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PART V.

PROCEEDING OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA.

Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 *&* 25 *Vic., cap.* 67.

The Council met at Government House on Wednesday, the 17th April 1872.

PRESENT:

His Excellency the VICEROY and GOVERNOR GENERAL OF INDIA, K.T., *presiding.*
His Honour the LIEUTENANT GOVERNOR OF BENGAL.
His Excellency the Commander-in-Chief, G.C.B., G.C.S.I.
The Honourable JOHN STRACHEY.
The Honourable Sir RICHARD TEMPLE, K.C.S.I.
The Honourable J. FITZJAMES STEPHEN, Q.C.
The Honourable B. H. ELLIS.
Major-General the Honourable H. W. NORMAN, C.B.
The Honourable J. F. D. INGLIS.
The Honourable W. ROBINSON, C.S.I.
The Honourable F. S. CHAPMAN.
The Honourable R. STEWART.
The Honourable J. R. BULLEN SMITH.

INCOME-TAX BILL.

The Honourable SIR RICHARD TEMPLE presented the report of the Select Committee on the Bill for imposing Duties on Income.

He also applied to His Excellency the President to suspend the Rules for the Conduct of Business; and, on the suspension of the Rules, moved that the report be taken into consideration. He said that perhaps he could not do better than to read out the report of the Committee, which ran thus:—

"A difference of opinion exists amongst the members of the Committee as to the propriety of re-imposing the income-tax in any form. Accordingly, we express no opinion upon this subject, but confine ourselves to the details of the measure, assuming that a majority of the Council decide that it ought to be passed. We think that if this is done, the best course is that adopted in the Bill, namely, to re-enact Act XII. of 1871, with the verbal alterations necessary to adapt it to the present year, and to exempt from its operation incomes below one thousand rupees per annum.

We have added a clause to section 22 by which persons who were, under Part V. of Act XII. of 1871, assessed on incomes of one thousand rupees and upwards, will continue to be assessed at the amount which they paid under that Act; such persons will, however, be able to apply for reduction or cancelment of their assessment.

If this recommendation be adopted, the inconvenience of a re-assessment will, in a large number of instances, be avoided."

He had now to ask that the report be taken into consideration. Regarding the general merits of the question before the Council, he had in his recent Exposition of the Budget Estimate said all that he had to say. Therefore he would not now say anything on that subject. Whether or not he should say anything would depend upon what fell from his honourable colleagues. If there should be a general concurrence of opinion in favour of the Bill, he should not trouble the Council with any remarks; but if there should be made in the course of the debate any observations which seemed to call for reply, he hoped he should be prepared to offer such explanations as might be necessary.

The Honourable Mr. Bullen Smith said—"My Lord, although I adhere to the views I have previously expressed in this room when other Income-tax Bills have been brought forward, it is not my intention to offer any opposition to the measure now before the Council. Had it been proposed, as has hitherto been the case, on the plea of absolute financial necessity, I would, on the figures contained in the budget statement, have challenged any such assertion; but the Council has been distinctly told by your Excellency and by other members of the Executive Government that this budget is not to be considered on its merits, but to be looked upon as provisional, owing to the peculiar conditions under which the Government of India is being carried on. After such a declaration I do not think it my duty—indeed, I should hardly consider it consistent with the respect due to your Lordship as the present head of that Government—to propose any substantive amendment upon the consideration of the Bill now before the Council. This Bill contains two modifications upon its predecessor—one raising the limit of exempted incomes to Rs. 1,000, thereby carrying out the proposition made last year by our honourable colleague, Mr. Cowie, with how much reason and moderation the figures now before us show. The second modification to which I have alluded is that introduced by the Committee, in accordance with which payment of the tax will be accepted from all who so desire, on the basis of last year's assessment, without further inquiry or trouble. This, my Lord, I consider emphatically a move in the right direction. I believe that by it friction, extortion, and opportunities for evil in the working of the tax, will be diminished; and I believe that it will be thankfully accepted in this light by the district officers. It is of course a concession pure and simple on the part of Government, but a concession which I believe will not cost them much financially, while in other respects it will well repay them. I am heartily glad that Government has seen its way to these two important modifications of the Bill lately expired, and I freely admit that thus modified the income-tax comes before the Council in a much less objectionable form than previously. I consider, however, that the annual introduction of an income-tax measure is a great and almost an unmitigated evil, tending much to keep alive and foster the large amount of bad feeling which the tax has undoubtedly provoked, and forbidding that finality and certainty as to what they have to pay which, I believe, the people of this country greatly desire. In this sense, therefore, and without in any way committing myself to an opinion or course, I do join with my honourable colleague, Mr. Ellis, in hoping that if the subject of an income-tax is again brought forward, it will be in the form of total abolition or retention, I do not say permanently, but at least for a term of years at a fixed rate and on continuing assessments at the option of the assessees. I have always admitted that there were *pros* and *cons* in this matter—that there is something to be said in favour of a light tax with a liberal figure of exempted incomes. I know that some honourable members hold that there are large classes who benefit much by our rule, but who cannot otherwise be made to pay anything like a fair quota to the State. Some hold that there are other interests calling more urgently for relief, while my honourable friend Mr. Robinson, holds strong views as to the

entire exemption of certain classes, whatever the amount of their incomes. All these views form fair ground for inquiry and consideration; but whatever may be the result, I utterly deprecate the continuance of this tax as a varying budget-adjuster, as we have been lately accustomed to see it used. Whatever may be said upon direct taxation, that at least ought not to be its character in this country. I need not say how cordially I join His Honour the Lieutenant-Governor in hoping that if this income-tax is again brought forward, it may be at an earlier period of the Calcutta session of the Council. I shall rejoice if the Government find themselves, as the current year advances, able to give up this income-tax altogether; and I am disposed to consider Government morally pledged to abandon it, when the plea of urgent financial necessity can no longer be urged in its behalf; but, if not, then let it come forward sufficiently early to have bestowed upon it the mature examination and consideration to which the importance of the subject entitles it, but which the Council have never the opportunity of giving, when the Bill is, as on the present occasion, moved for, introduced, considered, and passed, within the limited period of ten days. Turning for a few minutes from the consideration of the Bill immediately before the Council to the budget statement, or exposition, of which it is the practical result, and is primarily arrested by the enormous figure of the cash balances, about which we have read and heard so much during the last ten days. The honourable member regards them, when standing at 24¼ millions, as satisfactorily high, but not too high, although elsewhere the figure is spoken of as one at which they ought not to continue. To the outer world they appear extravagantly and wastefully high. The honourable member apparently considers his overflowing treasury the crowning glory of his finance, while to other minds it forms the chief reproach of the budget—the portion of it, above all others, of which the least can be said in the way of approval. I have spoken elsewhere of the unfortunate character of the honourable gentleman's estimates, and this is strikingly illustrated the matter of these cash balances. That of 1870-71, which was estimated at 10½, becomes 16 millions; and that of 1871-72, estimated at 17¼, issues in 24¼, or somewhat more than double what Mr. Massey six years ago estimated was ample to carry on the service of the country, the tendency being to decrease. By way of apology, apparently, for these enormous differences, the honourable member tells us that they result from the adjustment of a vast account; but unfortunately the errors are vast, even beyond the vastness of the account, being to the extent of 50 per cent. in the one case, and 40 per cent. in the other. It is impossible that discrepancies such as these can escape unfavourable notice, and the honourable member can hardly complain if his estimates generally are regarded with disfavour, and his declaration that without this income-tax the receipts of the year are likely to fall short of the expenditure considered as a mere opinion, not a fact. The public know that 4½ millions of this money are the *bonâ fide* surplus of the last two years, and they naturally refuse to believe that half a million of income-tax cannot be done without, and that 6½ lakhs of rupees is the utmost relief this bursting treasury can afford. The honourable gentleman's capacity is well known and famous for writing reports; but I confess that I have not been able to find in his exposition any satisfactory account of these cash balances, or rather why they have been kept at this enormous figure. It can scarcely have been necessary, in view of the five-per-cent. conversion, which operation would then be to my mind, dear at the price: and it is curious that while 24¼ millions is now considered not too high, the estimated amount of seven millions less was announced this time last year without any misgiving. In reading over the part of the exposition relating to these cash-balances, it strikes me that the honourable gentleman is himself not quite comfortable regarding them—that he recognizes the fact that a country, the revenue account of which can, by his own account, barely be squared, has no right to have an accumulation equalling nearly half its entire income. Allusion is made to a full treasury and high State credit, but I find nothing in this exposition to shake my opinion that with a much smaller cash-balance the State credit would have been quite as assured, and the service of the country have been quite as efficiently carried on. Accept this view, and we find in these enormous balances no real source of satisfaction, but on the contrary, an indication of unreliable estimates and bad finance. Closely allied to the cash-balances, is the subject of loans, and under this head the exposition puts before us another peculiar financial feature. With more money here than could be employed or was required, we have actually during the past year been adding to our loan-liabilities in England. We are told that although the Secretary of State had announced his intention of borrowing 2½ millions, he has actually only borrowed 1½; but the question arises naturally, why has anything been borrowed at all? The honourable gentleman puts in his exposition an apologetic sentence about "times and seasons for borrowing" which have doubtless been well considered; but I scarcely think he can be in earnest when he asks us to accept this as a reason for late loans. That must be a cheap money market indeed which offers inducement to raise loans for which there is no need, present or nearly prospective, and

