Dr. Paranjpye. Q.—Would you kindly find out for us on what the municipality charges the rent?

A.—Certainly.*

Sir Percy Thompson. Q.—Do you think they will know?

A.—I do not think they will: they would have to refer to the actual proceedings of the House Assessment Committee.

The President. Q.—Q. 107: you say that according to item No. 8 of Schedule II attached to the Scheduled Taxes Rules, a terminal tax cannot be imposed by a local body which did not levy octroi before 6th July 1917, but I think you say somewhere else that a terminal tax must be levied at very low rates.

A.—Not necessarily very low: a terminal tax should be equal to octroi minus refunds. Therefore, the gross outturn should not exceed the net outturn from octroi.

Q.—Therefore, it must be levied at a lower rate than the octroi?

A.—Yes.

Q.—You say that "terminal tax is essentially a light import duty on a limited number of articles without refunds;" so, the rates must be lower than the octroi?

A.—If you get Rs. 10,000 octroi and you have to refund Rs. 3,000, Rs. 7,000 would be your net income from octroi and that would be the limit of the terminal tax.

Q.—Is it not necessary to guard yourself against a continuous rise of your terminal tax rates?

A.—If you once get sanction, you can raise them all right.

Q.—Would it not be desirable to have a maximum?

A.—These taxes are entirely levied by the municipalities themselves: they are an elected body and their constituents can, of course, object to their raising them.

Q.—But the people affected may not be their constituents: they might tax trade in transit through the town.

A.—There is that danger: but the people affected will complain. It would not be possible for Government to refuse the enactment of any municipal tax unless it is unfair in its incidence.

Q.—You have perhaps seen the argument that has taken place between the Bombay Port Trust and the Bombay Corporation.

A.—No; I have not the least interest in Bombay city.

Q.—They have now a limited number of town duties on articles consumed in the town: sugar, for instance. They are substituting for them an octroi on practically everything that passes through the town, including manganese.

A.—That is a transit duty.

Q.—They call it a terminal tax.

A.—It should only be levied on those articles intended for sale in the town itself.

* In Poona the house-tax is levied at 5 per cent of the rental value. The rental value is fixed on the basis of average rents of houses similarly situate. If the rental value is Rs. 100, the tax is Rs. 5. Rental value is shown at Rs. 100 and not at Rs. 105.

Q.—Is it not desirable to have some sort of control over the imposition of a tax which may develop into nothing but a transit duty?

A.—The Commissioner has power to refuse the taxes on certain articles: e.g., we do not allow articles that pay sea customs duty to be taxed again and all taxes require the sanction of Government.

Q.—You have no power to control rates? •

A.—Government can refuse to sanction objectionable rates.

Q.—Is it not the case that in some towns in the cotton area practically the whole of municipal taxation is on cotton?

A.—We get large incomes from cotton in our cotton areas on cotton bales, but not the whole of the income.

Q.—It is a considerable proportion of the municipal income.

A.—I should say that it is not a large proportion for a big town.

Q.—Is the cotton-manufacturing tax supplementary to the octroi on cotton?

A.—In very many municipalities we have no such octroi.

Q.—Do you have an import or export duty on raw cotton in addition to the manufacturing tax?

A.—I would not be quite sure: we look upon cotton as one of our chief fields of taxation in cotton areas.

Q.—Does not that amount to the country-side paying for the town?

A.—Not exactly, because otherwise instead of being able to get their cotton sold in the town's cotton market, they would have to get their cotton broker to come to the village. They would thus get less for their cotton.

Q.—Aren't you introducing a terminal tax in District Board areas also?

A.—Not at present.

Q.—Haven't you taken legislation for that purpose?

A.—I think it desirable to have the Schedule amended to allow us to do it.

Q.—If you do that, won't it be a transit duty, pure and simple?

A.—It may have dangerous results.

Q.—You suggest that it would be better to provide specifically for 'fees for temporary use of land': you don't need any entry in the Scheduled Taxes Rules?

A.—I was not sure how far Schedule II would cover that: municipalities and small bodies, e.g., panchayats, always derive an income from land in such cases as, for example, on the occasion of a marriage ceremony when a pandal or *mandap* is erected.

Q.—That would be income from municipal property?

A.—Yes.

Q.—Q. 108: you say that "land cess leaves untouched the professional classes, e.g., the pleaders and the money-lenders, who enjoy the use of the roads, schools, *dharmasalas* and hospitals without any payment to the local rates." Wouldn't you tax pleaders and money-lenders?

A.—I think they should be locally taxed. We had a license tax years ago in Bombay when all trades were taxed.

Q.—Nearly all provinces have something of the sort now.

A.—It is very essential that we should get local rates from them.

Q.—Would you not advocate a license tax or profession tax now?

A.—I would certainly advocate the license tax. The profession tax rather touches municipalities and not local boards: most of the pleaders live in municipal areas.

Q.—What about a profession tax for income-tax payers and persons carrying on professions in municipalities?

A.—I think the broad principle is that everybody benefited by the facilities provided by local bodies should contribute to them.

Q.—Is it not preferable to let the local board or municipality levy that instead of reducing your limit of income-tax?

A.—I would certainly leave the local boards to tax them. It has been proposed in one municipality to tax professions, i.e., traders, pleaders, etc.

Q.—Tolls: it has been suggested to us that tolls are not imposed on main roads, but only on minor roads; is that so?

A.—We have tolls on many of our main roads: we have removed them on the Poona-Bangalore Road.

Q.—The Chamber of Commerce told us that the Bombay Government have undertaken to abolish tolls on provincial roads.

A.—Our policy is to abolish them, and we have abolished them, as far as I know, on the most important roads.

Q.—Would you leave it to the local boards to impose tolls on minor roads?

A.—Unless Government have funds to keep roads in good repair, tolls must be maintained. Originally Government gave large grants to local boards to maintain their roads: they then said "We cannot afford to give you money, you can impose your own tolls." They again said that they would abolish tolls and they would find the money, but they did not, whereupon tolls were again introduced.

Q.—Is it not rather hard that the raiyat pays on his bullock-cart on the minor road, but the motor car driver does not? It has been suggested to us the Government should levy a tax similar to the English tax on motor cars and apply that for road purposes.

A.—If you have a road board that would spend money properly, there is much to be said for that. But tolls are a nuisance and they give rise to speculation. I should like to see them abolished.

Q.—Q. 115: you say you favour an undeveloped land tax which is now being considered by Government. Can you tell us in what stage the question is at present?

A.—I think Government are still thinking of it. The Commissioners did make a joint report and it was recorded, but this question is cropping up at intervals. Government are not against the proposal at all.

Q.—Do you think it is practicable?

A.—Yes, in large towns it is easily practicable. In smaller towns, it is not quite so easy.

Sir Percy Thompson. Q.—You think it is fairly easy in large towns: I should have thought that it would be most difficult in large towns.

A.—No, because in large towns, where there is a demand for buildings, you can get an idea of what the price of land would be. For example, in the middle of Shukarwarpet in Poona, there is a large area which could be built upon: it would be very easy to value it.

Q.—You are only going to tax land which is built upon?

A.—Which could be built upon but has not been built upon.

Q.—Would that not be a general tax on site value?

A.—It will come to that.

Q.—That will mean you will tax the site of all buildings?

A.—A tax on site value, I take it, would be a tax imposed upon vacant land in a street with houses on both sides or on all sides. You tax it on the situation value.

Q.—Of course it would be easy so long as you restrict it to such sites, but if you put a tax on all lands in a town whether built upon or not. . . ?

A.—I would not put this tax on land that is developed or built upon. I would tax land which is withheld but which is required for building.

The President. Q.—You say you have an increment value duty provided for in the Town Planning Act. Has that been worked at all yet?

A.—Yes. They are working it.

Q.—I thought we were told that it was worked only in one place, Bandra, where it broke down.

A.—It is demanded by various municipalities who are themselves in favour of it, Sholapur, for instance.

Q.—Have you actually collected any money?

A.—I think so in Ahmedabad and elsewhere.

Q.—Will it be possible to give us any particular instance?

A.—Yes.*

Q.—With regard to the machinery for collecting income-tax, you say the old system was better than the present system?

A.—Not better. I may have put my answer in a loose way. The last system was an improved system under the Divisional Commissioners. Some years ago the Divisional Commissioners took up the question themselves and appointed their own staff and had it scientifically trained by the Income Tax Commissioner, Bombay. They improved the collections enormously, and the collections went up three or four times what they were before. But recently the work has been taken over from them and entrusted to an expert staff, but the collections have still to be done in the mofussil by the revenue staff; they have not yet got up their own collecting agency in the mofussil.

Dr. Paranjpye. Q.—You send the revenue staff a notice that such and such an amount has to be collected, and they collect it for you?

A.—Yes.

Q.—Would you like to have the Income Tax Assistant Commissioners and other people associated with Divisional Commissioners and the Collector?

A.—I think a close touch should be kept between them. I do not want to have anything to do with the control of the staff. There should be a close touch in this way. The Commissioner may see the rise in prosperity of a certain town, and he will then suggest that the town should be resurveyed, and the Income Tax Commissioner will do it. The Commissioner can watch and notice the progress of a town more than the ordinary Income Tax Officer.

Q.—You will be satisfied with placing the information at his disposal, and not have a final say in the matter of assessment?

A.—I do not want to have anything to do with the assessing now that there is a special department. When I was Commissioner of the Southern Division I had, for example, special surveys done of Nipani, and as a result four times the amount was raised. I got no more appeals than I got before.

Q.—That is due to the fact that you were also the District Magistrate and therefore the people were afraid to appeal against your decision.

A.—The Commissioner has no judicial powers at all. It is the Collector who has got those powers.

Q.—But the Collector is your subordinate.

A.—They always appeal on every possible occasion, and there is not the slightest hesitation to appeal.

* Town-planning schemes in which betterment contribution has actually been paid.	Number of persons who paid the contribution.	Sums paid as betterment contribution.
9 completed schemes in Salsette	358	RS. 4,05,502
1 do. in Panehgani	11	(a) 11,002
10 completed town-planning schemes	369	4,16,504

(a) This is the amount already paid, and represents 73 per cent of the total levy; the balance of Rs. 3,829 is still due to be received from seven persons and will be recovered in convenient instalments under the provisions of the Town Planning Act.

Rao Bahadur G. K. CHITALE, B.A., LL.B., Ahmednagar,
was next examined.

Written memorandum of Mr. Chitale.

The Committee is called on to examine the manner in which (1) the burden of taxation which is at present distributed between different classes of population, (2) the scheme of taxation, central, provincial and local, with a view to its improvement, and is asked to report on the suitability of new sources of taxation and the machinery required for the collection of taxes, and in general survey the whole field of State impositions upon the subject with the exception to some extent of land revenue.

2. The subject matter of the enquiry is a vast one and is complicated by want of reliable data. However, it is briefly proposed to examine the financial position of the Central Government. Until five years ago the accounts of the Government of India consistently revealed great financial strength; with the exception of one or two years there were generally surpluses on the revenue side which enabled Government to dole out large sums to the provinces for education, sanitation and other agencies after setting aside substantial amounts for productive purposes; and State borrowings were kept at a low figure. Unfortunately in 1918-19 there was a deficit of Rs. 6 crores, which was left uncovered, and which increased next year to Rs. 24 crores on account of unforeseen expenditure caused by the Afgan War, and the final accounts for 1920-21 brought up the deficit to Rs. 26 crores, which again in 1921-22 unfortunately rose to Rs. 33 crores. It is only now this year that the deficit is wiped out, and we have a balanced budget for the first time in the last six years. This has been effected after a good deal of retrenchment.

3. Examining the figures of taxation that have been imposed since 1913-14 to those of 1923-24 when fresh taxation was imposed last, it appears that the revenue of India in 1913-14 stood at a total of Rs. 71 crores and 85 lakhs including proceeds of land revenue of Rs. 31 crores and 2 lakhs. (Vide Finance Member's speech in the Finance Bill of March 20th, 1925.) The revenue of India in 1923-24 stood at a total of Rs. 135 crores and 86 lakhs, showing an increase of taxation in the decade of Rs. 64 crores and one lakh. Thus, taking the index figure of 100 the revenue of India in this period increased from 100 to 187.

4. During the same period it is to be observed that the population of British India had increased from over 143 millions to over 247 millions. Thus, revenue in 1913-14 came to Rs. 2-15-0 per head compared to Rs. 5-8-0 per head in 1923-24. The main increase in revenue had occurred under customs and income-tax, but it is to be remembered that the customs duty is paid by the whole of India and not merely by British India. Thus, the improvement must be sought for in the direction of increased yield from existing sources of taxation, and as a result of the present debt redemption scheme, considerable saving is expected on account of interest in the distant future. But, on the other hand, items like excise and opium revenues are not on a secure footing. The admitted poverty of the Indian people is mainly due to the enormous growth of population, to which religious belief is a contributory cause, and the system of inheritance. The pressure on the land is so great that it is not possible to get enough for all, and the minute fragmentation of agricultural holding does not give enough work for the agriculturists for a great part of the year. This state of things can only be remedied by wide extension of education and by enunciating an economic policy of assuming open responsibility for elevating the Indian people to a higher plain. Thus, the acceleration of industrial development in India and the larger employment of women in the production of wealth are inevitable and necessary so as to wean away a large portion of the rural population from idleness.

5. The diagram printed in Mr. Rush Brook Williams' book on page 105 shows how each rupee of revenue was made up in India in 1922-23.

Provincial and Central together.

Income.	Expenditure.
(1) Customs 21	(1) Military services 33
(2) Land Revenue 18	(2) Land Revenue 03
(3) Railways 14	(3) Railways 12
(4) Excise 10	(4) Police, Jails - Justice .. 09
(5) Income-tax 09	(5) Public debt 08
(6) Stamps 06	(6) General Administration .. 05
(7) Irrigation 03	(7) Civil works 05
(8) Military Receipts 03	(8) Education 05
(9) Other heads	(9) Forest 02
	(10) Irrigation 02
	(11) Public Health 02
	(12) Other heads

Note.—Working expenses of the railways, irrigation, post and telegraph departments, refunds and the like are deducted from revenue and not treated as expenditure.

6. We have to add to this provincial and central taxation local taxes imposed by local bodies—municipalities and local boards. Brief survey of the conditions of these bodies in 1921-22, the latest date for which complete statistics are available, discloses the following facts:—

In British India there are 751 municipalities with something over 18,000,000 people resident within their limits. Of these municipalities 683 have a population of less than 50,000 persons, and the remainder a population of 50,000 and over. Moreover, the proportion resident within municipal limits is largest in the Bombay Presidency, where it amounts to 20 per cent of the population in the province, and smallest in Assam where the figure is only 2 per cent. In other major provinces it varies from 4 per cent to 9 per cent of the total population in each province. The municipal income comes to Rs. 12.96 crores and is derived principally from taxation. But one-third of this comes from municipal property from grants-in-aid and from miscellaneous sources. Generally speaking, the income of the average municipality is small because the four great cities of Calcutta, Bombay, Madras and Rangoon together account for nearly 40 per cent of the total.

7. But in view of the fact that only 10 per cent of the population of British India lives in towns, particular importance must be attached to the administration of district local boards. Throughout British India the total number of District Boards amounts to some 219 with 543 as Sub-District Boards. The income of the Boards in 1921 amounted to Rs. 10.93 crores, the average income of each District Board being Rs. 5 lakhs. The most important item of revenue is provincial rates representing a proportion of total income varying from 18 per cent in the North-West Frontier Province to 61 per cent in Bihar and Orissa.

8. Thus the problem of fair taxation will have to be looked into by proper division of the population that lives in municipal areas or urban towns and local board areas. In the former the earning capacity of each family member is comparatively much larger, as it is able to occupy itself in many more occupations which are not available to the people living in rural tracts. The question therefore would affect 15 per cent of the total population, and their taxable capacity will have to be judged from altogether different standard than that of people in the rural areas. These local rates will bring up the total taxation to about 6.2 per cent per head.

9. Before, however, we go on to other considerations, we have to dispose of one more important consideration which is a bone of rival contentions and is not very easy to decide. That question leads to an economic paradox. On the one hand, it is confidently ascertained that there is an enormous load of debt and taxation which is declared to be crushing, and on the other hand, it is emphatically asserted that the staying power of the people is being increased from year to year which leads to more comforts and higher status in life. If the evidence of our senses is any test, it is true that all classes appear to be getting more and spending more. This is clear from the demand for pleasures of all kinds expensive and inexpensive. If we looked to

crowded railway trains, motor buses or cars, tramways, cinema theatres, drinking shops, hotels, races and the like, it is no doubt true that middle class people appear to spend more and more continuously than 30 years before. This ease and comfort naturally attracts youngsters, and he asks himself, why he should not have his share in this glittering existence instead of more serious occupations. Moreover, if we compare the present time with 30 years ago, none can doubt that the children, the hope of the future, desire to be better fed and better clothed, and possess all kinds of comforts. Thus, the apparent discord between the evidences of prosperity and the theory that we are or ought to be on the road to ruin undermines all belief in economic diagnosis. It seems, however, probable that the truth lies in the golden mean, which, however, must be reached after careful investigation of the facts.

10. The debt position of our country has been recently overhauled, and systematic proposals are made to wipe it out in about 50 to 80 years. The total debt of India on March 31st 1924 amounted to Rs. 905.65 crores. Of this, Rs. 578.39 crores are classed as productive debt, and Rs. 228.45 crores as unproductive, and the balance of Rs. 98.81 crores represents debt incurred on behalf of Provincial Government. It is proposed that productive debt should be wiped off in 80 years, and the unproductive in not more than 50 years, and this can be accomplished by setting aside annually Rs. 4.04 crores for liquidations. This means that so much taxation per head will have either to be imposed or the amount otherwise realised every year. The analysis of the figures above referred to shows that in the urban areas load of taxation per head including this debt redemption scheme comes to about Rs. 7 per head, and in rural areas it would amount to about Rs. 5-12-0 per head. This necessarily leads to the examination of the problem of the taxable capacity of people living in urban and in rural areas, and the taxation per head will have to be allocated equitably according to the earning capacity of the unit. Examining the condition of the masses, and enquiring into the question whether they are getting poorer or richer, it appears from direct and indirect evidence of progress that the difficulties, of a *per capita* estimate, are many, and consequently it appears that perhaps provincial statistical enquiries may afford a suitable basis. The problem is complicated again by various other economical factors which show, generally speaking, that the position of the towns people is far more favourable than that of the people living in rural areas. The statistics for the Bombay Presidency as a whole shows that the daily average of wages of field skilled and unskilled labourers stood as under:—

Pages 70 and
71, Bombay
1923-1924.

The following table gives the average daily wages of field labourers near district headquarter towns and in rural areas by divisions and economic circles and for the Presidency with and without Sind:—

Daily average wages in

	1913.		1922.		1923.	
	Urban.	Rural.	Urban.	Rural.	Urban.	Rural.
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
Political divisions—						
Northern division	0 4 9	0 3 9	0 10 3	0 8 0	0 11 0	0 8 3
Central „	0 5 0	0 4 3	0 8 3	0 6 6	0 9 0	0 6 3
Southern „	0 4 0	0 4 0	0 8 9	0 6 6	0 8 6	0 6 3
Economic circles—						
Guzerat circle ..	0 4 6	0 3 9	0 9 9	0 8 0	0 10 9	0 8 3
Deccan „ ..	0 4 6	0 4 0	0 8 3	0 6 3	0 8 3	0 6 0
Konkan „ ..	0 5 3	0 4 8	0 10 3	0 8 3	0 11 3	0 9 0
Presidency—						
Proper	0 4 9	0 4 0	0 9 0	0 7 0	0 9 6	0 7 0
Sind	0 7 9	0 8 0	0 12 6	0 12 0	0 12 0	0 14 9
Whole Presi- deny.	0 4 9	0 4 3	0 9 0	0 7 3	0 9 6	0 7 3

12. Now provincial taxes comprise land revenue, excise, stamp, irrigation, schedule taxes and the surplus of income-tax granted to Provincial Government. This table illustrates how taxation varies from province to province, and it demonstrates the fact that Bombay contributes three times the tax paid by the United Provinces, the Punjab, and even more than that paid by Bengal. It is double than that paid by Madras and is about 20 per cent more than that paid by Burma. There are absolutely no extra benefits which the people in Bombay Presidency enjoy as compared with the other provinces, and still it pays a disproportionate share by way of taxation. Moreover, Bombay Presidency is more an industrial province than any other and pays by way of income-tax a very large proportion. The payment of income-tax by Bombay in the last five years shows a total payment of Rs. 32.14 crores (income-tax 19.98 crores, super tax 11.41 crores and excess profit duty 75 crores). It is true, however, that some deduction will have to be made from this amount, as registered companies really operating in other provinces pay the tax here, but all the same, the fact remains that as a far larger proportion of our population live by industry than any other province, it contributes several times as much per head in the shape of taxes. The population, as remarked above being both industrial and agricultural, the incidence of taxation will have to be equalised by some method which would be more equitable, fair and reasonable. Now it is true that as taxation can be divided into direct and indirect, indirect taxation is preferable to direct, because therein each man pays no more than he pleases, and to a direct tax each man pays what the imposer of taxes pleases, and thus indirect taxes to a large extent are voluntary and popular, and the direct involuntary.

13. The schedule of provincial taxes and careful analysis of the figures per head of the population under different heads of taxation show the incidence to be rather more severe on agriculturists, and more particularly agriculturists in the Deccan than the urban areas.

14. Any scheme of taxation central, provincial and local, with a view to its improvement, will have therefore to take account of the factors above referred to. It seems desirable to note that first principle of taxation should be that every person having taxable ability should pay some sort of a direct personal tax to the Government under which he lives and from which he receives the personal benefits that Government confers. The second principle is that the tangible property by whomsoever owned should be taxed by Provincial Government, because it is there that it receives protection and several other benefits. Thirdly, the business carried on for profit in any locality should pay a tax locally because it receives the benefits there. By this method it is possible to satisfy every legitimate claim without imposing unequal and unjust double taxation upon any class of income, property or business. From this point of view, the present allocation of taxes on the provincial and imperial basis is reasonable and fair except in the case of industrial provinces of Bombay and Bengal, wherein people resident in these provinces pay a large amount of income-tax and they ought in fairness to get a fixed share of revenue, say, about 30 per cent of the whole, so that an equitable allocation to provinces may be possible. For instance, the sources left to Imperial Government after abolition of the divided heads show the allocation to be fair enough, as Central Government fully receives income-tax, railway, general stamp and customs, etc., while the provinces received land revenue, irrigation, excise, and judicial stamps. In these heads of taxation, the distribution is perhaps not equal but is fair enough, except that the land revenue is not very expensive as is proved by the fact that in the Bombay Presidency an analysis of the land revenue figures for the last 21 years shows that it has expanded by 14 per cent in that period or less than 1 per cent per annum. Its capacity, therefore, for expansion in the future is clearly limited under the rules, while unfortunately this Presidency is more liable to famine than any other part. The excise revenue shows considerable expansion, but it is due to an important change of system from fixed fees to auctions which led to a sudden rise, but that rise will soon stabilise; while it is just possible that the revenue will have to suffer it, the goal of total prohibition is accomplished. The expansion of the revenue from general stamps is also unstable, because it has the tendency of fluctuating with good or bad times.