I confess I have never known the money-market in that delightful condition for borrowers, which would indeed indicate a rate of interest hardly more than nominal. Take for instance this new loan of 1½ million, which was not needed for the past year, and is not likely to be wanted for the present, but may come into use in 1873-74. The rate of interest payable is not mentioned, but if we put any saving under this head by this happy choice of time and season on one side, and on the other the saving of no interest at all for two years, I apprehend the calculation will show a transaction not very profitable to the State. When last year the honourable member stated boldly that the Secretary of State had intimated his intention of borrowing 2½ millions, I put to the honourable member the question, whether such loans are contracted under requisition from the Government of India and with their consent—a question, I think, clearly within the province of any Member of this Council, when he is asked to give his consent to new taxation. That question, with Your Lordship's permission, I would to-day repeat, although I fear the reply, if any is vouchsafed, can be but in one sense, as I cannot conceive it possible that this Government can have asked for any addition to our loan liabilities during the past year. In this view I desire to renew my protest against this system of quiet borrowing at Home, and to repeat what I said last year as to the vital importance of Indian Finance having only one head, and that head here. In the records of the Parliamentary Committee now sitting we find no lack of reference to requisitions from India, when expenditure has to be explained or vindicated. Let the same rule apply to matters financial; let the Secretary of State be in this, as in other respects, practically the Agent of the Government of India, with whom rests the real responsibility. As matters now are, it appears that the financial plans of that Government are liable at any time to derangement, and the loan liabilities and other expenditure of the country to increase, at the discretion of an absent and irresponsible authority, subject only to such control as is at present exercised by Parliament, the value of which we have not as yet had much cause to appreciate. In conclusion, my Lord, I wish to say a single sentence as to the conversion of the five per cent. loan alluded to in the budget exposition. We are told that the stock-holders were offered the option of transferring their holdings to a new 4½ per cent. loan. Theoretically all certainly had this option given them, but practically it was denied to many, the Financial Department having attached to the option conditions which put it absolutely beyond the reach of many. These conditions were foreign to all previous practice of the Government, and foreign to ordinary business custom, and therefore such as the stock-holders had no reason to expect or prepare for. A simple alternative measure, which could not have affected in the smallest degree the success of the conversion scheme, nor imperilled a rupee of Government money, was proposed to the department of which the honourable member is the head, but at once rejected. I do not say that bare justice was not done—far from it—but I hold that in matters such as these the Government should exercise the utmost liberality consistent with the interests of the State; and I exceedingly regret the harsh line adopted by the Financial Department on the occasion in question."

The Honourable Mr. STEWART said:—"My Lord,—I do not intend to occupy the time of the Council by any endeavour to follow the Honourable Finance Member through the mass of statements and figures contained in his Budget; I shall rather select for remark a few points which seem to me important, both in themselves and in relation to the policy with which they are connected. And first I would acknowledge the clearness and explicitness of the Honourable Member's exposition—an exposition which deals with certain facts which I cannot regard as altogether satisfactory, and asserts certain conclusions in which I cannot agree, but which is, on the whole, very plain and intelligible. I agree with Sir Richard Temple in his remarks regarding what he has termed "windfalls," both in regard to the light in which they should be regarded, and the manner in which they should be treated. I see no objection to their being included in the general revenue so long as they are clearly entered in the accounts, and brought to notice in dealing with the financial position; on the contrary, I see some advantage in this course, for, if these items are dealt with separately and exceptionally, we must expect that certain items of expenditure will also be dealt with exceptionally, and this I think would be to admit a dangerous principle, and one which under pressure might lead us further than could be justified or foreseen. My Lord, not the least striking fact of the accounts before us appears to be the large and unexpected surplus disclosed alike in 1870-71 and in the year just closed—a surplus amounting to 1½ million in the former, and 2¾ millions in the latter against a Budget Estimate of a surplus of £200,000 and £93,000 respectively. Now, there is here a very wide divergence between the calculations on which the financial policy of the past two years was based, and the figures which represent the actual or regular estimated receipts of these years, and I am not prepared to accept as an

altogether satisfactory explanation of this extreme divergence the variations in the Opium receipts and the other incidents which the honourable member has offered as its justification. I fully admit that Opium, as it is a very large, so it is also an extremely speculative constituent in the receipts, and one which it is probably impossible to forecast with exactness; but I think it is almost as unwise to err on the side of too great caution as of too little; and, when I reflect that during the five years ending with 1871-72 the receipts from Bengal Opium have been under-estimated four times, and that not by small amounts but by sums varying from half a million to a million and a quarter per annum, and averaging, I think, about £850,000, and that they have only once been over-estimated by an amount of £330,000, I think I may fairly conclude that the error of our finance in this matter has been not an over sanguine but an unnecessarily gloomy measurement of prospects. I will not deny to the Administration and to the Finance Department the credit of those reductions in expenditure which they claim, and which have doubtless contributed to the surplus of the last two years; on the contrary, I would acknowledge these reductions, and express my earnest hope and full belief that the Government will not halt in their anxious endeavours to reduce expenditure still further where that may be practicable. What I do say is, that I think these reductions should have been more clearly foreseen and more generously allowed for. In estimating the financial position for the present year, I think that this error of over-caution is again visible. I cannot think that an estimate of Rs. 1,200 for Opium is sufficient in view of existing values, of the quantity to be disposed of, and of prospects generally. I see nothing in the prospect before us to render it necessary to base the estimate on so heavy a decline from present currency; indeed, looking at the matter broadly, and at the same time cautiously, and making every reasonable allowance for contingencies, I think that the estimate of the year might fairly have been taken at at least Rs. 1,250, and even that I should consider low. To my mind there is something re-assuring in the opinion expressed by H. M.'s Consul at Hankow, in the report lately published in the *Gazette of India*, that the consumption of Indian Opium is not likely to be seriously affected by any increase in the growth of the indigenous drug, the consumption of the two descriptions resting on the tastes and requirements of entirely different classes of the Chinese people. I think that inasmuch as the average sale-price of Bengal Opium during the last five years has been Rs. 1,284 per chest, and inasmuch as there seems to be nothing to warrant the expectation of any very sudden or extraordinary fall, Rs. 1,200 is too low, not as the honourable member puts it, 'a safe and moderate estimate.' I think that, judging by the past, we may at least be satisfied that the estimates of receipts for the current year are not overstated, and that the estimates of expenditure are not under-stated in the matter of Opium. I have said that I think the receipts are under-estimated, and, on the whole, I am prepared to anticipate that the result of the honourable member's proposals, if they are accepted, will be another year of surplus. And this brings me to the subject immediately before the Council—the revival of the income-tax. My Lord, I shall not vote lightly in the matter, but I must vote against this proposal. I am of those who think the income-tax, a tax unsuited to this country, intensely disliked by the masses of the people, and a tax above all others the most likely to lead to injustice and oppression. It is a tax which, however, it may since have come to be regarded, was imposed in the first instance to meet a great fiscal emergency, and under it if not a pledge from Government, at least a strong and justifiable conviction on the part of the public, that the Government regarded it as temporary measure. The Right Honourable Mr. Massey, in 1868, described an income-tax in the words of the greatest of living financiers as a "mighty engine" of finance. My Lord, it is a mighty engine of finance; it is an engine, in my humble judgment, suited above all others to emergent circumstances,—but is an engine which especially in this country should be reserved for such circumstances, and I do not think that such circumstances exist at present. I have not had the advantage of considering the working of the tax in the light of the full information which I should have liked to possess on so grave a subject; but, viewed in the light of such information as I have before me—in the light of the circumstances which attended its original imposition and subsequent renewals—in the light of what I conceive to be the present financial position, and the purpose for which such a tax should be reserved, I do not feel justified, even on due consideration of the exceptional position of the Government (and I assure your Lordship that I have fully considered this subject), in voting for its revival. I do not overlook the fact that if the tax be not re-imposed now it may be somewhat difficult should the Government hereafter determine on proposing it as a permanent part of our fiscal system to re-impose it in normal times; but I should be glad to see the machinery broken up, for I think the tax unsuited for times of peace and plenty, while I do believe that should, unhappily, a time of grave emergency or disaster again overtake us, the people of this country will cheerfully consent to its re-imposition, all the more cheerfully and all the more readily in that they were relieved from its burden when its burden could be dispensed with. If, however,

this Bill should pass, I shall have satisfaction in thinking that it has been materially modified in the right direction, for I regard the exception of incomes between Rs. 750 and 1,000, and the acceptance of last year's assessments as the basis of the payments for this year, as two most wise and important concessions,—concessions which, as regards the present year, will go far to mitigate, though they cannot remove, my objections to the impost, or reconcile me to see it still occupying a place in our fiscal system. My Lord, I have heretofore understood that the object of our finance was so to arrange as that revenue and expenditure within the year might about balance each other: and no doubt this is still the object, but there are certain expressions in the honourable member's statement which lead me to doubt whether this is now so singly and directly as formerly the end that is arrived at. In referring to the surplus of 1870-71, the honourable member remarks that that surplus was wanted as a partial set-off against the deficits of former years; and, again, 'our hope is that on the combined result of a series of years there will be a sufficiently even balance between the incomings and outgoings of the Treasury.' Now, I fear that with such an aim, or even—for I do not think this is the aim—with such a tendency as this, we might drift into a condition not to be contemplated with satisfaction, for if one year there is a surplus we may be told that it is required to compensate for former deficits, and if another year there is a deficit, we may be told, though I do not think we will, that the deficit may stand against a previous surplus. The only safe system, as it seems to me, is year by year to finance for an equilibrium or slight surplus, and if, as doubtless there will be, there is on one year a surplus and on another a deficit, to allow for or recoup that surplus or deficit in the year following. The honourable member has referred to the trade of India in terms of satisfaction. I regret that as regards the import trade of Bengal I cannot share in his satisfaction.

"This trade for a long time past has not on the whole been profitable to those engaged in it, and it should be borne in view that had it not been for the cheapness of money in England and the consequent facilities for enterprise of this nature, the imports would probably have been even smaller than they have been. The cash balances have been referred to by the honourable member as 'satisfactorily large though not too high for the requirements of the country, persent and prospective.' Now the cash balances amount to over 24 millions, and this seems in the light of probable requirements, and of the declarations of previous ministers, an amount altogether excessive and out of proportion. Previous Finance Ministers have stated 10 to 12 millions sterling as the balance required for the current expenses of the State, and I think that it behoves us to inquire what means have been adopted to utilise the excess? what return has been received from this large capital, part of which is admittedly derived from the proceeds of interest-bearing loans? I cannot find in the explanation of the honourable member that these sums have not been lying idle, but have been made to subserve the interests of commerce, any satisfactory reply to this inquiry; for I submit that it is no part of the duty of the State to serve the interests of trade at the expense of the whole country, and that if the principle laid down be adopted there is nothing to prevent its further expansion, nothing to prevent the justification of an impost on all classes for the benefit of one class, or even of one section of a class. If the surplus cash balances of the past year had been utilised at even the most moderate rate of interest, the result would have been a very considerable increase in the revenue or decrease in the expenditure; and I hope in view of the large balances, which I infer the Treasury is likely to be filled with during the current year, that some means will be taken to make use of the surplus over requirements with such an end in view as any prudent private individual would endeavour to arrive at in his own case. It has often seemed to me that it would be advisable to publish a statement of the composition of the cash balances, that the public might know what portion of these is liable to be called up, and what portion may reasonably be reckoned on as more or less permanently available; and I would venture to call the honourable member's attention to this point as one worthy of his consideration. I have not overlooked the general information on the subject contained in his statement; but what I suggest is something more specific and detailed.

"My Lord, I cannot think that such general explanation as that time has been required for the elaboration of Canal projects and for determination of the Railway gauge, and that there are 'times and seasons for borrowing' are explanations which can justify such a course as that of raising loans in anticipation of requirements. I think, on the contrary, that the country has a right to expect that moneys, the interest of which it is called upon to bear, shall not be raised until it is clear that they can be at once utilised. My honourable friend has alluded to the politico-economic defects of our fiscal system, but he has not seen his way to propose a remedy. I can understand the disadvantage at which recent lamentable circumstances have placed him in this matter, and I shall here confine myself to

expressing a hope that next year he may be able to tell the Council that he has taken these defects into his consideration with a view to definite action towards their removal. There is only one other point, my Lord, on which I desire to say a word—the subject of Local and Municipal taxation. The former I see has increased within the year by about three quarters of a million ; respecting the latter I find no precise information. Together I have no doubt they form a sore burden on the people, one which should by no means be lost sight of in determining the amount and incidence of our taxation for imperial purposes. I think, too, that we shall do well to consider carefully and with extreme rigour any legislation to facilitate the raising of local and municipal taxes which may be asked at our hands by any of the local Governments, for I agree with my honourable friend Mr. Chapman in much of what he said on this subject on a late occasion, and I do think that the power of indefinitely taxing the people, even for purposes in themselves the most laudable and desirable, is a power which should not be lightly committed, and which, when committed, should not be lightly continued to any local administration. My Lord, the finances of India are an enormous subject, and I am aware that, probably under any circumstances, and certainly with the limited time and opportunities at my disposal, it is impossible for me even to attempt a satisfactory review of the subject. I have, however, deemed it my duty frankly to express my views, and if in doing so I have spoken too strongly, I hope my honourable friend will believe that this has not arisen from any desire to under-estimate or overlook the arduous and most difficult duties of his great position."

The Honourable Mr. CHAPMAN said :—" My LORD, looking to the exceptional position in which the Government of India are placed in consequence of the deplorable calamity which has so recently befallen the country, I do not consider your Lordship in Council could with propriety have pursued any course in respect to the Income Tax other than that now proposed.

" It seems to me that the issue is of far greater magnitude and importance than the mere consideration whether the Government could or could not afford to forego this comparatively small sum of £570,000. In my opinion the whole question of continuing direct taxation is to a great extent involved in the decision, for I am satisfied that, if the Government had decided on abandoning the income-tax this year, it would be impossible to re-impose it next year, and this would have embarrassed, to an unjustifiable extent, the action of your Lordship's successor in dealing finally with the question of direct taxation. Therefore, my Lord, on these grounds alone, I am fully prepared to support the Bill under consideration.

" But I feel that it behoves me to go further on this occasion, and to state it as my firm conviction, that the system of directly taxing the wealthy non-agricultural classes of the community of this country ought not to be given up. I cannot reconcile it to my sense of justice that traders and other rich inhabitants of our presidency towns and large centres of commerce who are entirely dependent on the stability of our rule for their enjoyment of this world's good things, should not contribute their fair share towards the public burthen. Whatever the defects of our government may be, there can be no question that we have afforded the most perfect protection against violent outrages and crimes, and I do think the wealthy classes ought to pay for this inestimable benefit.

" I do not say the income-tax is the best way of reaching them, but I do say that, until some better and more effectual means of getting at them can be suggested, I for one should be loth to see it abandoned.

" I have said that, to my mind, the question whether the Government can do without the tax this year is not the main point. For my own part, looking to the extremely cautious and prudent manner in which the estimates have been framed, I am inclined to think the Government would probably not have run much pecuniary risk if they had foregone it. But I am very decidedly of opinion that there are other interests and classes possessing a far stronger and preferential claim to relief than the income-tax payers. There are first, the Sugar duties in Northern India, which, as I said on a previous occasion, are nothing more nor less than the most barbarous transit duties, and which realised £163,500 ; there are, next, the export duties on rice, realizing £500,000, the levy of which is directly opposed to the very first principles of economic science ; and there are the claims of subordinate Governments and Administrations to additional contributions towards their provincial services, not with a view to enable them to increase their expenditure, but in order to allow of their reducing the burthens, which, in some parts of the country, have been recently enhanced. Then, there is the great and most important question of the equalization of the Salt duties ; for I take it that, if the facilities of communication continue to increase at the rapid rate they are now doing it will be simply impossible to maintain much longer the existing inequalities—Bengal

paying Rs. 3-4-0; the North-Western Provinces, the Central Provinces and thePanjáb Rs. 3; and Madras and Bombay Rs. 1-13-0 per maund.

"The manner in which these inequalities can best be removed is a most difficult problem, the solution of which will probably involve the sacrifice of considerable present revenue.

"The injustice and impolicy of maintaining these transit duties on Sugar, these export duties on Rice, and these unequal duties on Salt, are so patent, that I cannot understand how any one can for a moment defend them. Nor can I understand how any one can seriously say that, because we hear no complaint from the payers, because their is no loud outcry, therefore there is no necessity to afford relief.

"My contention is that the Government, supposing them to be in a position to deal finally with the question and to remit the income-tax (which I altogether deny); and supposing them to be able to do without this half million (which I am inclined to admit), could not, with justice to the claims of other classes and interests, have given up the tax.

"My Lord, the objections to the income-tax are chiefly based on the evils alleged to be inseparable from its administration. I admit these evils to have been great, but I do not admit that they are altogether irremediable. I consider they have been removed to a great extent by raising the minimum to Rs. 1,000; and by the decision the Government have wisely arrived at of not interfering with existing assessments. The only wonder to me is that, considering the haphazard manner in which, at the last moment, year after year, the tax has been imposed on the country, the abuses have not been infinitely greater. Nothing could possibly be worse than the system by which the payers were subjected to all the oppression and annoyance incidental to an annually recurring assessment.

"My Lord, I do hope the suggestion thrown out last year by His Honour the Lieutenant-Governor will be carefully weighed, and that the Government will lose no time in taking into their earnest consideration the best means of dealing with this difficult problem of direct taxation on a broad and sound principle. I may state that, if the income-tax is to be retained then, I think the best system of assessment should be carefully devised, and the best procurable agency employed; in short, that the same care, trouble and expense should be bestowed on this most difficult operation as is now done with such marked success on the assessment of our land-revenue. The assessments thus made should hold good, as against Government, for a fixed period of, say, five years, and no income of less than rupees one thousand should be liable. I would absolutely exempt all incomes derived from lands the settlement of which is subject to periodical revision; I would keep the tax at one per cent, in ordinary times, and I would not allow it to be increased merely to cover short-returns from Opium or other sources of revenue, as was done by my honourable friend in 1870-71; but I would hold it in reserve for great national catastrophes, like war or invasion. I do not attach much weight to the objection that no Government would venture to impose an unpopular tax of the kind in times of extreme national danger, because I think that the interests of the classes who ought alone to be taxed are identical with those of the British Government, and that they would cheerfully and loyally come to the assistance of Government. I believe that in times of real danger, a couple of millions might without difficulty be got by the tax. The Government have a year of plenty in which to mature their plans, and I do say that, by this time next year, if my honourable friend, Sir Richard Temple, is not prepared to deal once for all with the question of direct taxation, the country will have just cause for complaint. I cordially agree with what has fallen from my honourable friend opposite, Mr. Bullen Smith, as to the grave objections there are to these irritating annual discussions. Such are my views on the income tax. I believe we have as yet everything to learn as to the best way of administering it. I believe the abuses to which it has given rise have been much modified. I believe a great deal of the odium it has occasioned is due to the unjustifiably high rate at which it was imposed in 1870-71. I believe the tax to be thoroughly just in principle, and I believe that relief is far more pressingly required in other directions. What I did object to, and objected to most strongly, two years ago, was the unnecessarily high rate at which the tax was then imposed. There is, I need not point out, a very considerable difference between an income-tax at 3⅓ per cent. on incomes of rupees five hundred, and a tax at one per cent. on incomes of not less than rupees one thousand.