15. As land revenue contributes about one-third of the annual income of our Presidency it is necessary to say a few words about the system as the questions affecting it differ in different parts of British India. In our province the revenue demand for a vast number of small holdings has been settled on an equitable and workable basis. The principles of the existing system of survey settlement have been evolved by Messrs. Wingate and Goldshend. Upon these principles which are embodied in their joint report, a system of land tenure and assessment admirably adapted to the requirements of the widely varying conditions of the different parts of the Presidency has been based. The area of everyone of these small holdings is measured, and the relative productive capacity of soil is estimated with accuracy. By the system of grouping the relative economic and climatic advantages of different tracts are taken into account, and thus the equitable distribution of the assessment is secured.

16. By the division of the whole cultivable area into units of assessment, the extension of cultivation is made to carry with it an increase of revenue, and the revenue payer is at liberty to ease his burden by giving up occupancy of unprofitable lands.

17. The change of assessment can be decided for a whole tract on review of its economic conditions and revenue history which is done usually every thirty years and the individual assessee is saved a lot of harassment.

18. The second important feature is a regular system of suspensions and remissions of land revenue, when the crops fall below a certain standard, or when the water-supply on irrigated lands fails. This system of *anewari*, however, is very arbitrary and deserves to be improved if the real benefit is to be impartially obtained. But apart from this defect if there is partial or total failure throughout any tract suspensions are now given since 1906-07 according to a scale to all occupants without enquiry into the circumstances of individuals. This demand is remitted if three following seasons continue to be bad.

19. In the Presidency proper (excluding Sind) land revenue system is with few exceptions raiyatwari, e.g., system of settlement with the raiyats or cultivators of small holdings where revenue payments are fixed after measurements and classification of lands. The maximum and usual time of settlement is 30 years. After this land revenue demand is liable to revision, but the holder has the right of occupancy in perpetuity, provided he pays the assessment as revised from time to time, and this right is heritable and transferable. This survey tenure was modified however in 1901 by what is known as "restricted tenure", wherein the occupant is not allowed to alienate without permission of the Collector.

20. The following table shows cultivable area in thousands of acres in 1923-24:—

Division.	Total cultivable area.	Occupied.	Balance cultivable waste.
Northern division	1,805	1,132	463
Land Revenue	Rs. 128.80 lakhs. i.e.	Rs. 2 10 0 per acre.	
Central division	11,349	13,945	404
Land Revenue	Rs. 227.71 lakhs. i.e.	Rs. 1 9 3 per acre.	
Southern division	7,833	7,594	239
Land Revenue	Rs. 127.73 lakhs. i.e.	Rs. 1 9 0 per acre.	
Sind	11,530	8,189	6,341
Land Revenue	Rs. 113 i.e.	Rs. 10 0 0 per acre.	
Pombay Suburban division	31	25	6
Land Revenue	Rs. 1.48	..	..
	41,638	31,185	7,453

Details.	1923-24. in thousands of acres.		
A. Cultivated area—			
Gross area cropped	27,511	} 5.50 crores of Land Revenue.	
Area cropped more than once	600		
Net area	26,911		
Current fallows	6,507		
Assessed	33,292		
Unassessed	126		
Total	33,418		
B. Uncultivated area—			
Culturable waste	943		
Not available for cultivation—			
Forest	8,553		
Others	5,800		
Total	15,296		
Grand total	18,714		
Sind	30,166		

Three-fourths of the cultivated area of the Presidency are devoted to growing food-stuffs, *bajri*, paddy, wheat and gram, and *jowari* being poorest. Cotton is the largest new good crop along with oil-seeds and sugar cane.

21. A committee was appointed in June 1924 to enquire into and report by March 1925 as to what share of produce should be taken by way of land revenue demand, and whether the system of land revenue now prevalent should be changed, and if so in what directions—(vide series of articles on land revenue in March 1924 in the *Times of India*.)

I append hereto the note that has been submitted by way of a reply.

22. As regards the question of taxes imposed by local authorities or local bodies, the position prior to the introduction of Government of India Act was that it received only a cess on land revenue and even now they are empowered only to impose what are known as scheduled taxes.

Scheduled taxes:—

- (1) Land or Land values.
- (2) House tax.
- (3) Octroi or terminal tax.
- (4) Tolls.
- (5) Cess on land revenue not exceeding two annas per rupee.
- (6) Cess on irrigation rate not exceeding two annas per rupee.

It has already been stated that the total income of these rural areas is Rs. 10.93 crores as against Rs. 12.96 crores, that of municipalities.

23. Now, as the proportion of population affected by this is 85 to 90 per cent as against 15 to 10 per cent, it is clear that the amount thus realised for the purposes of sanitation, medical relief, education, etc., must miserably fall short of actual needs of such a vast mass of people. Then again, as the present proportion of Rs. 5-4-0 per head is high enough, any attempt to tax them further is sure to affect materially the paying capacity of these people. But it is clear that unless a serious attempt is made to augment the financial resources of the boards in a substantial degree, it is not possible to extract advancements in nature-building departments. How exactly to meet this problem in an equitable and reasonable manner is the main task of this Committee.

24. Now at present India is a unitary State. But the ideal to which its political development is trending is no doubt that of a Federal State, so that in course of time the nine provinces in which it is at present divided will be autonomous with one Central Government at its head. The present annual expenditure of this Central Government is about Rs. 135 crores, and in the next 50 years, when self-government is within sight, it is just possible that it may come to Rs. 175 crores a year, because it will have to provide for all the military arms including Navy and strong Air

Force. The annual income of major provinces is about Rs. 15 crores a year and that of minor about 8 to 10 crores. These also will have to be increased by 50 per cent. so that a sufficient amount of money may be available for nature-building departments. It is further to be noted that, generally speaking, about 40 per cent of the income is absorbed by services, and about 25 per cent by what are known as fixed annual payments.

25. Now, as federation materialises, larger powers to Provincial Governments will have to be given by the Central Government, because the surrender of powers in favour of provinces is an essential part in the process for which the constitutional reforms provide.

26. Moreover, the form of federation into which India might develop would be profoundly affected by external dangers and by the degree of educational, industrial and commercial development which it might attain and this is clear from a demand for rearrangement of provinces on a linguistic basis so as to have a homogeneous population. Thus (firstly) all the direct taxes may have to be levied by the Central Government but Provincial Governments may legitimately claim a share in income-tax and ask the power of levying it below the point ear-marked for central purposes.

27. Secondly, all indirect taxation will have to go to Central Government. On the other hand, Provincial Governments will be compelled to explore all possible revenues from fresh taxation, and they may under certain contingencies legitimately impose succession or estate duties and tax on monopolies below a certain limit, so that it may be open to the Central Government to impose this taxation above a certain limit.

28. Before, however, further taxation is allowed to be imposed either for central or provincial purposes, I am clearly of opinion that the present costly establishment will have to be ruthlessly retrenched with due regard to efficiency so as to bring down the proportion to at least 25 per cent of the total income. After this is done the possibility of fresh taxation may be enquired into, and so far I am able to see in addition to the proposals made above I would suggest the following sources of taxation:—

(1) Banking transactions.

(2) General taxes on turnover, receipts or sales or on commercial or industrial transactions.

(3) Railway travelling.

(4) Betting.

I find that these taxes are imposed in other countries and as they are likely to fall on those who are able to bear the burden, I am in favour of their imposition when a clear case is made out after proper retrenchments.

29. Lastly, I am in favour of having only one machinery for collection of taxes as far as possible, and their cost should be apportioned *pro rata* on Central and Provincial Governments and local bodies, except of course customs, railways, post and telegraphs, etc.

Mr. Chitale gave oral evidence as follows:—

The President. Q.—Rao Bahadur, you are a pleader of Ahmednagar?

A.—Yes.

Dr. Hyler. Q.—I refer you to paragraph 3 of your paper, in which you say that in the year 1913-14 Government raised total revenue of 71.85 lakhs. including land revenue amounting to 31.20 lakhs. Does this total include the revenues raised by the Central Government, the Local Government and the local bodies?

A.—It is only the revenue of the Central Government.

Q.—But it includes land revenue.

A.—I am not quite sure whether it includes the whole amount. In 1913-14 land revenue was a divided head.

Q.—Then you say: "The revenue of India in 1923-24 stood at a total of 135 crores and 86 lakhs." That also refers only to the Central Government.

A.—Yes.

Q.—Then I think you draw the conclusion that the taxation has been doubled?

A.—What I have taken is from the Finance Member's speech, and there can be no mistake about it.

Q.—I want to get at the real meaning of the doubling of taxation. Have you taken into account the fact that the prices have also risen? The rupee has decreased in value, and the payment being in rupees, I want to know whether the real burden of the people has increased.

A.—My view is there is no free coinage of silver, and the rupee has the same value.

Dr. Paranjpye. Q.—In the next paragraph you say: "Revenue in 1913-14 came to Rs. 2-15-0 per head compared to Rs. 5-8-0 per head in 1923-24." Suppose taxation were levied in grain, would you be paying more grain today?

A.—I think that is a wrong way of taking it. You must have the same standard.

Q.—What is your standard?

A.—You are taking taxes in rupees, a coin for which there is no free coinage. As a matter of fact, you are taxing us both ways.

Q.—Your complaint is that in 1923-24 Government have raised more than double the revenue, and at the same time Government have been manipulating the currency in such a way that the rupee bought more in 1923-24 than in 1913-14.

Sir Percy Thompson: Surely that is not the fact.

A.—I do not mean it bought more. You restrict me to a particular coin in paying the tax and you at the same time restrict the free coinage of that coin. If I go into the market, I could buy silver at Rs. 80 per 100 tolas. If I could get that bullion coined free, I should be paying only 10 or 11 annas for the rupee. Now I have to pay the tax in coin.

The President. Q.—Would that apply to a man who had his wages doubled? Does he get double the value for his work now?

A.—I would admit that.

Q.—It is not necessary for Government to increase the salary of their staff?

A.—Well, we might hold different views there.

Dr. Hyder. Q.—How much did the rupee buy in 1913-14, taking rice, for instance?

A.—It bought more in 1913-14 than in 1923-24.

Q.—So the value of the rupee in terms of rice is less. Why did you not apply the same value to the rupee paid in taxation?

A.—I say most of this increase is due to customs and income-tax.

Q.—If the increase is due to customs, then customs, as you very rightly point out, are paid by all the people living in India, not only the people in British India.

A.—Yes.

Q.—Then in calculating the figure of incidence of taxation by customs, you will have to take into account the whole population of India, namely, 320 millions, and not only the 247 millions that reside in British India.

A.—I have said so.

Q.—You say so, but you do not include it in your calculation to prove that taxation has more than doubled.

A.—I took there two facts. First of all, 71 crores was the figure for 1913-14; that figure has now risen to 135 crores. I make allowance for the fact that the population has increased.

Dr. Paranjpye. Q.—I take it that your figure of '143' in paragraph 4 (line 2) is a misprint for '243'.

A.—It is a misprint.

Dr. Hyder. Q.—You have to take into consideration that the customs revenue is also paid by people residing in the Indian States when calculating the incidence. If you do that, the incidence of Rs. 5-8 will have to be reduced.

A.—Yes.

Q.—You stated that the rupee buys less to-day, and you maintain at the same time that the number of rupees coined by Government has diminished.

A.—I did not say that.

Q.—The fact is that the number of rupees coined has increased, and therefore the rupee buys less to-day than it bought in 1913-14. Looking at the matter from the point of view of goods and services, may I ask you whether Government requires more or less to-day as compared with 1913-14? If Government requires double what it required in 1913-14, then you can say that taxation has doubled, but not otherwise.

A.—I won't say that, because I am not quite conversant with the necessary statistics.

Q.—On page 465 you say that municipal comes to Rs. 12.96 crores and is derived principally from taxation. Is that quite accurate?

A.—There is of course some grant-in-aid too.

Dr. Paranjpye. Q.—In paragraph 5 you have put forests as an item of expenditure, but on the receipt side you have not shown forests.

A.—That is because Mr. Rushbrook Williams has not given that. I am not responsible for it. I hope I have correctly quoted him, though.

Q.—Do you consider forest income as taxation?

A.—No.

Q.—So, you must not consider expenditure on forests also as expenditure, because it is a commercial department.

A.—I have argued on the basis of Government statistics, and if anything is incorrect in the figures I have quoted, Mr. Rushbrook Williams is responsible for it.

Dr. Hyder. Q.—What is the exact point of your note which runs thus: "Working expenses of the railways, irrigation, post and telegraph departments, refunds and the like are deducted from revenue and not treated as expenditure"?

A.—That is also Mr. Rushbrook Williams' note.

Q.—In paragraph 10, you say, "This means that so much taxation per head will have either to be imposed or the amount otherwise realized every year." You are referring to the debt redemption scheme?

A.—Yes.

Q.—Why should the four crores of rupees be required as additional taxation? It is paid out of the existing revenue.

A.—The four crores which will otherwise be available for other purposes, will now go to debt redemption.

Q.—Still it would not make an addition to the existing revenue.

A.—Supposing our necessities increase, we will have to find money by additional taxation.

Q.—But you cannot say that the additional taxation is due to debt redemption.

A.—But it is a new item in the budget. This item did not enter into it up to the present time.

Q.—From this year's budget four crores is provided for debt redemption.

A.—If there is any other purpose to be served, it could be earmarked for that.

Q.—But that will be for other purposes.

A.—But in order to meet the present purposes, the amount budgeted for may be found insufficient.

Q.—But that will be the case whether there is a debt redemption scheme or not.

A.—For the last ten years Government was budgeting almost to the last pie. Now you want to take four crores from the revenues for debt redemption and that must cripple your resources for other purposes. And if you find that you have to serve other purposes, you will have to impose taxation to that extent.

Dr. Paranjpye. Q.—In the same paragraph (10) you say: “The analysis of the figures above referred to shows that in the urban areas the load of taxation per head, including this debt redemption scheme, comes to about Rs. 7 per head, and in rural areas it would amount to about Rs. 5-12-0 per head”. Could you tell us what is the basis of this calculation? It is one of the things which we are particularly asked to consider. How would you find out, for instance, how the customs revenue is distributed between the urban and the rural population?

A.—I have looked at it from the point of view of my Presidency. As I go on, I say that our present taxation per head is Rs. 6-1. That is again a figure which I have taken from Government statistics. That being the average, I have made allowances for the taxation paid by the urban population in the shape of customs and municipal taxation, and taking the most conservative estimate, I have divided the average into Rs. 7 per head for the urban population, and Rs. 5-12 for the rural population.

Q.—My point is that it would be much more. If you take the customs and income-tax, the incidence per head in Bombay would be Rs. 15 or Rs. 19.

Dr. Hyder. Q.—You do not seem to have taken into account customs there. You have only taken the provincial figure which you say is Rs. 6-1.

A.—I say that is the minimum. Of course, it is vitiated by the fact that the revenues of the Government of India have not been taken into calculation.

Dr. Paranjpye. Q.—If you include the revenue of the Government of India, it will be Rs. 15 or Rs. 20. I do not understand the figure given by you. You have put the load of taxation in this Presidency too low. The imperial taxation will be Rs. 6 or Rs. 7; provincial Rs. 9 or Rs. 10 for the urban population, and the total will be Rs. 15 or Rs. 20.

A.—Yes.

The President. Q.—Rs. 7 is imperial taxation?

Dr. Paranjpye.—He says it is the total. It is obviously a mistake. In the Bombay Presidency our complaint is that it is much more.

Dr. Hyder. Q.—Let us see how you establish this. There is the imperial revenue, the provincial revenue and the revenues of local bodies. How do you divide these?

A.—You could get at the figures of income-tax and salt.

Q.—As regards customs duty?

A.—That also we can divide. The Bombay Presidency consumes a large proportion of imported goods.

Dr. Paranjpye. Q.—We import a large number of motor cars, much more than a province like Assam.

The President.—Our friend is comparing a province like Bombay with a province situated in the Himalayas.

A.—My complaint has been also that we have been overtaxed, and it is not fair.

Dr. Paranjpye. Q.—But I do not want your figure to go unchallenged.

Dr. Hyder. Q.—Apart from this matter of motor cars, do you mean to say that East Khandesh and the Deccan consume twice the quantity of cloth, kerosene oil, matches?

A.—I do not mean quite that. It is very difficult to get that figure.

Q.—How you say that the capacity of land revenue is limited? If the principle of land revenue is that the Government should get a portion of the economic rent, why do you want to throw over that principle?

A.—You will have to look at it from two points of view. I do not trouble myself about the academical aspect of it, whether it should be a rent or a tax. Given any form of Government, the Government has to raise the requisite money for the administration. Of course, the majority of people will have to pay it. If the majority consists of agriculturists, then they must pay it. So far, as the system of the land revenue is concerned, I am enamoured of the present Bombay system. I am not an advocate of either

permanent settlement or any other settlement. The Government is entitled to impose a burden, of course, in an equitable and reasonable manner. So, our present principle on which our assessment is made is that the assessment should be revised every thirty years. Under this system the principle has grown up that the total pitch of assessment in a taluk should not be raised by more than 33 per cent roughly.

Sir Percy Thompson. Q.—Is that limitation right in principle?

A.—Apart from my own view of it, there are good reasons why it should be so. I think it is quite equitable.

Dr. Hyder. Q.—Land is one of the factors limited in quantity. It is an essential factor. We know that the demand for land increases and the rents also go up. Then where is the justification for these limitation rules?

A.—In the first instance, we have a raiyatwari system. If I hold so much land I am bound by a contract with Government that I should pay so much. So long as I pay my assessment. I can do whatever I like with my land. On the other hand, as an inducement to the people to bring under cultivation all available lands, Government held out some hopes that all improvements which were carried out on the lands would not be taxed. On that promise most of the lands in our Presidency have been brought under cultivation. If you concede that point, then arises the question whether the sinking of a well is an improvement or not. It has been decided long ago that it should not be considered as an improvement.

Q.—Sinking of a well is not to be considered as an improvement?

A.—It is taxed to a small extent. To be more accurate, to the extent to which *bagayat* is taxed this is also taxed.

Dr. Paranjpye. Q.—We have been told by a Settlement Officer that the classification is permanent and after once the classification is made in accordance with the Wingate settlement, even if it is converted into *bagayat* land, the same assessment will continue?

A.—It changes. Of course, my experience is very limited. The classification can be changed in the revision settlement.

Q.—It may be done with regard to villages and not plots?

A.—Plots of lands also, but the examples are very few.

Dr. Hyder. Q.—You do not like these rules which limit the enhancement of land revenue in resettlement?

A.—My own view is that it is not fair to Government. It is not fair to any Government to fix a limit.

The President. Q.—You would not only not fix any percentage of increase but also would not fix any maximum percentage of rental value which can be taken?

A.—Yes.

Q.—Would you like to have a uniform rate all over the Presidency?

A.—Varying according to the tracts.

Sir Percy Thompson. Q.—Your main local tax is a cess on the land revenue?

A.—Yes.

Q.—Are there any other taxes?

A.—We have also a cess on the irrigation rate.

Q.—Do shopkeepers and petty traders contribute their share to your revenues?

A.—The fact is that there are very few professional people who do not hold lands. As a matter of fact, if their income exceeds Rs. 2,000 they pay income-tax.

Q.—They do not pay that to the local authority.

A.—Therefore I am an advocate of the fact that the local bodies should be given the power to tax incomes between Rs. 300 and Rs. 2,000.

Q.—Why should the limit be Rs. 2,000?

A.—Because above that the tax is taken by the Government of India. But the Government of India would not allow us this tax on general grounds.

Dr. Hyder. Q.—What is your opinion about the profession tax?

A.—As a matter of fact, profession tax brings in very little revenue.

Q.—Why should you not tax the money-lender and small trader?

A.—That will be a hand in the hands of subordinate officials.

Sir Percy Thompson. Q.—Suppose the Government of India allow you to have a local income-tax, would you have it administered by the officials of the local bodies or by the same officials who administer it now?

A.—I hold the view that there must be one agency. The local body may fix the rate, but the collection should be left to the officials that administer it now.

Dr. Paranjpye. Q.—The collection of rates in municipalities is not very satisfactory?

A.—It is not.

Dr. Hyder. Q.—Why is it not satisfactory?

A.—That is one of the sins of the democracy.

Q.—Do you find laxity?

A.—Not only laxity. With regard to fairness and equity also it is wanting.

Q.—Suppose that A represents a ward in a municipal area. Would he influence the taxing officer to assess him lightly to house and water-rates?

A.—That is done in the municipalities of the Bombay Presidency on a large scale, as the taxing officer is a committee of members.

Q.—How will you remedy that state of affairs?

A.—As I have said, it is one of the sins of democracies. But the institution has to be run. What I did was this and this is the best antidote. When I assumed office and found that the existing state of affairs was not satisfactory, I borrowed an officer from the Revenue Department. I asked him to prepare correct data of the rental of the houses in various localities and fix the rental basis on as small a unit as possible. It was found from the accounts of many house owners that the real rental was concealed in order to evade the tax. On the basis of the new data we were able within a year and a half to increase the house tax by 50 per cent, even with very liberal limitations. Ever since that system was followed. But there has been a break-down again in this system because the number of members who got elected was larger, and naturally therefore their interests are more because they own more houses. The revising committee which goes round is influenced.

Sir Percy Thompson. Q.—Would it not be better to continue that system of appointing a Government officer?

A.—That is good, provided you get a good officer.

Q.—You are in favour of having one machinery for the collection of taxes. Would you like to restore the old system of having an officer for the periodical overhauling of the valuation?

A.—It is absolutely necessary.

Q.—Would you like to entrust him with the collection also?

A.—I have no objection.