"I beg to draw the special attention of my honourable friend, Mr. Inglis, to the following extract containing the views of His Honour the Lieutenant-Governor of the North-Western Provinces, Sir W. Muir:—

Sir William Muir has never condemned the main principle of the income-tax (if additional revenue must be raised) in its application to the moneyed classes and wealthy traders. It is apparently the only way in which they can be specially reached, and it is but right and fair that these should freely contribute to the expenses of a government in the benefits of which they so largely participate. But it may be questioned whether the tax should be made (as it has been to some extent of late) the mainstay for the adjustment of Imperial finance, resorted to as a means of squaring the accounts of the year, its rate and reach varying with the amount of the annual deficit of the prospects of the coming revenue. It would seem wiser and more statesmanlike, in dealing with a people so impatient of inquisition, so suspicious of change, and so difficult to reach by our explanations, to make the tax precise and unvarying, both in its reach and in the conditions of its assessment. In short, His Honour would urge on His Excellency's Government the principle that the rate of assessment, once fixed, on a wide view of the temper of the people and the capacity of their resources, at a reasonable figure, should remain so without variation; and that neither condition nor rate should be lightly changed, otherwise than on the occurrence of a great emergency, such, indeed, as would both justify the change in the opinion of the people, and be capable of easy explanation to them. As in the assessment of landed profits, so in the assessment of incomes, the more fixity and permanency arrived at, the greater will be the feeling of rest and confidence. In proportion as such a state of comparative permanency can be approached the suspicion and irritation, the fraud and oppression, and the other evils now incident to the tax, would be diminished, the pressure on the people would be lightened, and the action of the Government would be better understood and its motives more fully appreciatted.

"I am happy to believe that everything I have said has the sanctiou of that eminent authority.

"I shall now notice, very briefly, what appear to me the most salient points in the regular estimate for the year just closed, 1871-72. Of the total surplus of two millions and three quarters, three-fourths are due to Opium, and my honourable friend takes credit for three quarters of a million as direct saving in expenditure. His explanations regarding the latter will be found at pages 9 to 11 of his statement. I wish I could see any indications of these savings having been effected by direct economy. A good number of the items are, I apprehend, mere adjustments. Thus, for example, the sum of £90,100, entered as a decrease in the allowances payable to village officers in the Bombay Presidency, is, I apprehend, due to an alteration in the manner of bringing these charges to account. Then, the reduction of £198,000 in military charges appears to be due, either to the estimates having been wrongly framed in the first instance, or else to outlay on account of the purchase of stores having been postponed. It really is impossible to arrive at any clear understanding from the gross entries in these statements. I should like to know, for example, the several items that constitute the sum of £82,200 under Administration. On the whole, I am willing to give my honourable friend credit for having done his best to be economical; and I am willing to believe that if, on the one hand, no actual savings have been effected, no considerable increase of expenditure has been incurred. And here I may remark that I believe the much-abused income-tax has practically effected much indirect good by checking extravagance. The Government are, as a rule, not likely to receive much support in their efforts towards retrenchment and economy from those classes of the community who direct public opinion in this country; but it is surprising how virtuous all connected with the administration become when they know that increased expenditure may render it necessary to increase the burthens of the small but influential body of income-tax payers.

"As regards the estimates for 1872-73, I shall only remark that they are characterized by that extreme caution which has marked the financial administration of my honorable friend, and which has resulted, during the last two years, in surpluses, respectively, of 1½ and 2¾ millions, I cannot help feeling that the Financial Department has gone to the extreme of control. Opium is, of course, the difficulty in their estimates; and I am not going to be presumptuous enough to state that my honorable friend is wrong in estimating for a nett decrease of 2¼ millions, namely 1½ under receipts, and ¾ under expenditure. Speaking with very imperfect kuowledge of the subject, it does seem that as the average price last year was Rs. 1,338, a higher figure than Rs. 1,200 might have been taken. It would have been satisfactory to have had some detailed explanation, as to the items composing the increase in expenditure of £56,500 under Land-Revenue; of £10,600 nnder Administration; of £56,100 in minor Departments; of £70,700 under Law and Justice, and of £44,000 under Political

Agencies. A good number of these are, I dare say, accounted for by adjustments, as I see the charges under the head Miscellaneous are entered at £119,300 less than those of the past year. It would nevertheless be satisfactory if my honorable friend would furnish a detailed statement of all *bonâ fide* increases of charge. I think if such a statement were annually published it would be satisfactory to the Council, and might not be altogether inoperative as a check against extravagance.

"As regards the question of the cash balances, it seems to me the Council are entitled to some more lucid explanation than that which my honorable friend has given. As far as I can understand the explanation of the surplus—seven millions—it is this :—

"2 millions are due to the closing balance being better.

"2½ million to positive and direct increased prosperity.

"2 millions to the extraordinary expenditure having been less than was anticipated.

"¾ of a million held in deposit in India on account of money received for bills purchased by the Secretary of State in England which have to be paid for in India.

"I think the Government of India ought to furnish the Council and the public with a plain and simple statement of their assets and liabilities, and I think we should be told the minimum sum that prudence demands should be kept in hand to meet the ordinary current expenditure, the sum which, I suppose, a private firm or company would describe as working capital. If this were done, and liabilities—such as sums held on account of money borrowed for extraordinary works, and on account of deficits payable on demand—were clearly distinguished, then I think the existing mystery would, in a great measure, be solved, and the public would know what they are far from knowing at present, namely, the exact financial position of the Government. Till this is clearly placed before them, it will be impossible for them to know whether the burthen of taxation to which they are subjected is or is not in excess of the exigencies of the State."

The Honourable Mr. Robinson said :—"My Lord, I have resolved to vote against passing this Bill to revive the dead income-tax in any form. I will do so because there is nothing whatever in the state of the finances of India which can in any way justify its revival and continuation, in order to maintain the credit or to fortify the position of the exchequer; and because the proved condition of the balance-sheet of the State finances and of the treasury condemns in the most absolute manner the legislation of the past year in this respect. I will vote against this Bill because I think that in the very prosperous state of the finances and of the country the Government is pledged to withdraw this emergent tax—imposed as it was for the definite purpose of restoring an equilibrium which was attained two years ago, and of removing a deficit which no longer exists—and because the proceeds of the tax have gone to swell undue cash balances, or are being applied to purposes which were not contemplated by the Legislature when it sanctioned this emergent impost—such as liquidating past deficits, paying for public works extraordinary, improving the position of bank-shareholders, financing in loans to municipalities, and the like. I shall vote against this Bill because a general income-tax is inequitable and unjust as respect all incomes derived from land and rents in this country, and because I believe that an income-tax which is theoretically defensible as respects incomes derived from public funds, professions, mercantile pursuits, and the like, cannot be administered in this country in anything like an efficient, fair or inoppressive manner. I shall vote against the Bill because I believe that the income-tax has proved financially, morally, and politically a serious failure, because its enforcement is lowering the tone and impairing the good influences of the public services, because it is almost universally condemned by experienced official and inofficial public opinion, and is repellant to our native fellow-subjects.

"Now, my Lord, it is not easy to discuss efficiently a subject of this kind in the absence of the papers which it has pleased your Lordship to withhold, and I do not wonder that our honourable colleague shrinks from examination under that sore light. Further, I think that the interval of a week—a week sorely burdened with other important legislation—or ten days, has been insufficient for the examination of so extensive a matter. Why, a reply could not be had by return of post from Madras within the time.

"I will venture *in limine* to recall to the memory of the Council the hard things which were said, and wrong motives which were imputed to me and others of my colleagues who ventured to advise this Council against continuing the income-tax last year, but I do so merely to enable me to disavow honestly and conscientiously every unworthy motive or in-

fluence in respect to any remarks I may now venture to offer for the consideration of this Council.

"The first question which I would ask is—will this Council endorse, by deliberately reviving special and emergent direct taxation, the astonishing assertion that the revenues of India fail to evince a safe elasticity? Why, my Lord, just twelve years ago, Mr. Wilson was dealing with an income of £37 millions only, and our honourable colleague has had an average income of 50 millions during the last three years. We dare not, my Lord, deliberately belie the economic facts of a country whose income evinces an elasticity almost without precedent anywhere.

"My Lord the facts disclosed by the statement to which we listened on the 6th instant prove, I think, beyond cavil, that there was nothing in the state of the finances of India during the past year which can justify the honourable member in having come to this Council for a law to continue an emergent and obnoxious taxation during the year that has closed. These facts likewise conclusively show that there is nothing in the prospects of the future to justify an appeal to the legislature to revive or continue this emergent legislation and taxation. The single plea for imposing or maintaining an income-tax from year to year has been that the budget of income fell short, or threatened to fall short, of the expenditure of the year. This plea was, in fact, in a great measure, lacking in the year 1870-71. It was absolutely wanting in 1871-72; and its application to the circumstances of the year before us, is, I feel, utterly indefensible.

"The upshot of the financial year 1870-71 was a surplus of 1½ millions, the whole of which was derived from the income-tax—which having been inconsiderately dealt with in the previous year, was needlessly maintained at undue rates in 1870-71. The proceeds of the income-tax in that year were 2 millions, and fully account for the surplus now proved to have existed throughout in that year. I will not go through the debits and credits of the budget-statements for 1870-71: suffice it to say that the honourable member failed to present the budget of income for that year within anything like its fair proportions—proportions which might very fairly have been estimated with reasonable exactness—and that *even* unbudgetted expenditure was more than met by the revenue realised—the balance being a large surplus derived, as I have remarked, from undue emergent taxation alone.

"I now come to the budget-statements of 1871-72, and the taxation which has been kept up during the past year, in consequence of the very unsatisfactory representation of the financial prospects of the year made by our honourable colleague.

"I earnestly warned this Council, when the discussion of the Income-Tax Bill took place last year, that the budget of income had been seriously under-estimated, that the prospective needs of the public service were overstated, and that the whole budget of expenditure was disfigured by evidence of relaxed economy. I therefore conscientiously argued—in vain, I regret to think—that a continuance of the income-tax, with those inherent evils which I and others endeavoured but too feebly to describe, could not be justified. Results have verified anticipations far beyond my confident hope—the obvious deductions which I ventured to make from an examination of the budget-statements.

"The regular estimate of 1870-71 had shown an income of 51 millions (£51,048,900)—an amount which has been exceeded by the actuals. Yet the budget-estimate of income of 1871-72 was taken by the honourable member at 49 millions (£49,098,900)—a sum which the regular estimate for the same year (£49,976,500) now shows to have been practically an under-estimate of well-nigh one million on the income side of the account alone.

"When we come to the expenditure side of 1871-72, we find a budget-estimate for ordinary expenditure of 49½ millions (£49,500,000) while the regular estimate now shows that 47½ millions (£47,276,500) was what was really required to carry on the State services, and this outlay include such "windfalls" as the unbudgetted Looshai expedition, the Delhi camp of exercise, &c. &c. The actual result arrived at by an under-estimate of income and an over-estimate of expenditure is a surplus which will not fall short of 2¾ millions, and may possibly, when all actuals are brought to account, reach near on 3 millions. Of this enormous surplus considerably more than a clear ¾ of a million (£824,600) accrued from the income-tax alone. Now, I ask, have these results justified the legislation of last year, or ratified the pleas under which it was instituted?

"And yet our honourable colleague again comes before this Council with the conclusively negatived assertion that he cannot make ends meet without reviving this obnoxious, but dead, emergent impost.

"I must withhold my confidence from the honourable gentleman's statement, and decline to be guided in my vote by one whose assurances have been so signally belied by results. And I do not think that this Council can again fairly endorse the only plea for reviving the income-tax, and enforce on the people the wrong conclusions which our honourable colleague asks us to accept. I therefore earnestly urge this Council to spare the people from a bootless revival of a tax by which, I confidently assert, they have been needlessly plagued during the past year through overweaning confidence in our honourable colleague's guidance; and I beg this Council not to endorse, with legislative approval, the under-estimate of income and over estimate of expenditure which have characterised the statements of past years, nor a state of cash balances for which there is no conceivable justification.

"*I think that our honourable colleague is wrong when he tells us that such 'actual surpluses cannot be justly held to invalidate the policy of those special measures of taxation which were resorted to in that year;' on the contrary, I say that they conclusively condemn* alike the system followed by him in framing his budgets, and his propriety of asking the legislature to legalise special and emergent taxation both then and now.

"Our honourable colleague seems to hold that it is right to secure surpluses in this manner to counterbalance, as he states, the deficits of years past. In other words, he is asking this Council to revive this needless and vexatious taxation to recoup deficits of three or four years back—*in fact, to pay off debts.* Now, I ask, is it the deliberate intention of this *Council to tax the people anew for such objects,* under the plea of raising money to meet shortcomings which have no existence whatever ?

"I now come to the budget-statement which the honourable member submits for the coming year, on the faith of which he asks this Council to revive the income-tax. As already shown a surplus of well nigh 3 millions accrued in the year that is past. The actuals of 1870-71 show the State income to have been 51½ millions (£51,413,685), including 2 millions of income-tax. The regular estimate of the year just closed shows that its income will not fall short of 50 millions (£49,976,000); and yet the honourable member asks this Council to accept a budget of income for the year before us of 48¾ millions only (£48,771,000), or 2¾ millions (£2,742,685) below the actuals of 1870-71, and 1¼ million (£1,205,500) below even the unadjusted regular estimate of the year that is closed. I confidently reject this estimate in the present state of the country and its finances and of the cash balances.

"*On the side of expenditure for the ordinary State services the honourable member shows a budget-estimate of 48½ millions (£48,534,000) for the year which is before us.* Now, the military and the civil services of the country were fully and economically met during the year that has closed by an expenditure of 47¼ millions (£47,276,500), including the unbudgetted expenses of the Looshai expedition, the Delhi camp of exercise, &c. &c. It seems to me utterly unreasonable to ask the Council to accept such a budget at such a time, and with it the penalty of reviving the income-tax against the country. What is there, I ask, in our prospects which could justify an increased expenditure of 1¼ million over last year ?

"As the result of this prospective financing operation, a small balance of £237,000 is elicited in favour of the exchequer. But the budget of income includes £570,000 as the expected proceeds of the income-tax proposed to be revived under the bill before the Council. So it is made to appear that if the Council reject this bill, there will be an apparent deficit of £333,000, utterly unreal and fabulous—as I believe—which cannot be overcome without reviving this miserable and contentious impost.

"*In short, my Lord, I cannot accept the budget-statements before us as affording any justification for last year's legislation, or for reviving or enforcing exceptional and emergent taxation at this time—taxation which is in so many respects thoroughly objectionable, and in* the eyes of the people odious and repulsive.

"I must now venture to trouble this Council with some remarks on the details of the budget of revenue and receipts for 1872-73.

"*Forests.*—I view, my Lord, an increase of the revenue under forests with serious jealousy and apprehension. I know not what may be taking place in the Forest Department in other parts of the country, but I confidently affirm that much—and I believe in general just—irritation is at this moment caused throughout South India amongst the rural populations in consequence of progressive and inconsiderate foreclosure, if not practical confiscation, of communal property and rights by the Forest Department, by invasion of immemorial easements and privileges, by the enforcement of licenses and revenual changes for State, not communal, purposes; by interference with village woodlands and pasture, and with the supply

of fuel and manure, &c. &c., and by the disposal of firewood, in respect of which the people probably have claims, to what are practically for the present State railways, at prices for which the drain could not be replaced. The burden of these things on an agrarian population is not easily estimated, but it is great and searching. I hope the changes which have been proposed by the Madras Government may place these popular and very important interests in safer hands than they have been for some time past, and that legislation in the local Council, where the rights of the people are known, and their interests are represented, may lead to a wholesome political condition in these respects. The regulation of popular and communal rights, and the conservancy of woodlands in the interest of the country and of the people, are needed; but the thing must be done in a very different spirit from that which has prevailed hitherto. These things are not beside the subject before this Council, when the question is the needless revival of another cause of popular irritation.

"*Excise on Spirits.*—I doubt also the sufficiency of the budget-estimate under excise. Allowing for the transfer of receipts for opium retailed in India, I find that our honourable colleague has budgetted, as appears to me, for an absolutely stationary condition of this head of revenue, if we compare the budget-estimate for 1872-73 with the regular estimate of 1871-72 and with actuals of 1870-71. The state of the country does not justify this, and I think that following the safe precedent of realized revenue in a former year, the budget-estimate of 1872-73 might safely be bettered by £10,000 or £12,000.

"*Customs.*—The next thing which I think deserves notice is customs. The actuals of 1869-70 were under 2½ millions (£2,429,000), and in 1870-71 exceeded £2,610,000, showing thus a steady and vigorous increase. The budget-estimate of 2½ millions for 1870-71 has been more than sustained by the regular estimate (notwithstanding the adverse circumstances of the year), and I think that instead of showing good grounds for the loss and stationary estimate adopted for the year which is before us, our honourable colleague has presented facts which justify confident expectation that the customs revenue of 1872-73 will, at all events, touch the actual of 1870-71 (*viz.* £2,610,789). The difference would add £40,000 to the budget.

"I am glad to find that no argument has been preferred by our honourable colleague in support of reviving the dead income-tax, on the ground of relieving the transit duties on sugar, &c., in the North-West Provinces, or the export duties on rice in Bengal and Burma; but the thing has been alluded to in this spirit. Both duties are of course thoroughly bad as a part of our imperial fiscal system, but the claim of neither entitles them to tax the incomes of all India for their respective relief.

"I do not know much about the sugar duties in the North-West Provinces, but their indirect practical effect is of course to raise the cost of production of the article so taxed, and they may fairly enough be described as a *quasi* land tax on the soil producing the commodity. Now, considering that the assessment on landed income and the land-tax of the North-West Provinces has recently been, or is now in course of being, very largely enhanced by a revision of settlements, it is sufficiently clear that these exceptional burdens on the land should at once be merged in that operation, and be removed altogether, in consideration of the largely increased revenue which is being obtained from an enhancement of the land-tax. At all events, the question is a local one, and has no right to consideration with reference to a general income-tax.

"As regards the rice duties in Bengal and Burma, I suppose I may at once assume that these are likewise in their incidence very much of the same nature as an additional land-tax on rice-producing land. Now, these export duties are paid almost exclusively in Bengal and Burma. I cannot say, and suppose no one can tell me, what is the average acreable land-tax on rice-land in Bengal, but no doubt it is moderate. I have, however, under my hand, what enables me to calculate the average rate of assessment per acre on rice-land in Burma. It amounts to about Rs. 1-10 per acre. The rice-duties levied in that country, if transposed into an additional tax on the land on rice-lands, would raise this burden to about Rs. 2-12 per acre. Now, the average land-tax on rice-lands (excluding rice duties from consideration) in Madras is between Rs. 5 and Rs. 6 per acre, and I believe that in Bombay—I speak under correction—the average acreable rate is even higher. I need not therefore tell this Council that it would simply be preposterous to go on levying an income-tax on the people of all India generally, in order to relieve Burmese land of a comparatively light assessment, or to further relieve the still more lightly assessed rice-land of Bengal.