Dr. Hyder. Q.—Suppose a certain municipality consists of Chitpavan Brahmin members. They put the tax on non-Chitpavan Brahmins or vice versa. Has such a state of affairs happened so far?

A.—So far it has not happened. These communal differences are likely to happen now, because the number of members in olden days was much less and now we have an elected majority and communal feeling.

Dr. Paranjpye. Q.—To get rid of this danger you would think it desirable to entrust the collection of tax to an independent body and also the right of appeal?

A.—That is one of the best reforms.

The President. Q.—Have you terminal tax or octroi in your municipality?

A.—Terminal tax.

Q.—What limit would you fix for the rate?

A.—We have it both ways—for exports as well as imports.

Q.—The same article taxed twice?

A.—No. Under this system there was trouble whether cotton should be taxed twice or not. The Government of India have decided that only an export duty should be charged on cotton. This duty is levied at the railway station.

Q.—You think this tax is fair on the ground that the municipality does a service to the cotton trade in return for the levy of that duty?

A.—Yes.

Q.—What other articles are subject to terminal tax?

A.—Grain which is imported. I do not think there can be any objection to this.

Q.—You do not tax the consumer in the town but other people?

A.—Yes.

Dr. Hyder. Q.—Is it fair?

A.—Fairness or unfairness is only a relative term in taxation. You must get the money required for administration.

The President. Q.—You would apply the same principle to Government?

A.—That is the only principle. We have got a small schedule of seven or eight articles such as cotton, grain, cloth, sugar and so on.

Q.—Do you levy an import duty on cloth and sugar?

A.—Yes. The duty on cloth is rather heavy.

Q.—You have import duty on certain articles and export duty on certain articles?

A.—Yes. The duty on cotton is 6 annas per bale, which is not very much.

Q.—What was your octroi duty on grain before?

A.—It was 5 annas per cartload.

Q.—Does it come by road or railway?

A.—In the rainy season it would come by railway, and at other times by road.

Q.—You allow it free when it comes by road?

A.—Yes. It is not worthwhile to collect it when it comes by road.

Q.—Have you got any tolls?

A.—Yes. The rate is 2 annas for bullock-carts and 8 annas for motor cars. The municipalities have not got these tolls, but the local bodies have got them in their roads.

Q.—Are there tolls on provincial roads?

A.—There are some.

Q.—It has been suggested that it would be fair to impose a provincial tax on motor cars which should be given to the local boards as in England, and that motor cars should be exempted from tolls. What do you think?

A.—I have no objection to that, but the only consideration is this: suppose a merchant has dealings in one district, he will not have to pay much by way of tolls. If a merchant has got business in more than one district, he will pay more tolls. If a uniform tax is imposed, the tax paid by both of them will be the same. I think the tolls will be fairer.

Q.—Would you like to tax the legal profession?

A.—I have no objection to that, but the only consideration is this: do not pay anything to a local body. In that case they should be taxed on any income between Rs. 300 and upwards.

Q.—Would you take a tax from the income-tax payer?

A.—I am an advocate of that tax. But the Government of India do not allow it.

Mr. G. C. BHATE, Pleader, Roha, Kolaba District, was next examined.

Written memorandum of Mr. Bhate.

Q. 12.—The whole revenue from forest cannot be called a tax, e.g., the price of Government wood sold to contractors. But grazing fee, etc., can be called a tax, because fees after all are taxes, though there is the element of service rendered in such fees.

Q. 27.—Poll tax will be strongly objected to, and it is not advisable to resort to it under any circumstances.

Q. 38.—There should be no removal of exemption. No distinction can be drawn as the one referred to in the question. The present actual farmers will sometimes be landlords and *vice versa*.

Q. 39.—In the first place, I am not in favour of taxing agricultural income like any other commercial and industrial income. And the estimate in the book in question is based upon guess-work after all. Besides, in my humble opinion the fallacy underlying the estimate is that it is presumed that the income from agriculture (with the proper deductions made) is not invested in concerns which are either commercial or industrial, and thus escapes from the clutches of income-tax, this income being taken to have been converted into capital, paying interest.

Qs. 61, 62 and 63.—Total prohibition must be the goal. It will have to be attained and conscientious efforts will have to be made. I would generally approve of the recommendations of the Bombay Excise Committee of 1923. But haphazard policy would be of no use; otherwise there will be an increase in taxation in other form, while the real object of prohibition will not be secured. The bogey of illicit distillation should be banished from the mind. If there is illicit production, find out the offenders and punish them. Because there are some who steal corn, free grain-shops are not to be opened.

Q. 87.—If a substitution is to be made, I would suggest tax on advertisements and betting (including races).

Q. 88.—Bombay Stamp Act of 1922 should not be extended.

Q. 96.—I would define 'tax' as a portion of the private wealth of an individual or a body of individuals compulsorily collected by Government to perform its duties.

I would define 'rent' thus: 'rent' consists of all the surplus produce after paying the cost of cultivation and the profits of agricultural stock.

Indian land revenue must be taken to be a *tax* and not *rent*. The idea that the land belongs to Government must be given up once for all. It offends against the long-cherished ideas of the people of this country and is economically unsound. It is well said indeed that "Magic of property will turn sand into gold".

There are, no doubt, various systems of land revenue in vogue in India, but so far they affect the mode of collections, the variety may have its own importance, but when the question of State-ownership comes in, it must be said that uniformity in principle is necessary and the principle must be that land revenue is a *tax* and not *rent*. I need not refer to the various authorities both European and Indian who support this view. Government must once for all decide in favour of this view of private ownership of land.

The various provisions enacted in the Bombay Land Revenue Code, the several amendments made from time to time in that Code and the rules and regulations made under the same are based upon this idea of Government ownership of land. These provisions do interfere with the peaceful enjoyment of land to such a degree that the sooner the point is finally decided in favour of private ownership of land, the better for the people and the Government.

Q. 97.—The prosperity of the cultivator depends upon various things, among which payment of land tax plays no small part. The cultivators will have to be divided into two classes. Those who are owners of the

land—they cultivate, and those who are tenants of the owners. Besides, the extent of the land a cultivator cultivates will also have to be taken into consideration. The doings of the Forest Department should not escape our attention, and the absence of supplementary industries will also have their own share. In fact all these causes together with the natural ones, viz., rain, pestilence, etc., will have to be taken into account, when we have to consider the state of prosperity or otherwise of a cultivator. The temporary settlement of land tax, no doubt, comes in the way of the prosperity of a cultivator. It will have to be permanently fixed.

Q. 98.—It is a matter of regret that I could not follow the content of the criticisms referred to in the question. But sweeping condemnation of the four principles of taxation, I fear, cannot be made. The land tax as at present in vogue may be offending against some of the principles, but that fact does not justify the force of the sweeping remarks. However, the following points will have to be noted in this connection—

(1) Land tax must be made permanent.

(2) The time of payment must be most convenient to the payee.

(3) The various collections made at present under the provisions based upon the idea of Government ownership of land must be done away with.

Q. 99.—I am totally *against temporary settlement*. Whatever may be the state of things before, the present pitch of land assessment in temporarily-settled districts is so high that people are now forced to say to Government, "thus far and no further". Nay, they would in some cases even be justified in saying that the present pitch must be lowered. This temporary settlement of land revenue, and the idea that the holder is not the owner of the land but it is the Government who is the owner, are the root causes of the neglect of agricultural development in our parts at least.

Q. 100.—Rs. 2,000 a year is at present considered to be a subsistence level and nothing has happened which goes to reduce that estimate. But the question of similar exemption from land revenue is not free from difficulties. Various interests will have to be considered; the absence of data for investigation will be the chief obstacle in the proposal. There will be a tendency to claim exemption by one way or the other, and ultimately it will be a source of trouble both to the people and Government.

Q. 101.—A tax on mutations will not check fractionization. This can only be avoided when general economic condition is improved. It is with utmost reluctance that a man alienates his land or a portion of it.

Q. 102.—In case of land, I am in favour of private ownership of land of all kinds. Therefore, even if a waste land be brought newly under irrigation scheme and then given to a cultivator, it should be given to him permanently, so that he can use it as his own private property, subject of course to the payment of taxes.

Q. 103.—I would suggest that when a certain territory is formed into a municipal district, if there be assessed or unassessed waste land in such a district, the municipal authority should be the sole and final authority in matters of assessment or exemption of land revenue, etc.

Q. 104.—It involves a big question, not easy of solution. And I am not in a position to make a final choice. However, I would like to refer to the incidence arrived at by Prof. C. N. Vakil at page 372 of his newly published book "Financial Development in Modern India."

Q. 106.—Ability to pay is one of the principles of taxation which cannot be ignored in any taxation. Local taxation must depend not upon what is best, but upon what is feasible under the circumstances of each locality. The point will be made clear by taking an hypothetical case. Suppose a municipality consists of 5,005 people, of which 1,005 are well-to-do people and 4,000 are only labourers who are living from hand to mouth. In such a case, whatever may be the criterion of levying taxes, imposition of taxation will have to be seriously considered having regard to the main principles of taxation.

Q. 107.—Besides the scheduled taxes, I had already suggested some additional powers of taxation in the nature of taxes, while the present District Local Boards Act of the Bombay Legislative Council was on the anvil. I have nothing more to add to that for the present. One of the

taxes proposed then was an *anna cess on a forest sale-price*. Imposition of a particular tax should not be made imperative by statute, but the choice must be left to the individual bodies concerned.

Q. 108.—I am in favour of terminal tax. Its merits and the demerits of octroi will be discussed later. This terminal tax being to a certain extent an indirect tax is satisfactory. Even house tax and land tax would be so in many cases if the imposition is done carefully.

Q. 109.—The most inconvenient aspect of octroi is the system of refund. In the case of terminal tax there being no fraud, all the troubles and worries are avoided. The terminal tax, being very light, is easy for payment. Its incidence cannot be said to be heavy. It is slightly felt. I cannot say that the criticism in question will be equally applicable to the well-regulated terminal tax.

My personal experience is that the octroi duty cannot be evaded if the authorities take proper steps. Without proportionate increase in the cost of collection, the octroi can be collected if proper supervision is made and proper places are selected for *nakas*, etc. But the good point in terminal tax as against octroi is that the former being very light, there is no tendency to evade the tax.

Q. 110.—My own view is that once it was considered to be a mode of raising money for local bodies. The octroi was continued till the terminal tax made its appearance.

Q. 111.—The present state of tolls in our parts at least is very unsatisfactory. The tolls are removed in the case of roads which are frequented by motor cars on the ground that they are important roads, and they are retained in the case of roads where the middle-class men and the poor have to go by bullock-carts, etc. Such a distinction is invidious. Either abolish the tolls wholesale, or retain them in all cases. That would be in consonance with justice and equity.

Minimum distance between toll *nakas*, if they are to be retained, cannot be fixed by any hard-and-fast rule. But generally it should not be less than 24 miles.

Q. 112.—If the shifting of burden of taxation is to be called a mischief, it cannot be avoided by rules of a local authority. The whole situation depends upon the facts of each particular case, e.g., if the number of houses is greater than the demand for them, then the owners will not be able to shift the burden on to the occupier. But if the houses are less than the demand, the obvious effect would be that the burden of taxes would be shifted on to the tenants.

Q. 113.—The comparison between the local authorities in England and in India is not profitable for the present. There must be overhauling of the principles underlying the present local authorities Acts in India before we go to compare the institutions in these two countries. While speaking about the limitations we shall have to compare the wealth of England and India and also the income per head in England and in India. The present limitations are necessary and will have to be continued because of the general poverty of the masses of India.

Q. 114.—There is no general limit of exemption of house tax in our municipality. Only few buildings which are exempted by statutory provisions get exemption, e.g., *dharmashalas*, temples, etc. If the houses of the poor in this municipality are exempted, the better for them, but then nearly two to three of the number of houses will get exemption.

Q. 115.—Ours being a small municipality, I have not got personal experience on the point in question.

Q. 116.—A professional tax is not imposed by our municipality nor by the local board in which I am serving. Nor there is any occasion as yet to impose tax on companies. There is no cotton-trade in my part.

Q. 117.—This question involves important matter so far as local authorities are concerned. An unconditional contribution for general aid would not be advisable. The contributions will have to be made, but they will have to be earmarked for the particular purpose for which the contribution is made. But it will not at the same time be advisable to embark contribution to the particular form of expenditure only. Government help will have to be given in all forms of expenditure. We cannot fix once for all the ratio of Government contribution. Sometimes Government

will have to pay even the whole item of expenditure. Such being the state of things, where there is no already statutory provision regarding the ratio of contribution, not less than one half and not more than three-fourths should be the ratio of such contribution.

Q. 118.—I would venture to state that the stimulus referred to in the question does exist. Indigenous ability is there. Only modern touch of refinement will be necessary by way of outside general control.

Q. 119.—No additional tax should be levied. As for substitution, capacity to pay should be the guiding principle.

Q. 137.—One important point to be noted in this connection is that in Western India the Hindu Law as administered in our courts recognizes the principle of survivorship, and therefore there is no inheritance or succession as such in such cases. Even if a duty is introduced, Hindu joint families will get exemption. Besides, in many cases of inheritance, the estates are not without debt burdens. If these debts are to be taken into account and then the net value of the inherited property is to be ascertained, it will involve laborious work both troublesome to the people and the Government.

Q. 151.—Land revenue should be a provincial source of revenue.

Q. 156.—The mischief of the Meston Award, if I were to say so, is too clear in the case of my province, viz., Bombay. Either make the income-tax a provincial revenue or Bombay must get a lion's share in its income-tax proceeds.

Mr. Bhate gave oral evidence as follows:—

The President. Q.—You are a member of the legal profession?

A.—Yes.

Q.—Have you been connected with local taxation at all?

A.—Yes.

Q.—Are you a member of the District Board?

A.—No; I am a member of the Tahk Board.

The Maharajadhiraja Bahadur of Burdwan. Q.—You say "The idea that the land belongs to Government must be given up once for all"?

A.—Yes.

Q.—What is your special argument?

A.—The holder must be the proprietor. He must have proprietary rights in the land that he possesses.

Dr. Paranjpye. Q.—So long as he pays the land revenue it is so.

A.—No; still he is only a holder; he is not the proprietor.

Q.—When he and his successors hold it for 500 years?

A.—Still the point is, he does not think that he is the owner of the land. So he does not try to improve it.

Sir Percy Thompson. Q.—You want only security of tenure and as long as you pay the revenue, you cannot be turned out.

A.—Still the feeling is there that he is only a 'bhulekari'; and there are other enactments passed on the basis of State landlordism which disturb peaceful enjoyment.

Q.—How do they interfere with the cultivator?

A.—When the holder thinks that he is not the owner and the Government thinks that it is the owner, it tries to raise the land revenue as much as it can.

Q.—Is it not your experience that the pitch of land revenue has been gradually reduced?

A.—In my province at least (i.e., Bombay Presidency) the land revenue is being increased.

Q.—I think that the percentage of net profits or the net assets that is taken has been gradually reduced from something like 90 to something well under 50.

A.—It may be so in some provinces.

Q.—In all the provinces.

A.—I do not think so. Government thinks that it is the owner of the soil and as a matter of fact, at the beginning of the British rule—especially in Bengal—something like 90 per cent was taken and permanent system was introduced. It thinks that it can raise the land revenue at discretion and then the 50 per cent rule was enacted, the idea underlying it being that the Government is the proprietor of the soil and so it can raise from it as much rent as it can.

Q.—But the facts are against you. So far from having raised it, it has in fact reduced it. The percentage which was originally 90 is now come down to below 50.

A.—But 90 per cent was fixed where permanent settlement was introduced. The reduction is there where settlements are temporary.

The Maharajahdiraja Bahadur of Burdwan. Q.—Suppose you argue that the State is not the proprietor, would you be in favour of abolishing all land revenue altogether and substituting income-tax on agricultural incomes?

A.—No; let the present land revenue be kept on, if the holder's proprietorship is acknowledged.

Q.—As an alternative, would you prefer the abolition of land revenue and the substitution of income-tax on agricultural incomes?

A.—No; I would not prefer that.

Dr. Hyder. Q.—You want to make the land revenue permanent?

A.—Yes.

Q.—You say it is a tax and it should be made permanent?

A.—Yes.

Q.—Do you know of any country where any tax is made permanent?

A.—No; I have not studied the condition of other countries.

Q.—Is it not a characteristic of a tax that you can vary it from time to time according to circumstances?

A.—But as regards land revenue, if I know I am the proprietor, I will make every kind of improvement. The present complaint is that there is no improvement in agriculture, and it is due to the feeling which the holder entertains that he is not alter all the owner of the land.

Q.—Do you think that the ordinary cultivator in the Bombay Presidency, knowing full well that he can sell his land or mortgage it or make a gift of it or will it away, thinks that he is not secure in the possession of the land? Does he at all entertain that feeling?

A.—The feeling is that he is not, after all, the owner. For instance, in practice, suppose I take some earth from my land and use it for some other purposes. If the authorities think that it is not for agricultural purposes, I am at once taxed; a penalty is imposed on me for taking out the earth from my field—it may be for the purpose of making a few bricks. This is done on the hypothesis that the Government is the owner of the soil.

The Maharajahdiraja Bahadur of Burdwan. Q.—Is it one of the items that you include under (3) in your answer to Q. 98?

A.—Yes; if I take out the earth for the purpose of building a hut in a village site, Government say it is a misuse of the land and then tax me. If I spread betel nut in my field for the purpose of drying, they say it is not used for agricultural purposes and they tax.

The President. Q.—Under what section of the Code?

A.—Under section 65 of the Land Revenue Code.

Dr. Hyder. Q.—I think the practice in other parts of India is that you can do anything you like with your land.

A.—I don't know but that is not the case in Bombay. The interpretation of our Bombay Code is that the land should not be used for purposes other than agriculture. There was a case actually where a man was fined for spreading betel nut or storing wood and it went up to the High Court. The High Court decided in favour of the man and refunded the fine holding that appropriation means permanent use in exclusion of all other uses. After this case the original word 'appropriated' is changed into 'used'.

Dr. Paranjpye. Q.—Would you not consider that using agricultural land for a permanent building is a misuse?

A.—I object to the very wording of the section. The land is to be used for the purpose of agriculture; that means we are not the owners of the land. The Government is laying down conditions like an ordinary landlord. If I am the owner of land and I give it to my tenant on lease, I can lay any condition in my lease. Our Government is treating us in the same way.

The President. Q.—Is not there another point of view? The land belongs to the community at large and is the sole source of production for the people. Therefore, the person who is in charge of the source of production is under a special obligation to use this means of production for the purpose for which it is intended—for production and not for any other purpose. These are the provisions in force in New England where they have the most advanced land-tax system. There the justification of a progressive land tax is that it is the duty of the Government to enforce production by persons who have control over the source of production.

A.—But the point is this: as regards the land tax, when the holder thinks that he is the proprietor of the soil and when he thinks that he has simply to pay the tax, whatever may be the proportion, then it is all right from the point of view of production. He being the owner, he can do whatever he likes, so long as he pays the tax.

Q.—Supposing for a moment that a rich man has acquired a very large area of land upon which a number of people were depending for their living and turned it into a hunting ground; would you think that it is a desirable state of affairs?

A.—When the system is made permanent and the proprietorship is with the holder, the question of the tenants' rights will have to be considered.

Q.—I am assuming there is no tenant at all. The man acquires this land and does not use it for productive purposes at all.

A.—But he will be paying revenue to the Government.

Q.—He pays the revenue although he cuts off the sole source of supply of grain from a large part of the population.

A.—So long as the Government is paid the tax, the owner must be left free to do what he likes.

Q.—You do not think that the person to whom the source of production is entrusted has any duty to the community at large?

A.—He has some duty and that duty is discharged by the payment of the tax.

Sir Percy Thompson. Q.—Suppose the rich man comes and buys up an enormous area which has been grown with wheat and turns it into a sporting ground and turns tigers into it?

The Maharajahdharaja Bahadur of Burdwan. Q.—Perhaps what Mr. Bhate is aiming at is this: Suppose a man owns 10 bighas of land. He says, "I own these 10 bighas of land and I pay Rs. 20 as land revenue for that land. As long as I pay this land revenue, my duty to the public is performed. I contribute to the public coffers, and the Government should not restrict me as to whether I grow betel nut, or whether I till the land, or whether I keep it waste." Is that the position?

A.—Yes.

Dr. Paranjpye. Q.—Now let me give you another example. Suppose you have got a piece of land and you use it for quarrying stones. When you are quarrying the stones, you are making an enormous profit and

you pocket all that profit. When all the stones are taken away, your land becomes useless for cultivation and then you abandon it and go away elsewhere. There is the land there, but it is absolutely unfit for any cultivation.

A.—When I say that the holder should be the proprietor, section 74 of the Land Revenue Code will have to be amended. I cannot be allowed to relinquish the land at pleasure.

Q.—You may die and your heirs and successors will not take it up.

A.—No question of taking up. They will have to pay land tax.

Q.—You are deteriorating the land.

A.—That cannot be a general rule. If a man destroys his property, what are you going to do?

The President. Q.—Your permanent obligation is against Government; but there is no corresponding obligation against you?

A.—If I am the owner of the field and if I pay assessment to the Government, I shall try to make as much as I can from the field.

Q.—When you completely exhaust the land, there is nothing for the Government to take and the man can be put only in the civil jail.

A.—But the property is there.

Dr. Paranjpye. Q.—It is useless for any purpose.

A.—The underlying idea of all these questions is that the Government is the owner of the soil, and that is why you think that your property is destroyed and so on.

Q.—Suppose you have been paying assessment for ten years; you exhaust the land, make it useless and then relinquish it altogether?

A.—I cannot do it. As I said above, the section 74 of the Land Revenue Code will have to be so amended.

The President. Q.—How do you amend it?

A.—When the settlement is permanent and he is proprietor, he cannot relinquish the land at his pleasure.

Q.—Can you fine him for that?

A.—There are so many provisions for collecting the land revenue.

Dr. Paranjpye. Q.—But nothing can be got out of the land.

A.—I think these are only exceptional cases.

Sir Percy Thompson. Q.—Supposing the man after exhausting the land and making it perfectly useless, dies and he has got no relations who can succeed to that. What is the Government to do? It is left with a perfectly useless piece of land.

A.—What about the waste land at present?

Q.—Do you think it is a sound position that the Government should have a permanent settlement? As long as you pay the twenty rupees you can do what you like; you make the land perfectly useless. Is that your idea of good management?

A.—It is an exceptional case. Nobody would be so foolish as to destroy his own property simply because the land tax is permanent.

Q.—It is not an exceptional case. It can occur thousands and thousands of times in the case of coal mines. You take out all the coal and render the soil perfectly useless. You may, as long as you take out the coal, get large profits.

A.—As regards the coal mines, I have not considered the point. I know nothing about coal. We are speaking about agricultural lands.

Dr. Paranjpye. Q.—Take another illustration. You have got land on the side of a creek. You have got permanent settlement. But suppose you are not a good landlord and you are shortsighted. The bund which keeps out the salt water from your land goes to pieces; the land becomes saltish and becomes utterly useless for any further cultivation. You have got nothing else to live on and you go to Bombay and become a bankrupt. In such a case what is the Government to do? In fact, such a case did occur to my knowledge. The bund was not repaired on account of factions, and a large portion of the land had become useless.

A.—If such a thing occurs under a temporary settlement, what is the Government going to do?

Q.—It can increase the assessment in other cases. But you are contemplating a position where all the advantage is on your side and Government cannot do anything.

A.—He cannot escape the land tax anyhow.

Q.—But suppose he dies?

A.—The land will be confiscated.

Q.—But it is of no good.

A.—Now the underlying idea is that the Government is the owner and that is why you think that the Government is being put to loss and so on.

The Maharajadhiraja Bahadur of Burdwan. Q.—Rs. 2,000, you say, is the subsistence level in India?

A.—That is as regards income-tax. It is because the authorities think that it is the subsistence level, that they have fixed the exemption limit at Rs. 2,000.

Dr. Hyder. Q.—I want to know whether in your opinion Rs. 2,000 is not above the subsistence level—whether a man cannot maintain himself with Rs. 166 a month?

A.—That depends upon the status of the man. You cannot state broad propositions like that.

The President. Q.—What is the least amount which will keep a man alive?

A.—That will depend upon the status of the man. A poor man will manage to live with as little money as possible. If he is a middle-class man, he will have to spend much more.

Q.—With regard to Q. 102, suppose a piece of waste land which has no value at all is rendered much valuable by the introduction of an irrigation scheme. You would allow that increment to go to the unfortunate individual that has got that piece of land assigned to him?

A.—My idea is that the land must be given permanently whatever be the tax.

Q.—Have you any idea of the extent to which land under the Punjab canals has increased in value in the succeeding years?

A.—No.

Q.—Will it be possible, at the time you bring in an irrigation scheme, to say with absolute certainty what the value of the land will be in 50 years?

A.—I have not studied that question.

Q.—Would you take it that it increases by thousands per cent? But you cannot anticipate it at the beginning. If you begin to do it at the beginning, you will get nothing. Therefore, if you give away the land permanently for a low sum in the first instance, you are giving away a great deal of property that belongs to the community.

A.—The whole theory is wrong. If the proprietor gets higher profits by force of circumstances, why should he not take them? If he is a rich man, he will pay the State in so many other ways.

Dr. Paranjpye. Q.—You say that income-tax should not be charged on agricultural incomes?

A.—When the agriculturist lays by money and it is capitalised that can be assessed to income-tax.

The President. Q.—You say you have already suggested some additional powers of taxation in the nature of taxes while the present District Local Boards Act of the Bombay Legislative Council was on the anvil. Can you tell us what your suggestions were?

A.—There are five items, which you will find in the Council proceedings, that were suggested by me. The first is, one anna on forest contract prices should be local board's revenue. Supposing for five thousand rupees one plot of forest is sold, then one anna per rupee should be the local board's revenue out of that Rs. 5,000.

Dr. Paranjpye. Q.—All that would mean is, it would reduce the sale price of that piece of forest:

A.—No. Government would get Rs. 5,000, out of which one anna will be credited to the local board's revenue.

The President. Q.—But who will pay?

A.—The Government will have to pay.

Q.—They are already paying in the shape of grants to the local bodies. It is not a new tax which you seem to think it is.

The Maharajadhiraja Bahadur of Burdwan. Q.—What is your special reason in saying that local bodies should share in these profits? The local boards now receive grants from Government and from general revenues. What is your special reason in advocating that portion of the forest incomes of the Government should be earmarked for expenditure on local bodies?

A.—That would be a permanent revenue to the local board. The forest revenue will be there, and therefore the local boards will always be getting a steady income. The local boards need not depend upon Government for grants.

The President. Q.—You said you had five means, what are they?

A.—One I have already stated. The second is when agricultural land is converted into building site, Government receives something as building fine. I want that to be left in the hands of the local boards.

Q.—Again, that is not additional taxation. That is another kind of grant from Government. Your first two proposals are not additional taxes, but only grants. May we know the third?

A.—I will show it by referring to the Council proceedings, if I get the book just now.

The Maharajadhiraja Bahadur of Burdwan. Q.—In reply to the President, the two instances which you gave were really a diversion of the Government's normal revenue towards expenditure of local boards. But I want to ask you, supposing now Government gets one lakh of rupees in your taluk from forests, would you, for your local purposes, levy a new tax what you call assessment over and above the lakh of rupees at the rate of one anna in the rupee and then earmark for the local boards?

A.—Yes, if the powers were given to the local boards that would be the effect of it.

The President. Q.—What is your third proposal?

A.—As regards tax on salt, one anna out of the present rate should be the local board's revenue.

Sir Percy Thompson. Q.—Is that going to be additional rate or are the Government of India to pay one anna out of their income from salt? Now the rate is Rs. 1-4-0 per maund that goes to the Government of India. Are you going to make it Rs. 1-5-0 by your proposal?

A.—Yes. One anna should go to the local bodies.

The President. Q.—That Rs. 1-5-0 would be on all the salt sold in Bombay. You should know that three quarters of the sea salt of Bombay goes outside. Thus you will be taxing the Central Provinces for the benefit of your Presidency?

A.—No, that is not what I mean.

Q.—How are you going to distinguish what is issued in the Bombay Presidency and issued to other places outside?

A.—I think that can be done by ascertaining the consumption in the Bombay Presidency and outside. That is my vague idea. I have not actually worked out the figures.

Sir Percy Thompson. Q.—Supposing I have got a salt factory and I say that my salt is going out of the Presidency, so I am going to pay only Rs. 1-4-0 and not Rs. 1-5-0, what will you do? Who is to prove whether the salt manufacturer has sold it in Bombay itself or outside?

A.—That would depend upon the circumstances of each case. We can ascertain what the consumption in Bombay and in the Central Provinces is. It would be just as in the case of octroi. Really speaking, in the case of commodities which have gone out of the municipal limits, a refund is given. That is the refund system in octroi.

The President. Q.—Then you would have to maintain *nakas* round the whole of your Presidency.

A.—I have not worked out the scheme in detail. My simple suggestion is that we can ascertain what is the consumption in the Bombay Presidency. If there would be difficulties, it is the duty of Government to find out a way out of those difficulties. I simply say if at all we want some sort of revenue, this should be a source which should be tapped.

Q.—May we pass on to your fourth item. What is it?

A.—I am sorry I do not recollect the fourth item.

Q.—May we now pass on to Q. 109? You say the most inconvenient aspect of octroi is the system of refunds. In the case of terminal tax there being no refund at all, the troubles and worries are avoided. You would therefore favour a terminal tax?

A.—Yes. The principle of octroi is that refund must be given. When it is found that there is no consumption in a town of a particular commodity, then, of course, the tax will have to be refunded when the commodity goes out of the limits. There are all these troubles.

Dr. Paranjpye. It is a troublesome thing to the local authority.

A.—It is troublesome to both the local authority and the people.

The President. Q.—Is it not open to the people not to claim the refund?

A.—Why? If they have a right they will certainly exercise it.

Q.—You say that tolls are removed in the case of roads which are frequented by motor cars on the ground that they are important roads. How?

A.—Yes. This is the wording of the reply given to a question put by me in the old Council. They said that they were important roads and so tolls were removed. Therefore I presume that these roads are really frequented by motor cars. There are tolls on some and not on others. If you think the toll system is necessary, have tolls on all the roads; if not, remove them entirely. There should be no distinction between important and unimportant roads such as is now maintained.

Q.—You say, there is no occasion to impose a tax on companies and at present there is no profession tax.

A.—Yes, it is as regards my own district.

Q.—Don't you think such a tax desirable?

A.—I do not think any revenue will be collected from profession tax. I do not think as a matter of fact in my municipality a substantial revenue will be collected.

Dr. Hyder. Q.—Take a goldsmith working in the village, and surely he earns more than 300 rupees a month. That goldsmith deals in no other trade and thus pays nothing whatsoever to the municipality or local board. Don't you think that he should pay as any agriculturist or as any man who owns a house pays something?

A.—My idea is that mofussil goldsmiths never earn so much. They have to cultivate some lands and during their leisure time they do goldsmiths' work. Simply on that profession it is impossible for them to subsist.

The President. Q.—What about the money-lenders or petty shopkeepers?

A.—I do not know what can be done about money-lenders, but the petty shopkeepers should not be taxed by local bodies.

Q.—In answer to Q. 39, you say that you are not in favour of taxing agricultural income because the savings of these incomes from agriculture are always invested in commercial concerns, so the return from them becomes liable to income-tax; is that so?

A.—That is the case. I will cite you a practical case. Suppose a man has got 500 candies from agriculture, out of that 500, 300 candies remain every year, and the price of this corn is capitalized, then I say the possessor of this 300 candies will have to pay income-tax, because it is probable he won't keep idle such a large amount in his house.

Q.—Would the same thing apply to vakils' fees?

A.—Yes, they are taxed. They do not go scot-free.

Dr. Hyder. **Q.**—While we are talking about the new sources of taxation to local bodies, I ask you, whether you would favour a tax on marriages either for the benefit of the local bodies or for the general purse of the Government?

A.—If I recollect correctly, that was one of the recommendations of the Excise Committee.

Dr. Paranjpye. **Q.**—Are you in favour of a small registration fee for marriages?

A.—We must accept the proposition first of all that marriages should be registered. So far as the present system goes, nobody need register their marriages.

Q.—Suppose you levy a small fee when the marriages are celebrated?

A.—It is marriage fee. I think in some Indian States such marriage fees are levied.

Dr. Hyder. **Q.**—Do you think a Government like the British Government should put on a tax like that? I ask you, if there would be any political reactions on such a tax.

A.—If the registration is enforced, then that can be easily done.

Q.—Can you enforce registration?

A.—I am not going into that question at all. If at all registration is done, then it is easy to impose tax.

The Maharajadhiraja Bahadur of Burdwan. **Q.**—Do you think it will be politically expedient to introduce such a tax in British India—a marriage fee on marriages?

A.—I think in the present state of the country, people won't like the tax.

The President. **Q.**—Supposing the local bodies impose voluntary registration, would people take advantage of it?

A.—I think so.

Q.—You say with regard to the scheme of total prohibition, that the bogey of illicit distillation should be banished from the mind. How?

A.—Whenever the question of total prohibition arises, the reply from Government authorities is that if prohibition is enforced there will be illicit distillation, people will drink and Government only would lose their money. So it is necessary for the Government to impose the tax as the drinking would be there. My reply is that it is not possible there will be illicit distillation to a vast extent. So far as my district is concerned, there is nothing in the nature of illicit distillation, because there is nothing that can produce liquor to a large extent.

Q.—How would you check illicit distillation?

A.—As you check illicit manufacture of salt or control forests, why do not you apply the same kind of rules and regulations to the illicit distillation?

Q.—If illicit distillation is not possible, surely illicit import is quite possible.

A.—That will depend upon the rules in existence in the adjoining States. If you adopt the system of prohibition, they will follow suit gradually.

Q.—On the other hand, they do not care to follow your rules and regulations. Their important source of income is from excise.

A.—I say it is a bad revenue, and therefore it must be prohibited.

Q.—We are discussing whether you can enforce prohibition. First of all, you say the States will follow suit, and then you say if they do make liquor it will be a bad revenue. The question is if they will make liquor, how can you prevent it?

A.—Of course they will send their liquor to the adjoining towns. My idea is that they cannot do it openly in the broad daylight as they do now when there is a strict prohibition in British India.

Q.—How are you going to prevent it?

A.—That is a question which must be decided by the Government.

Q.—You have not thought out any practical scheme to overcome all these difficulties?

A.—I think if prohibition is introduced in British India naturally there will be inclination for the Indian States also to do the same. In this connection I will refer you to the proposals of the Excise Committee.

Q.—How are you going to effect prohibition?

A.—By rationing system, I mean gradual prohibition.

Q.—I take it that you have no practical scheme to suggest.

A.—Not at this moment.

Written memoranda of witnesses not examined orally.

Written memorandum of the Bombay Millowners' Association.

Before proceeding to deal with the questionnaire framed by your Committee, I am directed to invite your Committee's serious attention to the crushing burdens of taxation imposed upon the cotton mill industry. The 33rd paragraph* of the representation to the Municipal Commissioner, copies of which are forwarded herewith, will give you an idea of the manner in which taxes have been piled upon the cotton mill industry without any reference to the taxable capacity of the industry. The total charges paid by the mill industry by way of taxes is estimated to be equivalent to a tax of nearly 8 per cent on the share capital invested in the industry, which is at least 5 per cent more than any other major industry is called upon to pay, and acts as a severe handicap in meeting competition in the home and other markets.

By far the most crushing and inequitable burden imposed upon the industry is, of course, the $3\frac{1}{2}$ per cent cotton excise duty. The Association's publications on this subject which have been already forwarded to your Committee must no doubt have brought home to your Committee the absolute necessity of doing away with this admittedly unjust and inequitable impost.

It is perfectly amazing that although the cotton excise duty has been unequivocally condemned by the highest officers in the realm, men like Mr. Lloyd George, Mr. Austen Chamberlain, Lord Hardinge, Lord Carnichael, Lord Willingdon, the Government of India should insist on retaining the duty for the sake of the revenue it brings. It will be generally admitted that there could be no more immoral doctrine for a Government to adopt than that a tax should be retained merely for the sake of the revenue it brings irrespective of all other considerations, political, economical and moral. ~~Moreover, the excise duty was not levied in the first instance for revenue purposes, but to placate Lancashire, and now that its iniquity and its ruinous consequence on the premier industry of the country are proved to the hilt, it is hardly fair or just that its retention should be advocated for the sake of 'the tainted money' it brings into the coffers of the Government of India.~~

The most objectionable feature of the cotton excise duty, of course, is that it is a tax on production and not on profits. The cotton excise duty is, in effect, a sort of fine imposed upon the cotton mill industry of India. The mill industry has to pay to Government a certain amount on every pound of cloth manufactured, irrespective of the fact whether a profit is made thereon or not. A tax of this description on the production of a prime necessity of life is unheard of in any civilized country on the face of the globe.

It should be further remembered that the cost of the $3\frac{1}{2}$ per cent excise duty to mills has greatly increased during recent years as compared with pre-war years. At the present time the excise duty costs on the

* Not printed.

average about three-quarters of an anna per pound of cloth produced as against little over one-fourth in 1913-14. The reason for this is that the price of cloth has increased very considerably owing to increases in prices of raw cotton, stores, etc., increased taxation, very much higher wages and shorter hours of labour. The result is that a shirting which costs 8 annas per lb. to produce in 1914 now costs 20 annas to produce. Thus Government are collecting about two-and-a-half times the duty collected in 1914, viz., 210 lakhs against 84 lakhs, i.e., practically 126 lakhs more on account of the cause indicated above.

As regards the ruinous effects of the duty on the cotton mill industry of India, particularly in regard to the formidable competition from Japan, it is not proposed to dilate at length in this place, but my Committee desire to invite the most serious attention of your Committee to the Association's publication, "The Indian Cotton Excise Duty", particularly to pages 41 to 62 thereof. My Committee are confident that a careful perusal of this book will convince the members of the Indian Taxation Enquiry Committee that the case for the abolition of the iniquitous excise duty on cotton goods is absolutely unanswerable.

Having drawn your Committee's attention to the heavy burden of taxation imposed upon the cotton mill industry, and in particular to the iniquity of the cotton excise duty, I now proceed to state my Committee's views on some of the questions contained in your questionnaire.

Q. 4.—I am directed to state that this Association has no detailed suggestions to make for the improvement of the present methods of recording and compiling statistics. This Association has always been, and will always be, willing to provide Government with accurate information and statistics with regard to the state and conditions of work, etc., in the cotton textile industry. My Committee are, however, of opinion that there is considerable room for improvement in the present system of compiling and collecting statistics relating to agriculture, and my Committee think it desirable that Government should formulate a scheme for furnishing the public with accurate and satisfactory data and statistics relating to agriculture.

Q. 5.—The English Census of Production Act has been recognised to be a most expensive failure, as is evidently admitted by the Taxation Enquiry Committee judging from the wording of this question, and my Committee are strongly opposed to the enactment of an identical Act for India.

Q. 6.—This Association and other important public bodies strongly opposed the Statistics Bill, which was introduced by the Government of Bombay sometime back, and which was eventually withdrawn. I am directed to forward you herewith copies of the representations* made by this Association to the Government of Bombay in connection with this ill-advised piece of legislation. These representations, it is hoped, will satisfy the Taxation Enquiry Committee of the inadvisability and dangers of enacting legislation for the compulsory collection of statistics. It will be further observed from these representations that if legislation be at all deemed necessary, then in my Committee's opinion there should be all-India legislation and not provincial legislation.

Q. 7.—My Committee are unable to accept the view that statistics of the nature referred to in Q. 6 are of any appreciable value. It is very rare indeed that any true comparison can possibly be made between the statistics of one country and the statistics of another country, inasmuch as there are many divergent factors, either unknown or incompletely understood, and conclusions based on such data are most misleading and inaccurate and may even prove dangerous.

Q. 47.—In my Committee's opinion, the present arrangements in regard to assessment of income-tax on the previous year's income are satisfactory, but I am directed to point out that the Government of India in the year 1919 revised the Income-tax Act and made income-tax payable on actual profits. This necessitated an adjustment of the income-tax and super-tax payable by individuals at the end of each year. Between 1919 and 1921 the profits of mill industry were increasing, and Government by this revision and readjustment of the Income-tax Act made considerable gains. In 1922, however, the Act was again revised and assessments were

* Not printed.

made on the previous year's income. The result was that when profits declined, Government very cleverly took away the clause of yearly adjustment to the detriment of companies and individuals, but to the benefit of the Government Exchequer.

Q. 48.—My Committee accept the principle that the articles to be taxed should be few but sufficient in number and of such kind as to touch all classes, and to reach in a moderate degree those who do not contribute to direct taxation. I am, however, directed to point out that an application of this principle by imperial, provincial and municipal authorities at the same time is likely to operate very prejudicially, inasmuch as one and the same article is likely to be taxed more than once. A typical illustration of this is afforded by the scheme of terminal taxes recently worked out by the Bombay Municipality. Under this scheme several commodities, e.g., coal, liquid fuel, machinery, etc., which are already subject to import duties levied by the Government of India, are included in the schedule of articles which are proposed to be subjected to the terminal tax, and this obviously means great hardship on the mill industry which largely consumes the articles named. I am directed to enclose herewith copies of the letters* addressed by this Association to the Bombay Municipality on the subject of the proposed terminal taxes, and my Committee commend these letters to the very careful consideration of the Taxation Enquiry Committee.

Q. 82.—It is my Committee's considered opinion that the time has come when Government should seriously consider the advisability of levying export duty on cotton. At present the Japanese purchase their cotton from this country, carry it to Japan, manufacture it into yarn and cloth and then ship it back again to India and to the other legitimate markets of India to the great detriment of the Indian textile industry. An adequate export duty would probably yield two crores annually, and would thus furnish Government with a fresh source of revenue which would make it easier for them to abolish the cotton excise duty. It can hardly be maintained that a small export duty will operate harshly on the cultivator. There can be no doubt that the demand for Indian cotton will go on increasing, especially as even Lancashire is now turning to the manufacture of coarser goods and is therefore importing Indian cotton in larger quantities. An export duty will further help in assuring the indigenous industry of an adequate supply of cotton. My Committee confidently expect that a careful consideration of this important question will establish beyond any doubt that an export duty on cotton will prove very beneficial to the textile industry and to the country generally without the least adverse effects on the cultivators.

Q. 83.—In my Committee's opinion, it would not be wise to give a general answer to the question whether *ad valorem* or specific duties should be favoured; for, the answer to this question depends upon the nature of the commodities to be taxed. So far as cotton is concerned, my Committee maintain that the export duty recommended by them should be in the first place a specific duty which would make it much cheaper and easier to collect and make it more readily possible to calculate the amount of revenue which would be derived from it, and would make it more difficult for the tax to be passed back to the cultivator by the Japanese.

Q. 106.—In regard to local taxation under heading (b), my Committee agree that the main criterion for levying taxes should always be the measure of the benefits received, provided always that the ability to pay is taken into consideration. A careful consideration of the taxes imposed by the Bombay Municipal Corporation on the cotton mill industry of Bombay will convince the Taxation Enquiry Committee that these taxes have been increased so tremendously that they are out of proportion to the benefits received by the industry or the industry's ability to pay. In this connection, my Committee have had a good deal of correspondence with the Municipal Commissioner and copies of this correspondence forwarded* herewith will, my Committee are confident, convince the Taxation Enquiry Committee of the enormity of municipal taxes imposed upon the industry.

Q. 116.—My Committee do not understand what the Taxation Enquiry Committee mean by a 'a manufacturing tax on cotton'. Presumably it is another name for cotton excise duty, and if it be so, then my Committee's views have been already given above.

* Not printed.

In regard to a tax on companies, my Committee desire me to state that there is already a super-tax on the profits of the companies in addition to the income-tax. My Committee firmly maintain that at the first opportunity this company super-tax should be abolished, or at any rate should be reduced, inasmuch as the tax is an impediment to the development of industries. In my Committee's opinion, it is not right to continue a tax which was levied purely as a War measure.

Q. 119.—My Committee see no reason why business profits should escape taxation, if it be possible to tax business profits and collect the tax at reasonable cost. As regards employers of labour, I am directed to point out that they are already taxed by the Workmen's Compensation Act, etc. As regards taxing transactions in capital and exchange, although the suggestion may appear sound in theory, my Committee apprehend it would be found difficult and costly, if not impossible, in practice.

Q. 120.—My Committee strongly urge the advisability of imposing income-tax and super-tax on agricultural incomes as in the case of incomes from other sources. No satisfactory case has been ever made out for exempting agricultural incomes from income-tax and super-tax, and it is my Committee's considered opinion that this unjustifiable exemption entails on Government a tremendous loss in revenue. It is very anomalous that agricultural income, however considerable, should be exempted from taxation, while a clerk earning Rs. 2,000 per annum should be liable to pay income-tax. My Committee do not think succession or legacy duties or heavy profit duties suitable in the present condition of India, where money is so essential for the agricultural and industrial development of India.