"*Salt.*—Sir Richard Temple has treated very lightly on the subject of salt. I observe that in 1869-70 the actual revenue was close on 6 millions (£5,889,000), and few branches of revenue were more elastic than this was up to that date. In 1870-71 there was a slight increase (£6,106,000) in revenue. The regular estimate (£5,996,200) of the year 1871-72 shows a slight decline last year, and the Honourable Member has now estimated for an absolutely stationary condition during the year that is before us. Now, I think that I am justified in asking the Honourable Member whether there are any grounds for inferring that this very unhappy result does not arise from the measures taken two years ago for greatly increasing the burden of this heavy demand on the incomes of the poor and labouring classes of the country? The imperial income has just been maintained, and no more, since the change; but the people have had much less of this necessary of life. If this be so, the financial policy of the past is emphatically to be condemned. The salt manufacture of Bengal has been transferred to Cheshire. Has this proved a wise policy?

"I have been much struck by reading the sagacious resistance of Lord Lawrence's Government to any increase of this very serious tax on the incomes, comfort, and health of the poor; and I venture to remind the Council that these are all matters which require their serious consideration while weighing the question before us—*viz.*, that of reviving the income-tax.

"*Opium.*—I venture to think that the opium-estimate for the year is likewise too low. The opium revenue has been shown by Finance Ministers who have preceded our honourable colleague to be an *abnormal* but by no means *precarious* or uncertain source of revenue; and the result of my enquiry about Bengal opium alone shows that, with the exception of one unfavourable year, the prices realised during the last five years have been very far in excess of the budget-estimates of their respective years. In fact, the average price of the last five years is nearly Rs. 100 per chest in excess of what our honourable colleague has assumed in the budget for this year. Now, judging by results and the recent official reports from China, I venture to think that our honourable colleague has erred in repeating the oft-refuted mysteries about danger to this head of revenue, and that the year's estimate, which is nearly Rs. 200 per chest below the actuals of the last year, is assumed at an unnecessarily low rate for a time when the grave question before the Council is whether the people should be relieved from objectionable emergent taxation or not. The addition of Rs. 50 to the price of each chest would almost wipe out even the imaginary appearance of a deficit which, it is said, might be created by the rejection of this bill. Fanciful caution is out of place here.

Year.	Price assumed in Budget.			Price realized.			Difference.	
	No of chests.	Average per chest.	Gross income.	No. of chests.	Average per chest.	Gross income.	Average (cols. 3 & 6).	Gross (cols. 4 & 7).
1	2	3	4	5	6	7	8	9
1867-68	47,250	1,150	5,43,37,500	47,999	1,332	6,39,27,309	+ 182	+ 95,89,809
1868-69	48,000	1,250	6,00,00,000	47,235	1,376	6,50,21,769	+ 126	+ 50,21,769
1869-70	43,680	1,330	5,80,94,400	45,680	1,200	5,47,82,625	— 100	— 33,11,775
1870-71	49,000	975	4,77,75,000	49,030	1,121	5,49,89,179	+ 146	+ 72,14,179
1871-72	52,470	1,075	5,64,04,000	49,695	1,390	6,89,75,308	+ 315	+ 1,25,71,308
1872-73	44,175	1,200	5,30,10,000	.....	.....	.....	.....	.....

"*Stamps.*—I would next ask why, when the sources of revenue have been greatly increased by recent legislation, the stamp revenue fell off in the past year by £14,000 as compared with the actuals of the preceding year (£2,510,316), and why this head of revenue appears in the budget of next year at the lower and declining figure of £2,500,000? If this be a real and not merely an apparent falling off, the state of the country in no way whatever justifies such a very unsatisfactory and suspicious condition. These facts suggest to me that either our honourable colleague may, in his caution, have largely under-estimated our financial prospects, or that there is real truth in the oft-asserted and hereby much strengthened allegation, that the very largely increased burden imposed on the country, and especially on the land, by the stamp-laws recently revised with most vexatious enhancements, and by the Court Fees Act, is too great for the people to bear, and that good rights are being abandoned all over the country because their vindication is beyond the resources of the wronged. Either inference must be unsatisfactory, and I hope that the honourable financial member will be able to give some more satisfactory explanation of facts and things than the light historical sketch we listened to on the 6th instant. I have carefully perused former debates, and have

been making inquiries about this matter, and am told that the cost of litigation, in respect to land at all events, has increased by several folds under the legislation of late years. A carefully drawn comparative memorandum which I hold in my hand shows that the increase may be as much as five to six folds above the cost of some years back. I speak under correction, but I think, however, that the incidence of this increased taxation will require very early investigation, and that the Council should not pass a taxation bill until such things are fully before them.

"*Public Works—Irrigation.*—The only other item of revenue on which I would venture to make a remark is that derived under the head of Public Works—Irrigation.

"The actual revenue derived from this source in 1869-70 was £535,000; that in 1870-71, £485,500; and the regular estimate of the year just closed shows a decreasing revenue of £476,600. Thus we have a steadily falling revenue during three years. The budget estimate for 1872-73 is still below the actuals of 1869-70 and of 1870-71. No wonder that the Honourable Sir Richard Temple remarked that 'such fallings off, notwithstanding the heavy expenditure of capital on these works is not satisfactory.' I admit that I entertained great apprehension from the information accorded last year, that the Government of India are pledged to borrow some 50 millions to be spent in this manner, and I ask where the interest is to come from? I only trust that His Grace the Secretary of State's prohibition against laying on compulsory general 'guarantee taxation' will not be offended against, and that this is not one of the objects for desiring to maintain needless emergent taxation like the income-tax.

"On the whole, my Lord, I am thoroughly satisfied that no good ground whatever exists—considering the very prosperous condition of the country and the state of the cash balances—for estimating the income of the year which is before us at 48¾ millions (£48,771,000) when the average of the actuals of the last three years (including 1871-72) is 50¾ millions (£50,767,088). We must not, I am sure, estimate for a declining revenue when every indication justifies the reverse prospect. I cannot vote for a bill to raise the income-tax under assurances which neither fact nor fair inference justifies. Nor do I feel that we are right in endeavouring to justify in this manner, in the eyes of the tax-payers, a policy of withholding relief at such a time from an impost which can only be said to be reasonable under very serious financial difficulties.

"I will now venture to make some remarks on the expenditure side of the budget before us. In my remarks on the budget of expenditure for last year, I noticed that the proposed additional outlay under a number of heads of civil services gave cause to fear a serious relaxation of economy; and I ventured to indicate a variety of heads under which, by persistent frugality in administration, that equilibrium which should enable the Government of India to dispense with the income-tax even last year would have been secured. I am rejoiced to find that not only was the increased expenditure budgetted for last year not, on the whole, necessary, but that the economies enforced during the year that is past have far exceeded my most sanguine hopes; for, irrespective of decrease of expenditure under the head of opium of nearly half a million, the difference between the budget-estimate of expenditure under other heads and the regular estimate show a saving of well nigh a million of money. Now, I think that this fact reflects the highest credit on the administration of the expenditure by our honourable colleague during the year that is past.

"But I must demur absolutuly to the following assertion of our honourable colleague, *viz.*, 'that these deductions are largely, if not wholly, derived from real savings of various sorts all over the country, apparently small if reckoned singly, but making up a considerable aggregate when taken collectively.' The apparent reductions are, on the contrary, in the main, I believe, attributable to over-estimate and want of sufficient foresight in retrenching budgetted expenditure. I regret to think that these errors of estimate were not sooner checked, for they went to make plausible (if they could not justify) the taxation which as I held last year, and still believe, was being again needlessly and unwisely forced on the people.

"I think that this Council must be fully sensible of the justice of the remarks made by the Honourable Member in respect to the military expenditure of the year, for the budget estimate has not been exceeded, although the Looshai campaign has been carried to a successful and honourable issue at a cost of £200,000, and the expenses of the Camp of exercise (£40,000) have been defrayed—in all about ¼ of a million of unbudgetted expenditure—within the budget for the military services of the year that is past. No instance of a more

satisfactory result is probably on record. The military budget of the ensuing year is likewise moderate.

"I trust that His Excellency the Commander-in-Chief will not think it out of place in me to remark that the branch of Her Majesty's service which he so honourably commands is in no way responsible for the special ermergent taxation of which he estimates the evils, and spares the necessity of the past or coming year. The defence of the empire and the efficiency of our armies needed no special tax last year, and call for none in the one that is before us. These things are due to the civil services and their budgets alone.

"When we come to the budget-estimate of expenditure under Civil Services, we find it breaking out all over with increased expenditure. There are 25 heads of Civil Services, and in 22 of these an increase of expenditure has been admitted and budgetted for, at a total addition of upwards of 1¼ million over the ample expenditure of the year which has closed. This obvious relaxation of economy, while special emergent taxation is plaguing the country deserves the gravest remark. And I do not think that the Council ought to be satisfied that any sufficient reason whatever has been shown for this want of economy, or that we can fairly be asked to revive emergent taxation while objections so patent stand on the face of estimates which are put forward as a justification for such legislation.