In conclusion, I am directed to state that although my Committee have given above their views on the different questions in which they are interested, they are very sceptical as to the ultimate results of the labours of the Taxation Enquiry Committee. My Committee are of opinion that it would have been better if, in framing their questionnaire, the Taxation Enquiry Committee had confined their attention to a few broad and important questions in connection with the taxation policy of Government. Unfortunately, the questionnaire is much too elaborate and goes too much into minute and unimportant details, and my Committee apprehend that a questionnaire like this, far from helping the Taxation Enquiry Committee in reaching sound conclusions on important questions pertaining to taxation, is only apt to confuse the issues and will ultimately mean waste of public time and money. However that may be, this Association will be very pleased if the labours of the Taxation Enquiry Committee will result in sound and useful recommendations being made to the Government of India, particularly in bringing home to the Government the hopeless plight to which the cotton mill industry has been reduced by the crushing burdens of taxation imposed on it, and to which the attention of your Committee was drawn in the beginning of this letter. My Committee welcome a careful investigation into this question by an expert and independent body like the Taxation Enquiry Committee, and any further information required by you in connection with this matter will be most willingly furnished.

Written memorandum of the Ahmedabad Millowners' Association.

The Committee note with regret that the Taxation Enquiry Committee have been appointed in defiance of the wishes of the Legislative Assembly which desired such an enquiry on a broader scale after taking into consideration the economic condition of the country as a whole. The scope of the Committee has been tied down and rendered very narrow by the confinement of its work to the subordinate branch of redistribution of taxes in general, leaving aside the features of expenditure which have very important bearing on the whole question. It appears that the enquiry is based on the assumption that the present high level of taxation with which this country has been saddled during the period of the War and of subsequent years of boom is to be regarded as normal. The expenditure being more intimately connected with the taxable capacity of the people, the work of the Committee has been handicapped by the exclusion of such a vital issue from the terms of reference. The Committee further look in vain at the questionnaire for an attempt to raise intelligent discussion

on the burning questions of the time, such as cotton excise duties, and observe that minimum attention has been directed towards the growing burden of taxation on Indian industries and trade.

After making these general observations, the Committee would make an attempt to deal with certain questions mentioned in the questionnaire.

Q. 1.—The statistics at present available for the purpose of estimating the wealth of this country are not considered by the Committee to be adequate and reliable. Detailed statistics should be collected and compiled to ascertain: (1) the production of wealth in the Indian States, (2) the artificial value created by transport, and (3) the returns on foreign capital invested in India in industries, national debt, etc.

Q. 2.—The average incomes per head are misleading for the following reasons: (1) Depreciation of the purchasing power of money in reference to the necessities of life. (2) The number of families or individuals earning below the minimum of subsistence should be taken into consideration along with the averages of incomes obtained.

Q. 3.—Even if the corresponding figures existed, they would not yield any correct estimate for ascertaining the taxable capacity of the people.

Q. 5.—A census of production in this country may be taken. Such statistics would serve as a useful guide to the ascertainment of the proportion of Governmental expenses to the taxable capacity of the people. It would also assist in forming the correct estimate of the economic conditions of the country and the means of improving them.

Q. 6.—The Committee would not object to the undertaking of all-India legislation for the collection of statistics, provided they include statistics of all Government undertakings, foreign employers and all commercial concerns—Indian or foreign—including exchange banks, insurance companies, shipping agencies, etc.

Q. 7.—Such statistics do bear relation to the extent of the incidence of taxation.

Q. 13.—In the case of Government, commercial or semi-commercial return, or a monopoly profit, depends on the nature of the undertaking and ought to be judged more on economic grounds than on revenue or taxation grounds. The element of tax appears in varying degrees in all the three, though most in monopoly.

Q. 14.—There is an element of taxation in all these from (a) to (c), to the extent of the incidence above the actual cost of such services rendered. In estimating the cost of such services, profits or revenue should not be taken as correct basis, but the abnormal and extra side of expenditure should also be economically taken into consideration. In regard to coinage and exchange, the element of taxation and incidence is more acute, though indirect in the form of depreciation of money in relation to materials or adverse influence on indigenous productive industries.

Q. 16.—For lands newly brought under irrigation or guaranteed supply of water, the State should charge only a bare return on the water supplied; however, the revenue on such land should be reassessed on the basis of at least four years' average increase of production.

Q. 18.—The Port Trust dues are not wholly for services rendered. They affect transport cost of goods and the commercial gains derived from these dues together with that portion of expenditure which is not wholly for actual service to the goods, do effect an indirect incidence on the goods.

Q. 19.—This depends upon the nature of the needs of a particular locality served by that particular expenditure.

Q. 20.—Yes, it is necessary to distinguish between the incidence earmarked for particular services and that levied for general purposes.

Qs. 21 and 22.—Indirect taxes are considered voluntary to the extent they affect luxuries. Taxes on entertainments, luxuries, tobacco and even intoxicants which are articles of voluntary consumption are not a direct burden on the general tax-payers.

Q. 23.—The consumption of tobacco and intoxicating liquor is of luxuries and as such optional. It raises revenue and imposes no economic burden.

Q. 24.—A tax on railway tickets is neither voluntary nor justifiable. Such a tax is most unsuited to the present condition of India. A tax on entertainments would not be justifiable if it is levied on necessary and educative entertainments.

Q. 25.—Prohibition of intoxicants is desirable not from the considerations of religion and customs only but even from moral and nation-building standpoints.

Q. 26.—The whole scheme of taxation is inequitable and faulty on economic principles.

Apart from the question of revenue, tariffs and protective duties ought to form a principal consideration in the distribution of taxes. Productive industries and wage-earning capacity side by side with unemployed millions keep the taxable capacity so low as to require special protection and fostering of industries by Government, in order to raise the taxable capacity of the people.

Q. 27.—Those members of the community whose earning is below the normal subsistence should not be taxed.

Q. 28.—Taxation is at least a convenient accompaniment of representation, but looking to the general poverty of the country, this principle should not be very strictly enforced.

Q. 29.—The tax should be indirect.

Q. 30.—A poll tax is not advisable for India. Any direct tax of the type mentioned in Qs. 30 and 31 is objectionable.

Q. 32.—Out of the indirect taxes mentioned in this question, excise duties on cotton are the most objectionable, because they affect on the one hand an absolute necessary of life, and on the other hand it acts in the form of a tax on production affecting a growing indigenous industry against foreign competition.

Qs. 33 and 34.—The present rate of income-tax is sufficiently high. The number of persons paying at the higher rates is so small in proportion to the general population that the incidence on them is unfair and abnormal, and it induces an apathy towards further increase in the earning.

Q. 35.—We do advocate a differentiation in favour of sums invested in productive enterprise to encourage the industrial progress of the country. We would suggest that from the profits earned by industrial companies a fixed percentage must be allowed exemption from income-tax.

Q. 36.—A trial may be made to provide making allowances for the number of persons supported out of particular incomes to a certain limit.

Q. 37.—India being industrially far backward as compared with other countries, it is imperative that the manifold burden of taxation on Indian industries should be reduced from its present level. In the light of this, the super-tax should be equitably reduced.

Q. 40.—It would not be fair to reduce the limit in the case of income-tax below the present limit.

Q. 41.—Gradually the system is evolving, and it is expected to become more regular.

Q. 42.—It will not be possible to adopt an uniform plan of keeping accounts in this country on account of want of education in a majority of people.

Q. 43.—There are few chances of frauds for evading income-tax, especially in the case of those paying higher grades of income-tax, and publication of incomes is not only not necessary but is unsuitable and undesirable from the point of Indian sentiment.

Q. 44.—We do not object to tax-free securities. However, a limit should be fixed in order that it may not tell adversely on industries.

Q. 47.—The present system of assessment on the previous year's income is not very objectionable.

Q. 48.—We believe that the scheme of taxation should not be based only on the revenue requirements but should be at the same time conducive to the growth and development of nascent industries and productive capacity of the people. It has also to consider for the purpose of estimating the burden of incidence, the present parasitical pauperism prevalent in this country, under which circumstances, no definite policy should be adhered to.

Q. 49.—India being chiefly a country producing large quantities of raw materials which might more profitably be manufactured here than exported to foreign countries and reimported in finished or manufactured form, no excise duties on any articles are preferable. However, an excise on the following does not seem very objectionable: cartridges, chewing gum, cigarette papers, chocolates, coffee, tobacco.

Q. 50.—Such graduation is not practicable in India.

Qs. 51 and 52.—Salt tax could be acceptable only in case every man in the country is subjected to taxation. Even then the tax should not be such as would reduce consumption and affect the masses. Tobacco, however, is so generally used that a tax on this article should serve the purpose in view.

Q. 54.—We would prefer an extension of direct sale of salt by Government at cost price.

Q. 60.—Salt should be issued duty free for use in agriculture and industries. The process of denaturation, etc., may be examined in relation to local needs.

Q. 61.—We are in favour of the policy of total prohibition in India as early as possible.

Q. 62.—As the incidence of taxation, as at present, is twice that of the pre-war level, there should be no new levy to add to the burden of the tax-payer. The loss of excise revenue may be partly made good by the increased efficiency of the people on account of prohibition, but this is a measure which ought to be adopted even by reducing the expenditure of Government which is enormously increased in certain items.

Q. 78.—Apart from protection or fair tariff, articles of luxuries may be subjected to the customs duty for the purpose of revenue. Those articles which must be imported as a necessity for industrial and agricultural need must be duty free.

Q. 79.—The limit of diminishing return is not always a reliable index in the case of all commodities. There are certain materials required for industrial purposes which may not show a diminishing return, e.g., 15 per cent duty on mill stores even under a high duty because of their necessary requirement for consumption. Duties on yarn and store materials are such as to nullify to a great extent the benefits of productive duties and manufactured cloth in the interest of the indigenous textile industry.

Q. 80.—Duty on the following may, with advantage, be increased: (1) intoxicants, (2) cigars and cigarettes, and (3) all cotton fabrics with a special protective duty on coarser piece-goods which compete directly with Indian manufactures.

Q. 81.—A revision of tariffs should be made on economical basis giving protection to indigenous industries already in existence as well as those expected to develop in India. Duties for revenue purposes may be levied as required on commodities outside the range of protected industries.

Q. 82.—Export duties may be raised or levied on articles of the following kinds: (1) grain and cereals, (2) such raw products as can with advantage be manufactured in India, and (3) such products of which we have a monopoly, and substitutes for which are more costly to the foreign importers, in relation to the purpose for which they are required. On the above grounds, export duties may either be levied or increased on wheat, rice, grain, tea, hides and skins, oil-seeds, medicinal herbs, jute, shellac, minerals.

Q. 83.—Whether it should be *ad valorem* or a specific duty depends upon the nature of the articles.

Q. 87.—Most of the taxes mentioned in Annexure K are unsuited to India. However, a tax on auction sale, betting and entertainments may be tried.

Q. 88.—The present scale of stamp duties is sufficiently high. The duties on commercial transfers and transactions should not be such as to obstruct free and progressive movements of trade.

Q. 89.—Stamps collected on judicial proceedings should be limited to pay for the cost of service rendered. Resorts to law are no proof of an ability to pay and making the proceedings costly would amount to denial of justice to the poor.

Q. 90.—Yes. We agree with the remarks of Mr. Hobson.

Q. 92.—Fees often develop into taxes. There is undoubtedly an element of taxation in court-fees, especially relating to probates, succession certificates, etc., in compulsory registration, transfer of shares, commercial bills, sight drafts, insurance of postal articles, etc.

Q. 93.—Generally the registration fees should only be sufficient to pay for the cost of the service rendered. It is not legitimate to charge higher fees, especially when registration is made obligatory in certain transactions without regard to the parties or the actuality of the benefits covered or contemplated by the document.

Q. 95. We would prefer a more general extension of the entertainment tax, which to a great extent is optional, rather than an increase in the older taxes, which would add to the burden of tax-payers in general. Rent may be defined as the proprietor's gain out of the produce of his property. The tax is a levy by the State or a corporation for the purpose of revenues required by such body. The Indian land revenue is a tax firstly, because landed property is of the nature of a private property of the individual, and secondly because the land revenue does not represent the net gain out of the produce.

Q. 97.—The prosperity of the cultivator, especially in India is affected by the land tax, in view of the fact that agricultural methods remain on primitive basis. The State has practically done nothing to improve agriculture on the lines on which other advanced countries have improved their agriculture by the use of scientific ways and means to develop water-power, fertility of land and the use of agricultural machinery and implements.

Q. 105.—The question of further taxation on minerals should be decided on economic grounds rather than revenue considerations.

Q. 106.—(a) With respect to taxes for the national or onerous services, ability to pay might be considered as a criterion if the expenditure of the State is in reasonable proportion to the aggregate interests protected by such State, and if, as it is in India, the inability of the many causes the burden on the few disproportionately heavy. In India individual ability to pay has yet to be encouraged, and as regards taxes on industrial production like the cotton excise, there are many more grounds to be considered than mere ability to pay.

(b) For 'local or beneficial' services the measure of the benefits is a good criterion for the levy.

Q. 107.—No further powers to tax are necessary, nor should any specified levy be made imperative.

Q. 112.—It depends very much upon local conditions as to whether and to what extent it is proper to tax the owner or the occupier of houses and lands. In important and growing cities where houses and lands are in an ever-increasing demand, the owner does become able to shift the major part or even the whole of the burden on the occupier. (It would be unjust to tax owners for houses or lands remaining unoccupied, thus making the latter an item of expenditure without any return by way of revenue or rent. It certainly becomes difficult of administration to tax the owner to the extent of the value received by occupation either by himself or the tenant as well as to give the exact benefit to the occupier of any protection that may be meant to be given to the occupier for a particular use to be made of such property. The extent of actual burden on the owner or the occupier varies according as the leases are long, and permanent or short and temporary.)

Q. 113.—It is safer to place limitations to check arbitrary valuations of rentals as well as the rate. These limitations induce greater attention towards economising expenditure and cause less annoyance to the tax-payers and retain an element of certainty even to the owners and occupiers to enable them to adjust the burden equitably. In case of emergency a special temporary levy may be made and earmarked for the purpose. As regards a probable recourse to uneconomic taxes in the alternative, it would be at least as a last resort after full efforts having been made to further economise the expenditure, and as such it is safer than the exercise of unlimited power, which too may result in increasing the taxes beyond the economic level.

Q. 114.—In Ahmedabad the house tax is substituted by what is known as water-rate. This consists of two parts: (1) compulsory and (2) connection

foes. Compulsory tax is levied on all tenements within 75 yards of municipal water pipe and 500 yards of the municipal hydrant. In addition to this compulsory tax, a similar percentage is charged as connection fee from all tenements having water connections. The water-rate for industrial purposes in Ahmedabad is abnormally high on account of its being raised five times over the rate ruling in 1921. Industrial concerns should have special concessions in such matters. The water tax is not a tax for service rendered by the supply of water, which is a distinct one known as connection fee.

Q. 115.—It is better to adopt a policy of rating the land on its undeveloped value and of exemption of improvements.

Q. 116.—We are quite opposed to any of these taxes in view of the backward condition of industrial progress in India, as compared with other advanced countries. On the contrary, special facilities and concessions should be granted to Indian industries with a view to make them flourishing when foreign countries are taking away from India large quantities of raw materials and are sending them back to India after manufacturing them and thus derive handsome profits at the cost of indigenous industries already established and the starting of new industries.

Q. 117.—Grants-in-aid by Government are necessary, but it is better to have such grants earmarked for particular forms of expenditure, especially those relating to the improvement of the people. Such grants ought to be based on the expenditure made or estimated.

Q. 118.—There is a sufficient stimulus in India to ensure efficiency of services as education, sanitation, etc., and this stimulus is again developing with the advance of such services.

Q. 119.—It is true to say that India is already over-taxed and that there are certain taxes like cotton excise levied in India which no good Government would levy, as it is to say that there are certain taxes levied in other countries and not yet tried in India. In case of reduction under other heads, we would suggest new taxes or additional rates on the following: advertisements, betting, entertainments, tobacco, imported articles of luxuries including cotton fabrics of fine counts; protective duty on imported cloth (at least 15 per cent) and export duty on jute, shellac, hides and skins.

Any of the above taxes would be more justifiable than the cotton excise from the point of view of incidence as well as economical development.

Q. 121.—With a large number of people, tobacco has become quite a necessary of life. However, a tax on tobacco is not objectionable from a fiscal point of view and it is certainly more desirable than the salt tax. In the event of some form of tax being devised on Indian tobacco on its manufacture, the customs duty on the imported material or manufactures should also be increased, especially as the latter are a greater luxury and more indulged in by the richer classes.

Q. 137.—In view of the peculiarly complex social life and customs of Indians as well as special economic conditions of India and the consequent inequitous burden of taxation, and also in view of the Indian States being free to follow their own fiscal policy, it is highly objectionable to consider duties on inheritance or succession as new and desirable sources of taxation. The people of India are by tradition and heredity bred up to attach a religious sanctity to the custom of the community and continuance of lineage, and these customs again are of varying types among the various castes and creeds. Under these customs, obligations of the family and community people have to spend heavily on the various ceremonials relating to births, marriages and deaths in the family. This expenditure does not depend upon the free will or pecuniary conditions of the family or survivors, but it is obligatory.

Under Hindu Law, members of a family become owners by birth rather than heirs by succession. Besides, sons have to perform funeral obligations and pay family debts even without an inheritance, as shown by Sir James Stephen (vide Q. 143); the survivors are financially weakened instead of acquiring any additional strength by the death of the bread-earning member of the family.

The economical condition is such that the policy ought to be of stimulating the desire of the people to increase their saving, and this purpose would be defeated if burdens are increasing in such a way as to

tax the savings of the family. From a fiscal point of view, a large number of the people being almost indigent, the few that can bear are already over-taxed, succession duties will only aggravate this inequity.

In the absence of an inheritance tax in the Indian States, such duties might also tend to induce the shifting away of property into Indian States.

Q. 138.—If at all the duties are found necessary, they should be on the amount inherited varying with the degree of remoteness in relationship.

Q. 139.—The rates of duty must be (1) at unchanging rates and (2) covering the whole of the economic community.

As regards collection, the levy must be regarded as the provincial head.

Q. 143.—We agree with Sir James Stephen in the statement "that a succession duty in India would operate most inequitably as, under the system of joint family and joint ownership in the family property, the demise of the head of the family in most instances would be an occasion not of additional strength to the survivors but rather of weakness, owing to the earning member of the family being cut off and the consequent difficulty of making the property pay."

Q. 144.—It will not be practicable to enforce a probate or succession certificate regarding movable property, and this method would lead either to unsettling of customs and to inconvenience and even to evasions.

Q. 147.—It is desirable to keep the Federal and Provincial Governments financially independent, i.e., to say they should have independent sources of revenue, taking care that the sources of direct taxation like the income-tax should remain with the Provincial Government in order to secure a working basis for the division; a combination of (3), (4) and (5) is preferable to the suggested combination of (2), (3) and (4).

148.—The danger of an uncertain customs revenue causing embarrassing surplus or deficit does not seem probable—in India at least—in the near future. (The imports of India are so various and of such large value and the country is so backward industrially that temporary trade fluctuations are not likely to cause any embarrassing situation.)

Q. 149.—The present division of sources is not equitable, and acts adversely on the commercial and industrial provinces. Just as the proceeds of direct taxation in an industrial province are large, the needs of the province are also greater in view of the advanced conditions. A province contributing more to the income-tax might also expect a larger share of expenditure in nation-building and industrial activities, and as such the proper course is that the province should retain to itself its contribution to direct tax giving. If necessary, a fixed amount or percentage be given to the Central Government. The Meston Settlement has operated very inequitably in the case of the Bombay Presidency, which contributes six crores towards income-tax only against its provincial revenue of about 15 crores. My Committee would urge an exhaustive re-examination of the basic principles of the Meston Settlement with a view to remove the injustice so bitterly complained of by Provincial Governments.

Q. 150.—A more satisfactory distribution can be arrived at by adopting a system of division of the yield or of fixed payments from Provincial to Central Government or *vice versa* out of particular taxes.

Q. 151.—It is desirable that the land revenue must continue to be a provincial source of revenue.

Q. 152.—Taxes on exports and imports affect the whole country, and as such they are national in character.

Q. 153.—It is not justifiable to allot to a particular province the export duties on a particular material, simply because the material happens to be the produce of that particular province.

Qs. 154 and 155.—The question of excise or of tobacco is not on a line with that of exports. As a principle, it is not desirable to adopt the policy of a basic levy by the Central Government subject to a right of Local Governments to add provincial rates to such levy. The better arrangement is to leave to the provinces to fix a rate which may seem proper in view of its special conditions. As, however, these taxes are not on necessities, either system may be adopted suitably to revenue needs of the Central and Provincial Governments.

Q. 156.—Direct taxes like the income-tax and succession duties must be levied at uniform rates, though transfer of business depends more on the economic conditions of a locality than on rates of income-tax. The case of succession duties is different inasmuch as they are duties on the savings of individuals rather than the earnings of a business, and it would be easier to transfer private property than to change place of business. The argument of transfers of business on account of varying rate loses force, when we consider that even under central control the difficulty remains the same on account of the Indian States, with the result the taxes do not cover the whole of an economic community. As such, there is no special reason why a division of proceeds should be considered impracticable. It is both just and economical that the province should retain its direct taxes, because the people have a right to see that the contribution from their earnings should be utilized more for their benefit and the benefit of the industries or business which make the contributions what they are. A correct basis of division would be that the provinces may contribute a fixed amount from, or percentage of, the total revenues they collect and this will neither be difficult nor unjust if the administrative rules and rates be made of uniform application in all provinces.

Q. 157.—Regarding stamp duties, they must remain a provincial head, though in case of stamps on business transactions, bills, etc., they should be made uniform for all provinces.

Q. 160.—The local bodies should rely on the fees and cess on lands, etc., as at present. No rate should be added to a general direct tax for local purposes, inasmuch as these extra rates tend to be permanent. (Additional facilities of revenue slacken the efforts for economizing expenditure. In case of need a temporary special levy may be made and earmarked for the particular need.)

Q. 162.—The principle that the various Governments should not tax the property or transaction of one another ought to hold good as between units or Governments having fiscal autonomy. (As between Local and Provincial Governments this principle cannot be strictly applied.)

Q. 163.—In services like posts, telegraphs, etc., Government undertakings with the attendant power of taxation are not objectionable, provided the expenditure for such services is strictly economical, and the charges do not tend to be so high as to be prohibitive to poorer classes. There may be Government undertaking with respect to railways also subject to the proviso mentioned above. A Government undertaking in steamship service is also desirable at least for the time being.

Q. 164.—Monopolies by Government of life insurances may be found difficult at this stage, but it does not seem objectionable if Government undertake the business and may be of benefit to the poor.

Q. 165.—As a principle, it is not desirable for Government to monopolise manufacture of an article, but looking to the condition of India it might be advantageous economically as well as financially if Government might start by monopoly a useful industry like the shipbuilding or manufacture of those raw materials which are re-imported as finished goods.

Q. 167.—Answer to this question is covered in answer to the Q. 156. It is not necessary that there should be a central control of the process of assessment. However, if in any case the income-tax is to be centrally controlled for administrative convenience and efficiency, it is imperative that the Central Government should remit a very large portion to the province out of the proceeds from that province.

Q. 171.—The case of India is different from other democratic Governments. It may have been found expedient in other democratic countries to keep the collecting officer independent of popular control or electorates, and people may not resent such independence if they have a general control over expenditure, revenues as well as over the administrative rules and laws.

Written memorandum of the Bombay Agricultural Graduates' Association, Poona.

Q. 1.—In order to get more reliable information with regard to areas under different crops, our Association suggests that the estimate of crops should be made at least once in ten years by actual personal survey of the fields in every survey number, by special party of officers, if necessary. The system followed in Bombay and Madras, etc., i.e., of supplying figures by the village officers is much better than that followed in the Punjab or Burma.

The present normal outturn figures available are not satisfactory, and hence we propose that the figures for the normal outturn should be arrived at by actually making new crop-tests on twelve-anna land in different tracts of each district. The revenue-grouping of villages may be adopted for crop-tests. An average of ten years may be taken as the normal and it should be checked every ten years. (The crop-tests should be conducted on the average farmer's land.)

The anna estimates of crops are not under-estimates as far as Bombay is concerned. In the case of some crops like sugarcane, the figures for export from railway stations together with an estimate of local consumption may give the figures for the total outturns.

The live-stock figures are fairly reliable as far as Bombay is concerned.

Our Association suggests that the Revenue, Co-operative and Agricultural Departments should work together and arrive at the basic estimates of different crops in each district every year by taking into account the conditions of the seasons.

Q. 3.—Some idea of the agricultural incomes may be obtained from the proportions of the Government assessment to the total income, provided the proportions are carefully examined in different tracts of the country.

Q. 9.—

1. Agricultural population.—
 - (1) Absentee landlords.
 - (2) Peasant proprietors.
 - (3) Tenant farmers.
2. Wage earners.—
 - (1) Agricultural labourers.
 - (2) Industrial labourers.
 - (3) Artisans.
 - (4) Clerks, etc.
3. Professional men.—
 - (1) Pleaders.
 - (2) Medical practitioners, etc.
4. Capitalists.
5. Traders.

Q. 13.—Every commercial or semi-commercial undertaking must be considered separately on its own merits. In the case of monopoly profit the element of tax will appear.

Q. 14.—There is an element of tax in all the concerns mentioned, except probably (b) the tramways, as most of these are run by Government or the Companies are given the monopolies.

Q. 15.—The present charge for water supplied for irrigation in the Deccan is the maximum that can be borne by the agricultural industry. The charge should vary according to the circumstances taking into account the economic condition of the people.

Q. 16.—When land is newly brought under irrigation or guaranteed supply of water for the first time, the State should take a portion in the shape of betterment tax on the increased value of land, but whenever land is spoiled by the advent of irrigation, the Government should give full compensations to the owners of such land. We agree to the betterment tax on condition that the money obtained by this tax should be utilized towards further extension of irrigation. At present, it has been found that when new canals are opened, the natural increase in the price of land induced the poor farmers to sell their lands to capitalists who are usually absentee landlords, the farmers thus become only landless labourers. Under these conditions, our Associations insist on the Government to make some legislation to prevent transfer of land for a period of, say, 20 to 25 years in such newly developed areas. The cultivators may, however, be allowed to lease out their lands during that period. They should also be educated by intensive propaganda and supplied a cheap capital by co-operative or land-banks, to enable them to take up intensive farming on their own account.

Q. 17.—In the Deccan there are no special tenancy laws, whence some additional facilities are made available at the expense of landowners, more rent is collected and willingly given by the tenants.

Q. 19.—The rural areas should be given generous grants from the general fund of the Government and they should be taxed at lower rates for the expenditure on the needs of the particular localities like sanitation, water-supply, hospitals, etc., as compared with the urban areas.

Q. 21.—Indirect taxation need not be regarded as voluntary and should not be excluded from consideration in estimating the burden upon the tax-payers.

Q. 23.—Ordinary tobacco (not cured) is a harmless luxury of the agriculturists and should not be taxed, whereas intoxicating liquors being harmful should be taxed heavily so as to make its use prohibitive.

Q. 24.—The charge on entertainments being restricted to urban areas may be allowed to remain as it is voluntary, while a tax on third-class railway tickets cannot be regarded as justifiable.

Q. 27.—Every member of the community need not pay a tax of some sort. But every one who can afford to pay must be made to pay.

Q. 29.—It is immaterial whether the taxation is direct or indirect; whatever is practicable and convenient should be adopted. People do not feel indirect taxation as severely as direct taxation.

Q. 33.—If new taxation is necessary we would propose to bring down the income-tax limit to Rs. 600 per annum. We propose the following rates on the varying incomes:—

From Rs. 600 to Rs. 1,199 at 1 pie per rupee.

From Rs. 1,200 to Rs. 1,999 at 3 pies per rupee.

For incomes higher than Rs. 2,000, the present rates may continue, and for the very large incomes even the super-tax may continue as at present.

Q. 34.—The present scheme or graduation is satisfactory.

Q. 38.—No, we are not in favour of removal of exemption of incomes derived from agriculture. Neither we would make any distinction between the income of actual farmers and income of the absentee landlords.

Q. 39.—We do not agree with the statement of Shah and Khambata. In most parts of the Bombay Presidency (Sind excepted) we have small peasant proprietors whose incomes are very limited.

Q. 41.—Some uniform system of keeping accounts may be fixed for businessmen, but the cultivators are illiterate, and the business of agriculture is such that it is hard to expect the Indian farmers to keep any accounts.

Q. 44.—Yes.

Q. 46.—Incomes derived from outside India should be taxed if the holder of such incomes is enjoying the benefits of Indian Government.

Q. 50.—We agree to apply the principle of progressive taxation to indirect taxes on luxuries.

Q. 51.—We accept the statement of policy in respect of salt tax given in the extract, provided some limit is fixed, beyond which no increase in the rate is allowed.

Q. 52.—Yes, we agree.

Q. 53.—The Indian rate is a bit high.

Q. 55.—The Government may manufacture the salt on a large scale, but petty manufacturers should not be prevented from manufacturing salts if they can compete with the Government.

Q. 56.—Import duties should certainly be levied on salt to enable India to be self-supporting in this respect. Government railways should give special facilities by cheaper rates of transport of salt to Bengal from other provinces.

Q. 58.—All sales should be made by weight.

Q. 60.—Yes. A method of denaturation of salt for duty-free supply for agricultural purposes has already been successfully adopted in the Bombay Presidency. Denaturing materials used in Bombay are given in leaflet of the Bombay Agricultural Department.

Q. 61.—We advocate the policy of total prohibition both in the interest of the agriculturists as well as for the sake of efficiency of the business of agriculture.

Q. 62.—First, an attempt should be made to cut down expenditure by reducing the pay of higher services, and if possible, the military expenditure. If still there is any deficit, then the suggestions made by the Bombay Excise Committee may be preferred to others.

Q. 93.—The registration fees should be only sufficient to pay for the cost of registration staff including pensions, capital cost of buildings, etc.

Q. 96.—A tax is a levy paid to the Government for general State purposes without a direct return to the tax-payer, while rent is the levy for direct use of goods or property, the ownership of which vests in another individual by common law of the society. The Indian land revenue which goes to Government is really a tax, as land is a free gift of nature, just as air and water, and becomes the property of those persons who used it first.

Rent implies ownership, which means certain responsibility on the owner, improvement of land, prevention of deterioration, prevention of fragmentation. But none of these duties are performed by the Government, and hence the land revenue cannot be looked upon as rent.

Q. 97.—The prosperity of the cultivator may not be appreciably improved by remission of the land tax, though there would be some cumulative effect on his general economic condition. In the years of scarcity the payment of land tax certainly contributes very largely to aggravate his condition. Other causes which influence the prosperity of the cultivators are:—

- (1) Small and scattered holdings.
- (2) Over-burden or congestion on land.
- (3) Absence of secondary industries to give him employment during spare time and thus give him necessary additional income.
- (4) Illiteracy.
- (5) Social evils.
- (6) Inadequate supply of capital at reasonable rates of interest.
- (7) Unfavourable seasons.
- (8) Absence of irrigation facilities, etc.

Q. 99.—The inequality may be reduced by taking into account the cost of production along with the prices of goods produced.

Q. 100. It is desirable to exempt peasants with low incomes—below the subsistence level—from land tax, but this may not be practicable in the Bombay Presidency.

Q. 101.—No tax be imposed on mutations, as it won't check fractionisation.

Q. 102.—New waste lands may be given for cultivation under ordinary rules. (The comparison of natural resources with waste lands under irrigation is not fair.)

Q. 104.—The method of comparing the percentage borne by land revenue to gross or net produce will be the most accurate method of arriving at the incidence of taxation. With this might be combined the method under (1).

Q. 106.—Yes.

Q. 117.—The grants-in-aid should be given in general aid of local finance they should not be earmarked for particular forms of expenditure. A general condition might however be imposed that a certain minimum standard of welfare, such as education, sanitation, etc., should be maintained. Population may be one of the items on which the grants may be based.

Q. 118.—It would be desirable to have the general supervision and check of some competent popular body at least in the beginning for some years in backward areas.

Q. 121.—Only manufactured tobacco from outside should be taxed.

Q. 122.—We don't advocate levying a tax on tobacco as it would unnecessarily interfere with the growing and selling of the crop.

Q. 123.—Not practicable.

Q. 135.—Yes, the imposition of an excise duty will handicap the Indian industry. The import duty on manufactured tobacco is preferable.

Q. 137.—Yes, but in the case of agricultural estates, all fully assessed lands should be exempted from succession duties.

Written memorandum of the Karachi Chamber of Commerce.

Q. 13.—It depends on the nature of the undertaking and the reasons which caused Government to enter into it, because, in the Committee's opinion, it is not ordinarily the function of Government to engage in commercial or semi-commercial undertakings at all. Taking, however, one well-recognised example of Government commercial activity, namely, railways, the endeavour should be to secure only such net returns as will attract the necessary capital. The element of tax would appear in every case of Government commercial undertaking by reason of the generally accepted fact that Government cannot handle commercial business as economically as can private enterprise. This is not to say that, in such a case as a strategic railway, Government should not undertake it, because in such a case the element of tax cannot be objected to, owing to national considerations.

Q. 18.—Yes.

Q. 23.—Only partially. The use of tobacco is now so universal it can hardly be considered a luxury.

Q. 24.—There is already a tax on entertainments in Karachi. It is not particularly objectionable if the amount is not increased, and the cost of collection is such as to make the revenue derived worth while. Consider a tax on railway tickets would be objectionable.

Q. 27.—As far as possible, consistent with the expense of collection, everyone should contribute to the revenue.

Q. 28.—Yes.

Q. 29.—The very poor cannot be taxed direct as the cost would be prohibitive. In such cases the taxation should be indirect.

Q. 30.—Do not favour a poll tax.

Q. 31.—Have no experience of (1), (2) and (3); consider (4) objectionable generally, but might be practicable in certain classes as in England, e.g., licensed auctioneers and sellers of intoxicants and drugs.

Q. 32.—Consider the salt tax, so long as incidence is reasonable, most suitable to apply to lower classes. Excise duties on cotton goods, kerosene and matches are less suitable than salt, but if reasonable in incidence not specially objectionable.

Q. 33.—Do not favour increase of income-tax if it can possibly be avoided.

Q. 34.—Consider a fixed rate, as in England, preferable to a graduated one as in India, mainly with a view to prevent the present tendency to evade paying on actual income by setting up bogus partnerships, etc.

Q. 35.—No. Higher rates of income-tax on unearned incomes hit widows and orphans, and discourage investment in industrial concerns which require rather to be fostered and encouraged.

Q. 37.—Super-tax as at present applied to limited liability concerns, is most unfair on the small investor. Super-tax should be an individual tax, and as far as limited liability companies are concerned, should only apply to undivided profits.

Q. 38.—Consider it would not be unreasonable to tax net income of a farmer who does not pay land tax.

Q. 40.—The limit of exemption should be as low as possible consistent with the cost of collection.

Q. 42.—Do not think it would be possible to have a standardised system of accounts in India.

Q. 43.—Do not favour publishing in newspapers or making returns public. Fear unofficial assessors impracticable in India. Serious offenders might be pilloried in newspapers.

Q. 44.—No, because it is the 'rich holder' whom it is chiefly necessary to attract.

Q. 45.—See no serious objection to recovering tax on bearer bonds by a stamp duty on coupons, so far as residents in India are concerned, but it might interfere with flow of capital from outside India.

Q. 46.—Yes.

Q. 47.—A three years' average would be fairer, but fear too complicated for India.

Q. 48.—Generally agree.

Q. 49.—If further revenue be required to replace other sources abolished, some of these articles might be considered. Sporting cartridges, chewing gum, perfumery, playing cards, pleasure vessels, sugar and sweets seem the most suitable, but are against excise duties if they can be avoided.

Q. 50.—A higher tax on better grade whiskeys or tobacco would probably lead to lower grades being substituted (as in the case of wines and cigars in England some years ago). The revenue as well as the consumer would consequently suffer. We consider the trouble and expense of grading indirect taxation would be out of proportion to the advantage to be obtained.

Q. 51.—Yes.

Q. 52.—Yes.

Q. 53.—Consider the higher duty imposed in India a few years ago and since repealed would have caused no real hardship, and the outcry was purely political and not economic. Any hardship arose from profiteering retailers increasing their price far in excess of the increased tax.

Q. 55.—Yes.

Q. 63.—Agree generally.

Q. 68.—No.

Q. 78.—In principle a revenue tariff should be so arranged as to combine simplicity of application with the spreading of the burden as widely as possible over those best able to bear it.

Q. 79.—We should say they all have and that the existing import tariff, taken as a whole, is a heavy burden on the trade of the country.

Q. 80.—We should say 'not'.

Q. 82.—We should say 'not'.

Q. 84.—Yes.

Q. 85.—No.

Q. 86.—(a) No. There are insufficient water police at Karachi, considering the unique opportunities which exist here for smuggling. A fast patrol of motor boats is badly needed. (b) We have no information. (c) No, so far as the land frontiers of Kathiawar States are concerned. We know that matches, on which the import duty is 100 per cent *ad valorem* enter the above States at a very low duty and pass the land frontiers into British India to the loss of Indian revenue. Additional controls on trade routes between the above States and British Indian territory would seem necessary.

Q. 87.—We prefer to answer this in negative fashion and to say that, in our opinion, no taxes should, in any case, be placed on the following over and above existing taxes:—

Banking transactions.

Commercial or industrial transactions.

Insurance.

Railway travelling.

Telegrams and telephones.

Transport.

Q. 88.—No.

Q. 89.—No premium should be placed on the ability of all to obtain justice, but if practicable, a tax which would tend to reduce the amount of unnecessary litigation would be sound.

Q. 90.—Agree with Hobson, but revenue must be got somehow.

Q. 93.—The fees levied should only be sufficient to meet costs.

Q. 95.—Entertainment tax appears no more objectionable than many others, but it must not be excessive, and then the question arises as to whether, at the cost of collection, the revenue derived is worth while.

Q. 102.—No, as colonisation must be encouraged.

Q. 105.—No, as it is desirable to encourage rather than discourage such enterprise as additional special taxes would tend to do.

Q. 109.—We see no alternative to such a tax as trade passing through the city must contribute its quota towards the facilities provided.

Q. 113.—Certainly think the amounts imposed by local authorities should be limited.

Q. 118.—Doubtful—speaking generally.

Q. 119.—Income-tax is already a "tax on business profits"; do not advocate any of the others suggested.

Q. 120.—(i) is the ideal, but the cost of collection on small incomes would wipe out the benefit.

(ii) There is already a tax on succession, houses, motor cars, vehicles and horses; do not favour increasing these, nor the others suggested.

(iii) No. Dowries themselves are already a heavy burden, and by taxing, would merely put the poorer people further in the clutches of the money-lender. If by taxing dowries the system could be broken, it would be a good thing, but fear the idea is too deeply rooted in native customs to be eradicated.

(iv) Can't decide about income-tax on agricultural incomes—not conversant with the subject.

Do not favour tax on advertisement.

Death duties are already in force.

No objection to tax patent medicines if amount of revenue likely to be derived be worth while.

Race horses might be quite suitable for taxation, if worth while.

Motor-cars are already excessively taxed by import duties and sufficiently taxed by local rates.

House duty already imposed locally.

Increment value quite suitable as long as judiciously imposed. Tendency however to deter owners from improving their property. Where the value of property is increased by public improvements or circumstances, apart from owner's efforts, quite a suitable form of taxation.

(v) No experience of probable effect of export duty on jute or monopoly of shellac.

Export duty on hides and skins was a failure.

Doubt if "one rupee" on marriage parties would be worth collecting.

Are on principle opposed to all export duties.

(vi) Fear this proposal is unworkable. Probably, the collection of land revenue is the cheaper and simpler.

Q. 121.—Yes.

Q. 122.—Do not favour a State monopoly on tobacco as it would probably lead to an inferior article being put on the market as in France. If a tax were imposed, consider 5th most suitable scheme, but even it might lead to smuggling from Indian States.

Q. 132.—Customs duties are very high. Rates would have to be considered in light of remarks under Q. 50.

Q. 133.—Consider specific duties the less objectionable.

Q. 135.—Present duty on imported tobacco is already excessive.

Q. 137.—Death duties are already in existence here. They are objectionable as being deterrent to thrift.

Q. 138.—All three alternatives have points in their favour.

Q. 156.—Accept reasoning in first sentence.

Q. 157.—Stamp duties should be uniform.

Q. 160.—Local bodies should not have any power to increase income-tax or to impose profession tax generally.

Q. 163.—State enterprise is suitable for posts, telegraphs and irrigation and possibly drainage, the latter more for local bodies. Local bodies should undertake drainage, water-supply; but gas, electric power lighting and local telephones are probably more suitable for private enterprise.

Q. 164.—No, because there is no necessity, and as regards insurance it is most undesirable.

Q. 165.—We are against all State monopolies where they can be avoided, but recognise that they may be necessary, (a) as a special form of taxation, or (b) for national purposes, such as munitions. As regards the articles in Annexure R, perhaps we need go no further than to say that we approve of State monopoly of those articles already so treated in India, viz., salt and explosives.

Q. 166.—No.

Q. 167.—Certainly, as regards income-tax.

Q. 171.—Taxation officers should certainly not be dependent for appointment or continuation of employment on elected bodies. They should be quite independent of all political or party control in this respect.

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**Written memorandum of Rao Bahadur Venkatesh Shrinivas Naik,
Ranebennur, District Dharwar, Bombay.**

Q. 6.—Yes.

Q. 10.—In this Presidency revenue from the sale of waste lands or trees and revenue from penalties are usually included under land revenue. Although they form a revenue derived from land they do not fall under the definition of tax, and as such they should not be considered as land tax.

Q. 12.—I do not think that revenue from forests should fall within the definition of a tax.

Q. 13.—In the case of commercial undertakings by Government where improvement of land and the productive quality is concerned, I think the policy of Government should be to secure a bare return on the capital invested. As for industrial concerns, small interest may be sought. In no case, however, in my humble opinion, monopoly profit should be attempted to be secured. As in such cases there is a barter from Government for the money received, I do not think the element of tax appears anywhere.

Q. 14.—In the case of (a) railways, (b) tramways, (c) posts and telegraphs, and (e) cinchona, the extra profit which the State gets from running these concerns is taxation to the country. In the case of profits or coinage or exchange, I think the element of taxation fully exists. In coinage all the profits the Government derive above the actual expenditure (which they incur in coining) should be considered tax; as regards exchange I think it is wholly taxation.

Q. 15.—The charge for water supplied for irrigation is adequate. In some cases it is fixed on the crop grown; in others it is consolidated with the land revenue—irrespective of the crop grown or the use of water.

(1) I would advocate the levy of water-rate to cover moderate rate of interest for the capital invested for irrigational works.

(2) I would not advocate the levy of charge on commercial profit, as the irrigation works are constructed out of people's money and guaranteed by the people themselves.

(3) In small irrigation works, consolidated assessment irrespective of the crop grown may be levied.

(4) I am not for the levying of water charge on the volume of water consumed, as it would be difficult to ascertain the quantity of water consumed.

(5) The idea of selling water by auction is not, in my opinion, preferable.

Q. 16.—I think the State should take a moderate portion of the increase in the value of lands due entirely to any new irrigation works supplying water for the land in the form of betterment tax. Such tax should be moderate in incidence and should be recovered in the shape of betterment tax for a certain number of years.

Q. 18.—It is a fact that the dues levied under the Indian Ports Act and the Port Trust and other Acts are payments for services rendered in respect of goods and passengers, and as such they do not come under the category of taxes. But as ultimately it is the consumer from whom all the charges are recovered by the middlemen, such payments in my opinion go under the category of indirect taxes.

Q. 19.—I think the taxes imposed solely for expenditure on the needs of particular localities should be excluded from the general incidence of taxation.

Q. 23.—I quite agree with the principle laid down.

Q. 24.—I would advocate tax on entertainments but not on railway tickets.

Q. 25.—During these days I do not think it is possible to distinguish between classes who are prohibited by religion or custom from taking intoxicants, and therefore it is not wise to make any such distinction.

Q. 27.—It is desirable that every member of the community should pay tax of some sort, its incidence being as low as possible irrespective of his ability to pay. I do not advocate poll tax in this respect.

Qs. 28 and 29.—Yes, taxation whether direct or indirect is the proper accompaniment of representation.

Q. 30.—I do not approve of the levy of poll-tax. The capitation tax as I understand is the same as poll-tax, and therefore I am against it.