Upwards of £700,000—a sum which more than absorbs the whole of the estimated re-receipts for the income-tax for the year—appears in the budget as proposed to be laid out for the extension of the opium industry. Thus, this obnoxious tax is proposed to be kept on for a purpose absolutely alien to it, and at a time when nearly 2¼ millions have actually accrued within the last two years, mainly under the head of opium, and the cash balances amounted to 24 millions.

"My Lord, if anything like the same economy be observed in the ensuing year which marked the year that has closed, the half million of money that is sought to be raised by reviving the dead income-tax never can be needed. If it be persisted in, the tax-payers will assuredly infer from its revival—in the face of 2¾ millions surplus and enormous cash balances—that the Government of India are not minded to grant the relief they need, and are determined to spend up to any income that may be raised from them, from whatever source derived, and under whatever plea imposed.

"There is only one individual item of this expenditure to which I would draw special attention with reference to the remarks made on the subject of local taxation in the financial statement and the discussion which followed on the exposition. It is the transfer of £51,800 to Provincial Services.

"The glossy and fragmentary character of the remarks of our honourable colleague on the subject of local taxation were, I think, very unsatisfactory. I can only tell this Council that facts and things important beyond all compare with what the Honourable Member calls 'the expression of satisfaction on the part of local authorities,' are involved in these things. Local taxation has been stimulated far beyond what the Honourable Member wished us to understand in his exposition, and can be carried, under the laws recently passed, far beyond what has occurred in this, the first year. The matter has, indeed, a side which is absolutely the reverse of what the Honourable Member sketched. The Honourable Member has probably no complete knowledge of these things and his heart is light about them; but I can tell him and this Council, that the people of the town and rural districts alike are dissatisfied under the increased burden of taxation which has been laid upon them by the recent financial policy of the Government.

"The Honourable Member has not yet communicated to the Council the total of these burdens. His attempts to sum them up in his budget statement was fragmentary and incomplete, and I believe that there is nothing more important than that this great matter should be fully before the Council before any bill for special imperial taxation is passed. No income-tax legislation should be revived until this matter is thoroughly before the Legislature.

"I venture here to recall to the memory of the Council an incident which occurred in the debate on the passing of the Panjáb Municipalities Bill. The Honourable Mr. Stephen, in animadverting on the conduct of certain Members of this Council, observed that the prosperity of about 300 towns in the Panjáb was imperilled by the delay occasioned in making that measure permanent. Now, my Lord, I know with almost absolute certainty that there are not 300 cities in that province which are fit objects for municipal administration, town duties, octroi and other municipal taxes. I feel a strong impression that the local

authorities may be driving, under this specious name, special 'city-taxation' among rural and possibly village communities, in the teeth of Lord Lawrence's assurance that such should not be the case, in the debate of 1857. The thing requires the careful examination of the Legislature and Government. Judging from the returns from some parts of Bombay, I believe that there, too, local authorities are in the same boat. Now, my Lord, you are aware that in Madras, with one-third more area and population than there is in the Panjáb, we have only been able to find 45 towns to which taxation of this character can with any reason be extended. Is it then to be wondered that some of us entertain a very anxious feeling in regard to taxation which has been thrown off in relief of the imperial finances, and saddled with increasing stringency and weight on local Governments and their populations? And I hope that this Council will give deep consideration to this thing before they admit the revival of harassing special and emergent taxation for imperial purposes. My Lord, I listened to the Honourable Member's statements, which treated so cheerfully, but so incompletely of these things, with much misgiving.

"As connected with this matter, I think that the Government was, to a certain extent, pledged to abandon at least a part of this branch of taxation when the financial policy of last year was inaugurated. The Honourable Mr. Laing was specially struck in 1861 by the absence of local taxation and the dependance of the Central Government which characterised Indian administration, and he first mooted the transfer of certain sources of taxation—amongst them the income-tax—with certain branches of administration, to local Governments and their populations.

"The thing was further noticed from time to time between then and 1867, when Lord Lawrence's Government imposed the license-tax, which was in fact a part of this 'income-tax in disguise.' In the debate on that tax, the Honourable Mr. Massey said: 'I must add that the Government, without giving a definite pledge, does not propose that this tax should form a permanent source of imperial revenue. During the first year the duties will be collected and credited like any other tax, but, in our opinion, a tax of this nature is better suited to local purposes than to the general purposes of the State. We intend therefore in another year to transfer it—modified, if experience should suggest such modifications, together with the corresponding amount of charges of a local character—to the several Governments and their administration.'

"The charges he here alluded to have been transferred with very inadequate assignments from the general fix, and the Governments have been told, in the words of Mr. Laing in 1862, —'Take what we are able to give you, and for the residue take certain powers of local taxation and raise it for yourselves.' But this branch of the imperial income-tax has not disappeared under the pledge then given, and several local Governments are at this present moment, I believe, raising a second income-tax on the same incomes for those local purposes which Lord Lawrence's Government then contemplated.

"I am inclined indeed to agree with the views expressed by His Honour the Lieutenant-Governor—as I gathered them from what fell from him last year at this time—*viz.*, that if an income-tax, in the only form in which it can be tolerated, *viz.*, on incomes other than those derived from land, can succeed at all, it might do so as a local tax administered by local Boards and local Governments. And in this form it might be tried. Indeed, I am inclined to believe that His Honour is right in surmising that these taxes are local taxes in their nature; for the immemorial income taxes of Madras—the Martafa and Vessabuddi—were originally a local *kávali*, or watch-and-ward taxes, and of a purely local character.

"But this is not the question here. There can be no doubt that as an imperial tax, an income-tax in every form has proved, and must continue to prove, a failure and a blunder, and ought to be abrogated.

"My Lord, I will not weary this Council by quoting the numerous assurances and statements of former Finance Ministers, and others of a distinct and authoritative kind as to the temporary and emergent character of the income-tax. They are to be met with all through the debates and public correspondences which have taken place from time to time on this branch of taxation—assurances on which doubtless former Legislatures have relied, and from which the tax-payers throughout the empire have assuredly and reasonably inferred a pledge that the income-tax shall not be continued beyond the time when real and urgent financial necessity for it exists.

"This time has fully passed, and I partake in the conviction that we are bound to abandon it forthwith. To my mind an endeavour to evade or explain away this emergent

and conditional character of the income-tax is to endeavour to deny the facts, the history, and the recorded evidence of our financial policy ever since the Right Honourable Mr. Wilson's time. I must vote in accordance with this my belief, and faith—the faith which I feel assured is the faith of the whole country.

"I repudiate the argument that if we relinquish the income-tax now, we cannot again resort to direct taxation or tap this "great reserve" in case of emergency. I do not think that this is the case, but be this as it may, we are bound by present obligations. Nor do I believe in the policy of keeping open a needless blister in order that we may at a more convenient time apply to the same a still severer stimulant. Let us keep faith with the country now, and when emergency again arises—if ever—let the subject be carefully and frankly dealt with on its merits. It will be again loyally accepted by the people when its need is established.

"This is the more important, as what fell from the Honourable Mr. Ellis in the debate of the 6th instant will, I think, be read in the country as indicating that a covered intention to make the tax permanent is really at the bottom of this attempt to revive the income-tax at this time.

"But, my Lord, the *main* objection to the revival of the late income-tax lies in the fact that it was inequitable and unfair as regards incomes derived from land. I alluded to this objection last year, and must solicit a fuller hearing now.

"Incomes and profits derived from landed property and cultivation already pay an exceedingly heavy burden of taxation throught India—a tax more or less equal to from 30 per cent. to 60 per cent. of the whole rental or nett yield, and often more—in fact, one ⅓ to ⅔ of the whole property of these persons in under *quasi*-sequestration to public uses. There is, therefore, no *parity* in the condition of property or of incomes in this country, as there is in England, which *can* justify an equal demand for income-tax against all alike, including the landed interests, simply because it is right or is desired to reach the incomes of fund-holders, merchants, bankers, and professional men, or the profits of various industries, which are not directly connected with the land, and do not happen to contribute to the public exchequer.

This, of course, is *not* the place for the discussion of the principles and conditions of property, or the incidence of taxation in this country. Still the fact *remains* that its landed classes *do* already contribute very largely and most unequally to the wants of the State; and that they are subject to what may be termed a peculiar law of imperial taxation applicable to themselves and their incomes. They cannot, therefore, with fairness be taxed *over again* on the *same* incomes on equal terms with those who now pay nothing to the State. *Nor is this* the place for the *discussion* of the *great weight* or the *inequality* of the existing burdens on the rent-roll of the country in many parts of the Empire. Suffice it to say, that both these existing considerations constitute very serious and aggravated objections against including these classes in a general income-tax. There can be no doubt that the long-continued poverty of the agricultural classes, that the persistent backwardness and slow development which have on the whole characterised the people of India, notwithstanding its genial climate, prolific soil, and industrious peasantry, are in the main due to an *exorbitant demand* of the State on the land, and to the sore gripe which the imperial tax-gatherer has long held on the very vitals of national wealth. But we inherited these evil conditions from extortionate predecessors, and have never, perhaps, been able to afford to repent. So things must stand now. But we *can* eschew, on behalf of these heavily-burdened classes, the grave errors and obvious injustice with which the dead income-tax was fraught. We *can* now let past wrongs sleep, and do right for the future.

"Now the *reiterated wrongs* of the past ten years in respect to landed incomes have been inflicted by our Financiers alone—for Indian economic science and usage has never erred here. These have clearly recognised the peculiar and exceptional position of landed property and income in India in respect to taxation.