Q. 33.—Having regard to the economic condition of India I do not think any increase is advisable.

Q. 34.—It seems to me to be satisfactory.

Q. 35.—I do not advocate any differentiation between earned income and sum shown to have been invested in productive enterprises.

Q. 36.—Without inquiry it is not possible to make any allowances for the number of persons supported out of particular incomes, and an inquiry of this nature is essential before such incomes are assessed.

Q. 38.—Yes, I am not in favour of the removal of exemptions of incomes derived from agriculture given under Act II of 1886. I do not think that any distinction should be drawn between the actual cultivator and the absentee landlord or the money-lender who has become the owner through the foreclosure of mortgages.

Q. 39.—I do not in the first place advocate the levy of income-tax upon agricultural incomes. The land being already sufficiently taxed, any addition would be double taxation. In case the agricultural income is to be taxed above the subsistence margin, the land revenue on the land should be remitted.

Q. 40.—The subsistence level of Rs. 2,000 a year is not very high; it is not advisable to reduce the level to any extent. In the present days of costly living Rs. 2,000 are essential for the maintenance of an ordinary family.

Q. 41.—I entirely agree with the statement that all taxation bears heavily upon those who maintain their accounts honestly. Indiscreet and unscrupulous people who do not hesitate to maintain any kind of false accounts escape taxation. The effects of the operation of the Deccan agricultural Relief Act upon honest money-lenders is a glaring instance in this respect. Growth of accountancy profession since the passing of the Indian Companies Act and introduction of a more efficient system of income-tax control have to a certain extent remedied the evil, but they are not perfect. The unscrupulous man always escapes adequate taxation.

Q. 42.—Having regard to the illiteracy prevailing in India, it is not possible that the average farmer will be able to keep any kind of accounts in however simplified and standardized a form it may be prescribed. We could enjoin upon literate traders to do so, but in the case of farmers it is impracticable.

Q. 43.—The appointment of non-official assessors and commissioners acts as a check to evasion to a certain extent, but I do not think that in every case we could get disinterested men to work. The selection of such people should be very judiciously made.

Q. 44.—In case tax-free securities are discouraged, the rate of interest on the loans will have to be increased. With the graduated scale of income-tax, the rich people investing their surplus amounts in tax-free securities to a certain extent escape full taxation. But I think in this country such cases are very rare and negligible.

Q. 45.—Bearer securities are to a certain extent advantageous in realizing the money invested easily. It is a fact these afford facilities for the evasion of income-tax. I think income-tax on them can be easily collected by means of stamp or other duties on the coupon.

Q. 47.—Present arrangements in regard to assessment in previous years' accounts, with the provision to remit the tax in case it is found at the time of assessment that the previous years' income was less if adopted, are desirable.

Q. 50.—I do not think that there is any objection to the introduction of the graduated scale of taxation based on the superior quality of goods. With certain difficulty, such graduation can be easily brought about.

Q. 51.—Yes. I agree with the general policy laid down in the American publication. In the absence of any general tax, such as poll-tax, salt is most suited to reach universally all classes of people irrespective of their ability to pay, but I would suggest exemption of salt tax on the salt used as manure for agricultural purposes or industrial purposes, such as curing fish, tannery, etc.

Q. 52.—Yes. I accept the principle.

Q. 53.—Having regard to the economic condition and earning capacity of India, I think one rupee per maund is adequate.

Q. 54.—I think the system of selling salt by Government at cost price is desirable and should be taken up.

Q. 55.—If salt could be produced cheaper and purer by a large number of petty holdings, they should be encouraged. As far as possible the local industry of salt manufacture should be encouraged as there is much scope. The country must be made to be self-dependent by levying an impost on the imported salt.

Q. 57.—If sifting is meant for the purpose of increasing traders' profits, it should be prohibited. No sifting should be encouraged unless it is necessary for the purpose of providing commodity in a particular locality.

Qs. 58 and 59.—Yes.

Q. 60.—I think that there are some practical difficulties with regard to introducing the French system of denaturing salt. Government should in their depots undertake to supply denatured salt for agricultural purposes.

Q. 61.—I am rather pessimistic as to the possibility of the total prohibition in this country.

Q. 62.—It does not seem to me that total prohibition is possible in this country in the near future, and I do not agree with the proposal by Dr. Mathai to levy a super-tax on land revenue or surcharge on income-tax to make up the loss caused by the abolition of excise. I also do not agree with all due deference to the conclusions arrived at by the Bombay Excise Committee to the levy of a succession duty, increase in local cess transit tax, and terminal tax to make good the loss of excise revenue.

Q. 63.—Although raising the price of alcohol tends to diminish its consumption, human nature being what it is, it is likely poor people will spend more of their earnings in purchasing costly liquors than if it were available at a moderate cost. I accept the principle that distilled and malted liquors should be taxed.

Q. 64.—I agree to the principle of taxing harmful luxuries. In this province liquor shops are usually sold by auction giving free hand for the farmer to fix the price of the liquor. I do not think there is any serious defect in the system of selling liquor shops by auction leaving free scope for the farmer to fix the price of the liquor, provided the standard quality of the stuff is maintained.

Q. 66.—I do not think there is a great increase in illicit production of liquor due to the increased rate of prices of liquor.

Q. 67.—Yes.

Q. 68.—Yes.

Q. 70.—I think *tari* is sufficiently taxed in this country.

Q. 72.—The present system of supplying is, in my opinion, satisfactory.

Q. 73.—Yes.

Q. 74.—I think it should be uniform all over India.

Q. 87.—Taxes on advertisements, auction sales, betting, futures, entertainments and luxuries, may be tried.

Q. 89.—The taxes on judicial proceedings whether under the name of stamps or court-fees should be just sufficient to bear the cost of running judicial courts. No profit or revenue should be made out of litigation.

Q. 90.—I do not think that the stamp duties on deeds of disposal or transfer of properties are levied in restraint of trade.

Q. 93.—As the Act of Registration affords some stability to the transaction, there is no objection to charge a little higher in the form of fees that what would cost Government to maintain the Registration staff and capital cost on buildings.

Q. 95.—I would prefer entertainment tax being extended.

Q. 96.—Rent when restricted to agricultural usage is money paid by one man to another for the use of the land. It recognizes State landlordism. It admits of enhancing revenue to ruinous levels. Tax is money paid to Government for services to be rendered to the people. Except so far as the cost of administration, the Government according to the advocates of this theory, have no right to levy more and oust the cultivating tenant or landlord from his position. The correct theory with regard to Indian land revenue is to recognize private property of the tenant.

Q. 97.—Where the cultivator is the owner of the land, his prosperity is directly affected by the increased land tax, but where he remains barely the cultivator his prosperity is not affected, because the landlord shall be bound to make good the difference in land revenue, whatever it be.

Q. 98.—I agree with the first two principles laid down by Adam Smith. With regard to (3) I do not think that the present system leads to any official tyranny and extortion. It is a fact that the time for payment of revenue is inconvenient, but it could be remedied by the executive orders of the Commissioner and the Collector. Regarding (4) I am doubtful whether as much as 20 per cent of revenue is spent on the collection of land revenue alone.

Q. 99.—It is a fact that temporary settlements if based upon prevailing prices which are liable to fluctuation lead to great inequality. The only remedy is permanent settlement or long-term settlements.

Q. 100.—I do not advocate the levy of income-tax upon agricultural income as there is already a tax, and any addition would be double taxation which would contradict the very principles of taxation. If at all income-tax is contemplated on agricultural incomes, the land tax and local cess should entirely be remitted on lands. In the case of agriculturists it is very difficult to lay a limit on subsistence level. An agriculturist with an establishment of 20 cattle earning an income of about Rs. 10,000 will have to invest large amount in the form of fodder concentrated food for cattle, temporary agricultural labour, and in addition to maintaining his family his subsistence level would considerably increase Rs. 2,000, and therefore a limit cannot be drawn. Generally, big raiyats in this part of the country have a large undivided family (in a few cases even up to 100 members); Rs. 2,000 as a subsistence level in such

cases would be ridiculous. It is very difficult to ascertain an agriculturist's income as his produce is received in various forms. If such a tax is levied and subsistence allowance is granted, the tendency would be to fractionize holdings so as to bring them below the subsistence level to secure exemption.

Q. 101.—Yes. A tax on mutations below certain limits should be levied. Government should not recognize fractionization of land below its economic holding, and such transactions should not be registered, and as far as possible such documents pertaining to such transaction should not be given weight to in judicial court.

Q. 102.—I do not think that waste lands newly brought under cultivation should be taxed to any extent. In case new irrigation schemes are undertaken by the State and waste land or cultivated land comes under it, a light betterment tax may be levied.

Q. 103.—As far as I know there is no distinction between the land revenue levied within the municipal area under District Municipal Act and Land Revenue Code. The only difference is with regard to the agency for the collection of land revenue. As the land revenue ultimately goes to the State, it is a matter of no importance as to through whose agency the revenue is collected. The assessment is invariably levied by the revenue authorities.

Q. 104.—To arrive at the incidence of land revenue on acreage it would be appropriate to divide the land revenue by occupied area. If the incidence is required per head, the land revenue should be divided by 80 per cent of the population, as the agricultural population is roughly 80 per cent in this Presidency. With regard to other provinces, land revenue should be divided by the average percentage of agriculturists residing in each province.

Q. 105.—I do not think that any new taxation should be levied upon the exploitation of or trade in the minerals or mines.

Q. 106.—Yes.

Q. 108.—Generally, octroi or terminal tax, house and land tax and land cess are the chief sources of income to the municipalities, and I do not think that there are any other taxes most suited to all the municipalities generally. Certain municipalities have special facilities depending upon local circumstances. However, although octroi is a time immemorial tax, its defects will be discussed in replying next question.

Q. 109.—Octroi is meant to be a tax on commodities locally consumed, and when commodities pass through a town for other places, there is provision for the refund: but this provision in practice is gravely misused both by the merchants and the collection staff. As it cannot be farmed out, the charges for its collection also is very heavy. Its incidence works very heavily upon the residents of the town, and being mostly levied on the necessities of life, it increases the cost of living in the towns. Terminal tax is nothing more than octroi except the provision of refunds. When terminal tax was introduced in India the idea was to levy a nominal rate, which could not be felt by the tax-payers who ultimately are the towns-people who bear the burden even though there is no arrangement for refund. It is only suitable in very large places where there is considerable trade. Nowadays it is levied even by smaller municipalities. Instead of prescribing lower rates, the schedule of tax is almost as heavy as octroi, and commodities passing through the town on account of railway and transport facilities to other places are unnecessarily required to pay this tax. Villagers coming for the purpose of bazar to municipal towns are required to pay the tax without in return getting any benefit in the municipalities. It is human nature where possible to avoid payment of tax. The illiterate public of India do not realize that it is their duty to pay local taxes, and as such people try to avoid paying octroi unless there is efficient supervision and control.

Q. 110.—The only reason that strikes me as to why octroi with all its defects is still in vogue in this country, is that it is a chief source of revenue, and the burden of its payment in the first instance is borne by the monied class, viz., merchants, although they recover the tax they have paid from the poor residents.

Q. 111.—Even in this Presidency tolls levied by Government have been abolished except in the case of municipalities and local boards. These bodies on account of financial stringency have not been in a position to extend the concession which Government have been kind enough to do. As local boards and municipalities are independent bodies, there are instances in which one has to pay tolls twice on the same roads both to the local boards and municipalities, when entering into the municipal limits within a distance of a couple of miles. For a country-cart the usual distance of travelling during the day is about 30 miles, and I think payment of toll once a day is quite sufficient, and the distance between one toll gate and the other, whether maintained by the local board or the municipality, should be at least 30 miles.

Q. 112.—Even if the occupier pays the house, land tax and land cess, he reduces the rent he has to pay the owner to that extent; it is therefore immaterial whether it is recovered from the owner or occupier—the charge of tax on the house and land borne by the owner himself.

Q. 113.—I am not aware of any strict limitation on the municipalities as to the scale of tax on the rental value of houses. Government in some of their resolutions have expressed their opinion as a matter of guidance for levying this tax to limit this rate on houses and lands from $6\frac{1}{2}$ to $12\frac{1}{2}$ per cent of the rental value. There are instances in which this house tax is levied to the extent of 18 to 20 per cent of the rental value. To quote an instance, the municipality of this place levies a house tax of $12\frac{1}{2}$ to $18\frac{1}{2}$ per cent of the rental value, which works very hard upon the people as the owners of houses directly feel the burden. I think it should be made imperative on the local authorities not to exceed a certain limit, viz., 10 or 12 per cent of the annual letting value.

Q. 114.—In the local municipality the limit of exemption is only on annual letting value of Rs. 3.

Q. 115.—I think it desirable that the undeveloped building sites within the municipal area should be lightly taxed.

Q. 116.—Manufacturing concerns, both cotton and others, are generally taxed, and the amount of tax being low, they do not feel the burden. Regarding the tax on profession, unless there is a roaring trade in a locality, it is not desirable to tax it.

Q. 117.—Government grants for special purposes to the municipalities and local boards should be given under certain conditions. The local bodies should, as far as possible, exhaust their taxing limit before they approach Government for Governmental funds, and the grant given by Government should be invariably utilized for the purposes for which it is granted. Having regard to the paying capacity of a particular area and the amenities of life which a local body affords to its residents, Government should prescribe certain limit of direct tax, and unless such a limit is realized, Government should not grant any such subsidies.

Q. 118.—In smaller municipalities I do not think that sufficient stimulus exists in the matter of managing important services as education, sanitation and road maintenance. It is desirable that there should be a strict condition that there should be efficient control of Government, if grant is claimed, over the expenditure and the degree of efficiency in the administration of the service for which such grant is given.

Q. 119.—Of the taxes mentioned, taxes on business, profit and trading corporations generally pay income-tax and super-tax, and consequently, any more tax, however light it may be, would work hard and be a form of double taxation. Regarding hotels, though tax paid by managers is recovered from the consumers, it may be levied as managers nowadays make decent profits. Upon mines and transactions in exchange, taxes may be levied if income or super-tax is not levied.

Q. 120. (i).—The present system of income-tax and the exemption of Rs. 2,000 as subsistence allowance is reasonable, and I do not think that universal income-tax is desirable in this country.

(ii) As suggested elsewhere, income-tax on agricultural income will not be desirable unless land revenue be remitted. In this country where the system of undivided family predominates, it will be very difficult to levy and recover succession duties.

Tobacco being more a luxury than a necessity of life may be lightly taxed.

The form of marriages in India being too numerous and there being no agency under which marriages can be registered in all communities, it is neither desirable nor practicable to levy registration fees on marriages.

Tax on houses, motor cars, other vehicles, horses, betel-leaves and arecanuts are usually levied by the municipalities, and in case they are outside municipal limits, light tax may be levied. Tax on servants and horses would in these days work rather hard.

(iii) It is a good suggestion to levy a graduated scale of taxes upon dowry.

(iv) I do not think income-tax should be levied on agricultural incomes.

Tax on advertisements may be levied.

Regarding death duties in this country on account of the prevalence of the undivided family system, it is not desirable to levy taxes.

It is not desirable to increase the cost of medicines by levying extra taxes.

Luxuries such as race horses, motor cars, may be levied if the latter do not already pay any tax.

(vi) Recovery of produce tax on one-sixth of the value of each commodity is not practicably workable as it would entail a lot of labour to collect information and give ample scope for menials for fraud and corruption.

Q. 121.—Yes.

Q. 122.—(1) No. I do not think imposing acreage duty on cultivation is desirable.

(2) I do not also think that State should in any way interfere in fixing the price of any commodity.

(3) It is not desirable to give a monopoly in fixing the price and dealing with tobacco by any company subsidised by the State.

(4) I do not see that any interference by the State with the cultivation of tobacco is desirable.

(5) The cultivator should be left entirely free to grow and sell tobacco to any man he likes at any season.

Q. 123.—I do not think that State control with regard to tobacco is in any way practicable.

Q. 124.—In my opinion any limitation to the cultivation of tobacco is not desirable.

Q. 125.—As the produce per acre varies according to the climatic and local conditions, it is not desirable to levy any duty on acreage. Moreover, that would discourage people growing tobacco.

Q. 127.—It would not be possible to stop import of tobacco from private States.

Q. 128.—The cultivator should not in the least be made to pay for growing tobacco. The tax should be levied and collected only when brought to market.

Q. 129.—I do not think that any restriction should be laid upon the cultivator for growing tobacco either for domestic purposes or for sale.

Q. 130.—Duty on tobacco should be levied only when brought for sale to the market and in the case of manufacturers of cigars and cigarettes in factories where they are manufactured.

Q. 135.—It is desirable to impose a duty upon both the manufactured and unmanufactured tobacco from foreign countries.

Q. 136.—I would advocate the issue of licenses to all applicants on payment of moderate fees.

Q. 137.—I do not think that tax on property changing hands at death is desirable. In this country the system of undivided family prevails, and it would be rather hard to know what property the heirs of deceased person, who is not the manager of a family, inherit.

Q. 141.—In an undivided family it will be difficult to ascertain the share of a deceased person, and to tax the whole property on the death of managing member would not work satisfactorily.

Q. 143.—I agree to the remarks made by Sir James Stephen with regard to levy of death duties.

**Written memorandum of Dr. Shridhar V. Kethar, M.A., Ph.D.,
Editor, Marathi Encyclopaedia, Poona.**

To prepare a scheme of taxation really means to prepare a scheme of entire government. Tax Commissioners do not tell Government what the latter should do, but they have to find ways and means of supplying the funds for such projects as Government have undertaken or may undertake. Recent constitutional changes, which are likely to offer more scope for public activity, are likely to add more functions to Government, and therefore schemes of taxation must be so prepared as to provide for those functions adequately; or otherwise, as it happens in many provinces, the Ministers in charges of education, etc., will feel handicapped for lack of money, and they will get the blame as people who are not doing any work. People on District Boards will be unable to entertain any ideas of the development of the district on account of the paucity of the funds. As the constitution of the Government is being slowly altered, and as the standard of living is rising, and as the conceptions of the public regarding the duties of Government also become more advanced, it will be necessary to provide more and more for those activities which Provincial Government and local boards may undertake. The taxation-schemers should take into account not only the growing expectations of people as to what Government, either local, provincial or federal, should do for them, but also the alterations in the feelings of the tax-payers arising out of political changes; for example, an autocratic country, where the people are forced to pay taxes by a Government which only approaches them club in hand, threatening them that unless they pay the taxes, their property will be confiscated and that they have no business to enquire into how the tax is used, can naturally do with a different system of taxation from that of a country where the people want to know how their funds are used by Government; and not only do they want to know, but they must see visible uses of the funds to which they are contributing. For example, if a tax on land, is used for imperial or provincial purposes, its use is less visible to the people, but a tax on land, if used solely for local purposes, such as rural sanitation, education, etc., will be more visible. If any scheme is prepared without taking the above mentioned psychological and constitutional factors into account, that scheme will be antiquated as soon as it is prepared, and all the money contributed towards your Enquiry Committee will be wasted.

I am now putting forward a few suggestions here, which may serve to indicate the lines on which future schemes of taxation should be created, and I also give some reasons for the suggestions.

The most drastic change, which will cost some trouble to put into practice, I shall mention first, and that is to abolish land tax either as a federal or provincial tax. Land tax should be given over primarily to the local boards, and only a smaller fraction of it should go to the Provincial Government. To introduce this principle into practice means an entire revolution in the taxation scheme, and therefore it will be difficult to put into practice immediately. But the principle should be kept steadfastly in view, so that by a graduated scheme of raising other sources of revenue for Provincial and Federal Governments, and giving a larger proportion of land tax to the District Boards every year, the principle may be achieved.

The reason for abolishing land tax as a provincial and federal tax is primarily this: In a rural country like India, with a high death-rate, with entire and culpable neglect of villages, as carried on by the present Government, which at the same time exacts a very high percentage of income from the landowner, i.e., ultimately from the labours of the agriculturist, one has to say that the condition amounts to organized exploitation leaving very little not only to the farmer, but even to the District Boards for district improvement; and this kind of system is not likely to continue, as the land-owning and farming class is becoming empowered to vote, and it will pull down that legislature or executive which does not give it a better life, and extorts such an undue proportion of its earning.

The people's conceptions about Government are also changing. The local boards do very little for the people as compared with Local Governments in advanced countries like England and America. There is no poor-rate, practically no schemes for the care of "defectives, dependants and delinquents"; education is also neglected, and people are unable to do anything by joint contribution, because very scanty funds are left at their disposal, as the Government absorbs at least 50 per cent of the land-income.

Moreover, if local development is made possible by handing over the land tax to local boards, then the public will never think of asking for permanent settlement, but public opinion will be better prepared for correcting injustice arising out of the permanent settlement in Bengal. The landlords in Bengal will feel that they have to contribute more for the development of their districts in one way or another, and if they do not do so, their neighbours will resent it. When the zamindars of Bengal begin to contribute more, the Government of Bengal will not be compelled to ask for doles from the Government of India. By handing over the proceeds of the land tax to localities, the attitude not only towards the land tax but towards taxation also will change. People will not only not regard the tax as an extortion of a monstrous robber, but will be willing to tax themselves more and more for common benefit—an attitude which every healthy Government should try to foster.

This asking for doles from Federal Government results into taxing other provinces in order to fatten the landlords of Bengal, and this is causing very just resentment in every province other than Bengal. As soon as people see that their money is spent for their own locality, they become more willing to be taxed.

Thus, in short, in rural areas, land being the only important source of taxation, early steps should be taken to make that income available for local development, and the Provincial Government should look for different sources of income.

As an addition to the existing sources of income for the Provincial Government, I suggest a tax on inheritances and fees for licenses for trades and professions. This source of income should be an important feature of the provincial revenue. License fees on all trades and professions, such as those of lawyer, doctor, barber, shoemaker and printer should be freely imposed. It will have a valuable effect; as Government will derive income out of licenses for all possible trades and professions. Government will have to take steps to raise the efficiency of all occupations, and to protect the public from carelessness and fraud arising out of these occupations. For example, the milk trade; the authorities are treating it with utter neglect. Not even decent groceries are available in Poona. The more the Government becomes a shareholder in the profits of each occupation, the better it is for the country.

The chief trade which Government should be engaged in is trying to create facilities for bringing efficiency into every trade. This profit-sharing on the part of Government will make people more intelligent in politics, and will make them consider what Government is doing for them, a 'thing absolutely necessary for the proper working of a democracy'.

About federal taxation I only wish to mention that income-tax is capable of augmentation.

A small income-tax should be imposed even on people who get about Rs. 600 a year. Such a tax will have a valuable effect in many ways, every tax-payer will be interested in the Government, and thus the aims of popular government will be more advanced. The Government, in order to create as large a class of taxable people as possible, will not only try to encourage manufacturing and industry, but will encourage an average labourer to obtain a higher but an attainable standard, which the Government may tax. If a federal vote is given to people paying income-tax on Rs. 50, it will set ambition among many people to rise to that income, pay the tax and acquire the vote; it will set up a standard of citizenship which every worker may aspire to attain.

We wish to have ambitious governments whether federal, provincial or local. They should try to discover new enterprises of public benefit, and thus increase their own scope for service and for augmentation of its body.

**Written memorandum of Mr. V. N. Vartak, M.A., I.C.E.,
Chief Engineer in Sind.**

Q. 15.—The charge for water supplied for irrigation on most of the works in the Deccan and Guzarat is in my opinion, adequate for the present conditions of supply. So also in Sind the charge is adequate for the uncertain supply that can be given from the existing canals which entirely depend on the inundation. After the completion of the Lloyd Barrage and Canals, the supply will be assured and the rates will then have to be enhanced.

In the case of the irrigation works constructed some years ago in the Deccan, the practice was to start with low rates, with a view to encourage the growth of irrigation, especially when the cultivators did not know how to make the best use of water for irrigation, and the cost of cultivation was, therefore, unduly high. For instance, on the Nira Left Bank Canal in the Poona district, water had to be issued free of charge for the first year to induce the cultivators to take it for irrigation. As experience was gained, the rates were raised to a figure which the cultivators could afford to pay. The rates thus depend on the net average profit expected from a crop, which varies with the market rates of the produce as also the cost of cultivation, both of which fluctuate from year to year. In my opinion, the charge for water should be about 20 or 30 per cent of the net average profit from the crop. In revising the rates, the rise or fall in the areas of different crops during the six preceding years, which indicates the necessity for revision, is taken into account. Successive famines during the last thirty years have now taught the people the value of water for their lands, and in the case of works recently constructed it has been possible to start at once with the rates obtaining on similar canals in operation for a number of years. At present, rates are sanctioned for the different seasons, namely, monsoon, *rabi*, eight months, hot weather and perennial, and special rates are sanctioned for special crops like sugarcane. As, however, in the same season one crop requires a larger quantity of water than another, the system of charging rates for crops called the crop-rate system would be better than the season-rate system.

In Sind the present system is the irrigation settlement, under which land pays assessment only when cultivated, subject to the fallow rules, and the rate of assessment generally depends on the source and mode of irrigation in each season and the crop grown. These rates are revised at the time of the revision of settlement which is done at fixed intervals. Here also the incidence of the existing assessments on the profits of cultivation is the main fact or in deciding the increase or decrease in the rates of assessment.

Theoretically, the charges for water for any irrigation work should be at least sufficient to cover interest on the capital cost of the work plus working expenses. As, however, the capital cost depends entirely on the nature of the work and the difficulties connected with its construction, in practice it is not always possible to follow this principle. There will be works for which the rates worked out on this principle may be either much higher or much lower than what the cultivators can be reasonably expected to pay. In the former case water will not be fully utilized unless lower rates are charged, and in the latter case higher rates can be charged with a view to make up for the loss involved in works of the former kind. In the Deccan where costly storage reservoirs are as a rule required for canals, the rates that can be charged have to be in almost all cases lower than those based on the above theory, while in Sind where no such reservoirs are required, higher rates can be charged without any difficulty.

It is not possible to charge a fair commercial profit in the case of works where the actual rates than can be levied cannot be even sufficient to meet the interest charges plus working expenses, while in the case of works which are cheap, rates higher than what would give only a fair commercial profit can be and ought to be charged, so that the net revenue derived from all the works taken together can be applied to the relief of the ordinary tax-payer as far as possible.

In the Deccan and Guzarat where crops can even be raised only on rain, it would not be fair to increase the land assessment by taking the same proportions of the combined output of land and water, as would

otherwise have been taken of the output of the land, as if that be done, cultivators who are either not able to get or do not wish to use canal water for their land will be taxed for nothing.

In Sind, where practically no cultivation can be done without irrigation, this principle is already being followed as the land and water assessments are combined. However, assessment is charged only when the land is cultivated.

It is not practicable to charge by volume for the following reasons:—

(1) There is no reliable and simple instrument for accurately measuring the volume of water issued to each field.

(2) The quantity of water required for any crop varies with the climate, soil conditions and rainfall, and so the charge for water per acre if based on the volume used will not be the same for the same crop for all lands even on the same canal.

(3) The value of water is not the same for all seasons. In the case of a Deccan canal having a storage reservoir with a Ghat catchment, the value of water in the monsoon season is the lowest, and in the hot weather the highest. A uniform rate for all seasons will, therefore, be too high in the former and too low in the latter case.

(4) The cultivators can easily satisfy themselves about the correctness of the area of crops but the measurements of water, if charged for by volume, will be always disputed.

If water be sold by auction to the highest bidder, it will never be equitably distributed as at present, and poor cultivators who cannot compete with the rich ones will not be able to get any water for their lands and will consequently be ruined. Government will also not be able to realize more money for their water if sold by auction than by the present system.

Q. 16.—It is true that the value of the land goes up when it is first brought under irrigation or is guaranteed a supply of water; but I do not think it will be right for State to take a portion of the increase unless the cultivators concerned had applied for the construction of the irrigation work, and given an agreement that they would pay a certain percentage of the increase in cost due to that work when completed. There may be some cultivators who may not wish to use the canal water for their land, and they cannot reasonably be asked to pay a portion of the increase in the value of the land. The most equitable way would be to levy a rate only on those lands for which the water is used, and this can be best done by charging for the water a rate which takes into account the increase in price of land. If a higher water-rate be charged, the zamindars will either earn a smaller profit if they cultivate their lands themselves, or get a lower rent for the lands if given out on lease. In both cases, Government will practically share the extra income due to the water-supply in the shape of enhanced water-rates.

This cannot, however, be done in the case of existing irrigation works, as many lands on these works have changed hands at fancy prices, and the present owners of such lands cannot be expected to pay higher rates only in view of the increase in the value of the land which went to the men from whom they purchased it. In the case of a work to be taken up hereafter, notices should be issued to the effect that the rise in the prices of land due to irrigation facilities will be taken into account in fixing the water-rates, so that those who want to purchase any land may be aware of this fact. For example, suppose the price of land fit for sugarcane cultivation goes up from Rs. 30 to Rs. 230 per acre, Government should take into account the increase of Rs. 200 in the price in fixing the water-rate for cane by charging 6 per cent on about 20 per cent of Rs. 200, or about Rs. 2½ per acre more than what would otherwise have been charged. A zamindar owning land fit for cane will then have either the rent for the land or the profit from cane cultivation reduced by Rs. 2½ per acre, and thus indirectly pay to Government a share of the increase in value of his land. By this method this extra tax will be levied on only those lands which are actually irrigated. At every revision of rates this point will have to be considered, as the prices and land rents go on increasing after an irrigation work comes into operation, as the cultivators by actual experience know the profit that they can get from different crops.

Q. 17.—In my opinion, the tenancy laws in the Bombay Presidency do not affect any of the proposals made above by me.

**Written memorandum of Rao Bahadur S. D. Garud, B.A., President,
District Local Board, West Khandesh.**

Q. 10.—The land revenue of this district is Rs. 20,13,400. The fluctuating land revenue is Rs. 1,88,500.

	Rs.
The amount of notice fee	444
The amount of 1/4th fine	316
The amount of distraint of movables	29
Total	789

Deducting the amount of Rs. 789 from the fluctuating land revenue, the amount on account of sales of waste lands or trees, etc., remains at Rs. 1,87,711.

The revenue from penalties is insignificant—only one-twenty-fifth per cent, or nearly 8 pies per cent of rupees. But the revenue from sales of waste lands is nearly 5 per cent.

Q. 11.—Yes. In the case of forest, excise and income-tax, penal fines are imposed and recovered from the parties concerned.

Q. 12.—No. But in the case of agricultural lands, which vest in forests, the revenue can fall within the definition of a tax.

Q. 16.—It is not right that the State should take a portion of the increase. The State receives irrigation revenue and should not, therefore, claim any more. This kind of increase in value is not taken into account in fixing the revised assessment under section 107 of Land Revenue Code.

As no increase is to be taken, the remaining two questions need no answers.

Q. 23.—Yes; increase in taxation does not help to minimise the vice. For this purpose the supply should be curtailed and a limit prescribed in each individual case.

Q. 27.—Every member of a community does pay some sort of indirect tax. There is no exemption at present to any one under the present system of taxation.

Q. 28.—Yes. Those who pay the tax should have a right to representation.

Q. 29.—A tax should, as far as possible, be indirect. It is less difficult to recover, needs less supervision and causes less harassment and discontent than the direct tax, which is often attempted to be evaded by persons who have to pay it.

Q. 38.—I am not in favour of the removal of exemption. The State already gets the land assessment which is graded according to the capacity of land, and any more taxation would make investments in land unremunerative, destroy the credit of the agriculturist and drive away capital from this business.

Q. 48.—The principle is sound and may be adopted, provided it touches only in a moderate degree those who do not contribute to direct taxation.

Q. 66.—Increases in rates are always followed by increase in illicit production in districts where the raw material is cheap and at hand.

Q. 96.—A tax is taken in lieu of nothing. A rent is taken in lieu of something. The land revenue is a tax in those parts of India where the State does not absolutely own the land.

Q. 100.—No income-tax should be levied on agricultural income as land tax is already received by Government.

Q. 101.—No tax should be imposed on mutations as the cost of registration and stamps is already received by the State when a holding is transferred.

Q. 109.—Octroi duty being a direct tax is liable to be evaded by almost every person who has to pay it. Inadequate establishment also leads to a good deal of evasion; this applies to the terminal tax also though in a lesser degree.

Q.—111.—The same considerations apply to tolls. They cause a good deal of annoyance, wrangling and harassment and are very inconvenient.

Q. 121.—Yes.

Q. 151.—Yes. The land revenue should always remain a provincial source of income.

Q. 161.—Yes. There is a limit at present imposed by the New Local Board Act under section 93 that in no case it is to exceed 2 annas in a rupee. This limit is proper.

**Written memorandum of Diwan Bahadur Jamiat Rai, C.I.E.,
Extra Assistant Commissioner (Retired), Baluchistan.**

Q. 10.—The land revenue of the Province of Baluchistan includes a very small percentage, almost negligible, of fines imposed under the local land revenue rules. It also includes revenue realised from water-mills.

Q. 15.—The general principle *locally* accepted is that the produce of land is divisible into six shares, an equal share being assigned to (1) land, (2) water, (3) seed, (4) plough oxen, (5) labour, and (6) State dues. Thus, on this principle, about one-sixth of the produce is *generally* taken for irrigation water, which seems to be adequate (*clause 3*). In irrigated areas (where water is supplied from Government canals), the water-rate (one-sixth) is added to the revenue, the general rate of the latter is one-sixth, and in all, one-third of the produce is *taken in kind*. There are, however, exceptions to this general rule, where cash rates are levied in irrigated lands in certain tracts.

Q. 16.—The *local practice* is that when dry land is brought under irrigation at the expense of the owner, the land is exempted from revenue for some years varying from 4 to 10, according to the source of irrigation, which term may, in special cases, be extended to 15 years. These beneficial rates must continue in this agriculturally backward province. When dry land is brought under cultivation with irrigation water supplied from a Government canal such land might be exempted from water-rate for a couple of years, after which water-rate not exceeding one-sixth of the gross produce be added to the revenue (the aggregate not to exceed one-third of the produce) and be realized in kind. If cash rates are levied, they should be based on these principles, but the produce estimates should be very carefully worked.

Qs. 27 to 32.—It seems reasonable that every member of community should pay a tax of some sort, and indirect form of tax is better, as the payees do not feel the burden as they do in the case of a *direct* tax; the former is also easy of collection. I would not advocate a poll tax or capitation tax, but I do not see any objection to the imposition of octroi tax in urban areas. In rural areas majority of the people in this province pay land revenue or cattle tax. I may mention that poll tax—a relic of Afghan rule—was levied in parts of British Baluchistan and was on remodelling revenue system established. Non-agriculturists in rural areas, who do not pay income-tax, might be made to pay a chowkidari tax.

Q. 38.—I am not in favour of the removal of the exemption of income derived from agriculture so far as the *actual cultivators* are concerned so long as they pay the land revenue or tax, but the income derived from agriculture by absentee landlords not belonging to agricultural classes, must, I think, be taxed. If income-tax were to be substituted for land revenue, and the present limits of exemptions were applied to income derived from agriculture, in Baluchistan about 80 per cent of persons actually farming their lands would be affected and possibly more; but this will be to their advantage, as their income does not exceed the present limit of exemption.

Q. 39.—Here again if the income-tax were to take the place of land revenue and the present limits of exemption were maintained, there will be no gain to the Baluchistan revenues. On the other hand, there will decidedly be a heavy loss, which the province cannot afford (vide Q. 38). I regret I am not in a position to say what will be the effect of such a change in other provinces.

Q. 40.—If the land revenue is regarded as a tax and not as *rent*, then the agriculturists seem to be overburdened as in their case no allowances are made for the cost of production, and other incidental charges inseparable from cultivation, and a portion (generally one-sixth) of the gross produce is taken as revenue, it being even two-ninths and one-third in some cases. The limit of exemption of income-tax might reasonably and equitably be reduced to Rs. 500 as it was in 1862-86. To illustrate the burden, which under the present system falls on the cultivators, it may be mentioned that while a non-cultivator pays no tax on an annual income of Rs. 2,000 a cultivator, whose *gross produce of land* is valued at that amount, has to pay, as land revenue, generally Rs. 333-5-4 per annum, and in some cases as much as Rs. 666-10-8. Even the cultivator of dry lands, whose income comes to this limit has, in some places, to pay as much as Rs. 444-4-9 per annum. The owner of a flock of sheep, who is comparatively poor, also contributes towards the land revenue in the shape of a grazing tax, the rates of which vary for different classes of animals. Thus, the owner of a flock of sheep and goats numbering in all about 100, the income from which in the shape of milk, *ghee* and wool be estimated at about Rs. 100 has to pay a tax of 2 annas per head per annum or 12½ per cent.

Q. 47.—It would be fair to assess the income-tax on the average of three years, instead of the income of *previous* year, though the change would entail more work on the collecting staff.

Q. 52.—I accept the statement that salt tax is less objectionable than other *direct* duty that may be imposed on poorer classes. Its incidence is so small that it can hardly be felt. In fact, the proverb "*Até mén nimak*" fully illustrates the point, which means that the incidence is trivial.

Q. 58.—I would not interfere with the present practice of salt being sold *by measure*. In parts of the country even now weights are unknown and many articles are bartered for grain, etc., where *measures* are of more practical utility than weights.

Q. 59.—The retail prices of salt will probably be reduced if Government depôts were opened at central places in rural areas, *but not under very expensive management*. Depôts in central places in urban areas will not, I think, much help the consumers of salt in rural tracts.

Q. 96.—A *taz* may be defined as "a duty or dues leviable by the State on any property, etc.", while *rent* may be defined as "dues claimable by a proprietor, for the use of his land, etc." In Baluchistan we have very clear and expressive terms as far as *revenue* and *rent* of agricultural land are concerned. The revenue chargeable by the State is known as *gham* (literally a burden), *mália* or technically *muamla zamin*, while rent payable to the landlord is known as *bahol* or *hak-i-topa*. In common parlance the revenue paying land is known as *gham kash* as distinguished from freeholds *inam* or *muafi* lands. As an illustration, it may be mentioned that when A is the proprietor of land, and B cultivates the land, B pays to A the *rent*, the rates of which vary according to the different qualities of land, while A and B, combined or severally, as the arrangement may be, pay the *State dues* or *revenue*. When Government is the proprietor of land, it takes *revenue* as well as *rent*, which is generally paid in kind in most parts of Baluchistan. I may mention that in pre-British days the revenue (*gham*) was levied by the Afghans in various ways, the most common method in inaccessible parts of the country being the supply of a fixed number of armed men (*naukar*) or cash payment in lieu thereof. This was known as *gham-i-naukar*.

Q. 97.—The prosperity of the cultivator is undoubtedly affected by the land tax, but it must depend largely on the rates at which that tax is levied and the methods of collection. There are other contributory causes as well, the chief one among them being the high rate of interest at which money has to be borrowed by the cultivator in cases of emergency, such as on the occasion of birth, wedding, illness or death in the family.

Q. 98.—Some notes of the criticism quoted here do not apply to Baluchistan, where major portion of the land revenue is assessed in kind, at a specific share of the gross produce. The system is very elastic and suited to the local conditions. Whenever there is a crop, Government assesses its share in kind, which is sold back to the zamindars if they want it or to

contractors. When a crop fails, there is no Government demand in such cases and question of remission or suspension does not arise and zamindars are not harassed by petty officials.

Q. 99.—The temporary settlements have, of necessity, to take into consideration the prices prevalent at different periods, and this must result in inequalities which seem to be unavoidable. The evil might, to some extent, be mitigated by eliminating abnormally high and low prices and taking the average of years considered to be normal. Another and equally important factor in these settlements are the produce estimates, which are considered to be faulty. Such estimates might reasonably be prepared by the settlement officials in consultation with the principal zamindars of the locality.

Q. 100.—Rs. 2,000 cannot be taken as a subsistence level for all classes of people; this level must vary with various classes. It should be possible for a taxing officer to ascertain a purely agriculturist's income, but when the profession of agriculture is combined with other occupations the matter becomes more complicated. See Q. 40 above.)

Q. 101.—In places where there has been a regular settlement and the land record is regularly and properly maintained, mutation fees are levied at rates which are prescribed by the Local Government under the Land Revenue Act. The rate of these fees might be considerably enhanced and fixed at a certain percentage of the value of the property affected, and not on the revenue demand as at present (paragraph 52 of the Baluchistan Revenue Manual). In order to place some check over fractionisation, a sliding scale of fees may be prescribed, a higher rate on lower values. Thus, if the fee be 5 per cent on property valued at Rs. 1,000 or more, the rate may be 10 per cent up to Rs. 500, 7½ per cent from Rs. 500 to Rs. 1,000. Such a sliding scale and the penalties which exist in the rules may result to reduce the fractionisation to some extent.

104.—The following methods might be suitable to arrive at an approximate incidence of land revenue:—

(a) If the incidence is required per head of population, divide the gross demand by the population dependent directly or indirectly on agriculture.

(b) If the incidence is required per acre of harvested area, then divide the gross revenue demand by the area harvested.

Data for such methods would probably be forthcoming from the provincial revenue reports and the Imperial Census Table XVII—occupation or means of livelihood. The result will not be quite accurate as in some cases those whose main means of subsistence is agriculture have one or more subsidiary occupations.

Q. 107.—As a copy of the Scheduled Tax Rules is not available, I am unable to say whether the taxes embodied in Schedule II will give sufficient scope to local bodies or not.

Q. 108.—There is no doubt that octroi is in reality a local custom duty, but it has in its support the long usage, and people are accustomed to it. It is a tax, which falls on every member of the community indirectly and its distribution must be unequal according to the consumption of dutiable articles. The rates of duty on articles of luxury, which are not generally consumed by the poorer classes, might be considerably enhanced, and raise the revenue thereby.

The octroi duty is liable to be evaded but not extensively. In Quetta, the only municipality in the province, where octroi duty is levied by a paid official agency, we get few cases in a year of the evasion of payment of octroi.

Q. 110.—In Baluchistan the reasons which have operated to secure the retention of octroi in bazars and cantonments are: (1) its antiquity—the tax having been levied in parts of the Kalat State long before British occupation, (2) it being an indirect tax is not unpopular among the poorer classes, and (3) it is not very difficult to collect. The cost of collection would probably be lessened if authority were given to local bodies to collect the dues: (i) through railway on rail-borne goods, and (ii) by means of contracts on goods imported by road, and the term of which may vary from one to five years being extended to ten years with the special sanction of the Local Government. In Quetta about

three-fourths of the octroi is collected by the railway authorities for a commission of 3 per cent on gross collections, which is much cheaper than the departmental agency. Here the question of substituting a terminal tax for octroi has more than once been discussed and dropped in favour of octroi.

Q. 112.—It seems right that the rent and land tax should be levied *in whole* from the owner, who no doubt will shift the burden of the taxation, or part, on to the occupier in the shape of enhanced rent. In cantonments, bazars and new towns the population is more of a shifting nature and hence the occupiers often change, have not any permanent interest, and it is more easy to collect the tax from the owners than from occupiers. In case of failure of payment, legal steps can more easily be taken against the owner, and recovery made by attachment of property taxable.

Qs. 117 and 118.—In some cases, it is extremely difficult for local bodies to raise *locally* the funds necessary to finance an onerous service, and in such cases a portion of the expense should be borne by the general taxpayers. Financial assistance might be given from Government funds in the shape of grant-in-aid, the general principle being that the utility of the service must not be *wholly* confined to the local area. Such grants be given for education in institutions which admit a certain percentage of students from *without* municipal limits, more especially students belonging to agricultural classes; in the shape of scholarships for technical education; to hospitals and dispensaries which also treat people coming from outside municipal limits, provision of accommodation in hospitals for patients from rural tracts; and for sanitation, etc., the effects of which will be beneficial to the people of the surrounding villages. Such contributions should be *earmarked* for particular form of expenditure, and the contribution and the expenditure should be shown in the annual accounts of the local body in a *separate statement*. The authority sanctioning the contribution would then be in a position to call upon the local body to explain when any expenditure has been incurred out of the contribution on objects not covered by the terms of the grant, and in cases in which satisfactory explanation is not afforded by the local body, the sanctioning authority might even ask for the refund of the whole or part of the amount so spent by that body.

Q. 119 (vi).—The suggestion made by Sir Ganga Ram seems to represent the system in vogue at present in greater part of Baluchistan, where *land produce* pays revenue in kind at the general rate of one-sixth of the gross produce, except in areas which are under a fixed cash assessment. The rate on lands irrigated by Government canals is higher. All live-stock pays a grazing tax the rates of which vary for different classes of animals. Sir Ganga Ram would exempt local consumption from this tax, and tax only that portion of the produce which is meant for export, while in Baluchistan the tax (land revenue) makes no such exceptions, and even does not make any allowances for the cost of production.