"In the well known programme of the sources from which revenue may be drawn under the immemorial law and usage of India, which Mr. Wilson drew up, the double income-tax on the landed interests finds no place. That right honourable gentleman justly said that that Bill of Fare was indeed 'enough for the most needy exchequer, and for the most voracious ministers,' a Bill of Fare which suggested to him the idea that (to use his own words)—'the Revenue Laws of the ancient Hindús must have been contributed to the sacred compiler (Menú) by some very needy Finance Minister of the day—'still not so greedy as to tax twice the same source! But to return to the programme, it is therein stated that 'the revenue conistss of a share of grain, and of all other agricultural produce.' * * * 'The following are the

rates of taxation on grain :—one-twelfth, one-eighth one-sixth, according to the soil and labour necessary to cultivate it. This may also be raised as far as one-fourth in cases of emergency." The other landed resources of the State, enumerated in that programme, are *escheats* and *royalties* only. No imperial right to tax the agricultural incomes over again, or to assume the rights of a great landowner of the soil, are assented to by the ancient law or immemorial usage of the country. So much for the tax on land and landed incomes.

" In *quite a separate category* are shown *taxes* on commerce and trades, and on the incomes of mercantile and professional classes, manufacturers and the like, and the rates at which these taxes may be demanded, *viz.*, two per cent. of the income.

" There is no confusion here, my Lord, about the sources of revenue. No uncertain sound about the claims of the State on the different classes of its subjects and their property.

" How far, and at one time how cruelly, *our demand* on the land has transgressed, in most parts of India, the ancient law and usage of the country, is not the subject before us. But it *belongs* to it to state that, in South India at least, we have recognized in the main these immemorial laws and usages, and have practically ratified these principles of taxation. The heavily-taxed owners and cultivators of the soil *have* enjoyed both under Native and British rule immunity from those other *general* State taxes which have been enforced against non-agricultural classes and industries, and they have enjoyed a variety of agrarian privileges and immunities as regards sites for houses, supplies of wood, fuel, &c., services of village servants and the like, which were *not* accorded to non-agricultural classes. *These facts*, and others taken in the aggregate, indicate conclusively that the State *has* recognized that it has no further claim against these landed classes for *general Imperial* purposes. Let us not again transgress on those rights and obviously reasonable immunities.

" Mr. Wilson, it is true, committed in the first few months of his career the *error* of confounding the sources of revenue and classes of persons who might fairly be subjected to an income-tax. He was hungry and in sore distress. But his *error* was recognized and it was allowed to pass away. And succeeding Financiers and Governments declined to continue or respect it.

" Lord Lawrence's Government absolutely refused, though earnestly pressed, to do that unfair thing again in 1867 and in 1868.

" Mr. Massey said in the debate of 1867,—' that it was idle to discuss the question whether the land-holder contributes his just proportion to the needs of the State." They already paid, he held, very largely, and could not be included in the rough income-tax (the license-tax), which Lord Lawrence's Government assented to re-impose in that year on non-agricultural classes and other industries *alone*.

" So recently as 1868, Lord Lawrence *again firmly refused* to add to the burdens of those who live by the land; and in the debate on the certificate-tax made the following pregnant remarks:—' It cannot be denied,' he said, ' that the burdens which that class bore were very high, and in fact were undeniably greater than any other class had to bear. There is no doubt,' he said, ' that the land-tax is very large; in fact, the burden in former days in many provinces *was so great* that it seriously impeded the improvement of the country by preventing the cultivation of the soil and the investment of capital in land. He (Lord Lawrence) could well recollect the day when when in the Upper Provinces, in Madras, and all over India, except Bengal, our land-tax *was so high* that it had a *most serious* effect on the progress of the country and the condition of the people. That day had passed by, but nevertheless it was undeniable that even now the land revenue bore a *very large* proportion to the rent.' Lord Lawrence's words but feebly describe what I have myself witnessed in South India.

Mr. Massey, in the same debate, maintained that a general income-tax could not be imposed on the land-holders in India, because that class, he said, already pays largely. ' It is merely,' he added, ' a *war of words* to say that the land-tax is rent. The fact remains that land-holders, whose title is indefensible so long as they pay the tax, contribute 20 millions a year to our revenue.' ' It may be,' he added, ' that the land-tax is not sufficient; that those who pay it, at least under the Bengal settlement, have made a very good bargain. But it is a bargain, and we are bound by it.'

" There is an *honest ring* about these words of Lord Lawrence's Govertnment. And they appear to me to dispose of the partial and local *plea*—curious error it seems to be—put forward

for the income-tax, *viz.*, that it has at least the *virtue* of catching the Bengal zámindárs and taxing them, in consideration of the comparatively easy terms on which they pay land revenue. Even if this plea were sound as respects Bengal, *it cannot* justify such a tax being enforced where the 'Bengal settlement' does not obtain, *viz.*; in four-fifths of the whole Empire. Of course Lord Lawrence's and Mr. Massey's remarks had no reference to *quasi*-country-rates for local purposes; neither has the argument for which I am endeavouring to obtain a hearing.

"In short, Lord Lawrence's Government would not hear of any general income-tax which should include the already heavily-taxed landed incomes of the community. Were that sagacious and discriminating statesman amongst us this day, we should not, I think, be discussing the propriety of reviving this needless and dead income-tax against the heavily-taxed landed interests of the country, at a time when the revenue is in surplus and cash balances very large.

"*We are happily again in that position*, in regard to this part of the tax, in which Lord Lawrence left us. *The income-tax is dead. Let it lie*, and let us refuse to endorse the errors of the past, which he condemned, but which the Bill seeks to revive.

"It is a very significant and scarce credible fact that I find, in endeavouring to analyse the incidence of this branch of the late income-tax, that the *Account Department* are *absolutely ignorant* alike of the *amount* of the taxation raised by this double tax on landed incomes, and of the *number* of assessees enrolled on the Collectors' books.

"*I* should guess that one-third to one-half of the whole amount has been collected from the incomes of land-holders. But I fear that *no* fairly accurate conjecture can be made as to the *number* of those who pay the tax on incomes wholly or in part derived from land. But it is not a few who are offended against in this respect, and I fear, my Lord, that truth and the reality of things will, in many instances, multiply Sir Richard Temple's *units* in this respect by tens, if not by several hundreds. The land-holders of India are, there is too much reason to believe, passing down their emergent burdens and obligations to their tenants and poor cultivators with the usual aggravations and additions. The rich are here again preying on the poor and the laboring classes, and under the cover of this detested impost, the poorest of the community are probably liquidating no insignificant part of a demand which our honourable colleague tells us he has always *meant* only for those who are in easy circumstances. You cannot prevent this, my Lord; you cannot protect your poor cultivators of the soil from the evils which are inherent in this form of taxation.

"But *this is not all*, my Lord! As already observed, the incomes and rent-rolls of the land holders of the whole country are subjected to a special *rule of taxation of their own*. And we are at this moment acting all over India on our right to take by taxation a largeliy enhanced portion of the rent of the land or of the nett produce. We are now very generally re-assessing or have very recently re-assessed, the tax on rents and on the land, with a serious enhancement of the demand throughout the country, save in Bengal. We *are* at this moment *adding* very largely to the *direct* burdens of the country, under the special conditions which apply to the land and incomes derived therefrom; there is no doubt that the demand on the land and on landed incomes is *now* being *quite sufficiently* raised in this manner already. If we now revive the dead income-tax, we shall be adding to taxation with both hands. We shall be *reducing* the incomes from land by *re*-assessments under the *land revenue rules*, with the one hand; and in addition we shall be imposing a further tax on this attenuated rent-roll by an income-tax with the other hand.

"This is not the place to enter into the consideration of the policy of thus keeping open or exciting what must sooner or later lead us up to our 'Land question' with the people of India, nor is this the time for canvassing the effect of thus absorbing a much larger share of *that improving rent-roll* of the country, on which its prosperity and advancement depend in so very serious a degree—a prosperity which needless taxation greatly impairs. Nor can we here consider the consequence of periodically causing general agrarian anxiety and uncertainty, of throwing back the advancing market value of the whole landed property of this country, and of from time to time imperilling (if not wiping out) the investment of the people's savings in the purchase or improvment of their land. But all these things are well worthy of *deep* consideration when the question before us is the justice and policy of reviving a tax on incomes which are *being* so seriously affected by the facts to which I have alluded.

Suffice it to say that in Madras, at all events, we are altering by a settlement which was commenced with a view to *reduction* and *relief*, and district by district, the more or less permanent and very heavy demand which has underlain for the last three quarters of a century

the value of all land as a means of subsistence and an object for the investment of capital. This has been done, as your Lordship knows, with great consideration by our Revenue Officers in respect to the few districts to which the new settlements have been extended. But the tide has turned, and we are now altering the value of every acre more or less to the *disadvantage* of its anxious owners, and of the value of the land in the market. And the percentage added to the demand is simply changing the worth of (probably annihilating) *all* the investments of years, which have been made in this, almost the only object in which an agricultural population invest their savings. Can it be wondered that the people ask for rest and are anxious? Will this Council again assent to lay on, on the top of all this, the unfair and needless impost which I am earnestly pleading against?

"In Oude, in the North-Western Provinces, in the Panjáb, *everywhere*, the same process is going on or has been effected, with the same disadvantageous effects on the incomes of the landed interests, and on the value of the land. And rents are now taxed, or are soon to be taxed, at from 20 per cent. to 50 per cent. in advance of the demand which the land has hitherto borne.

"In Bombay the same has been done, or is in the course of being done.

"Why, my Lord, you have a suit pending there before the High Court of Bombay, from the facts of which I gather that all the ancient settlements which have subsisted for more than four centuries in the proprietary district of Canara are being set aside in favour of a revision of the land-tax in South Canara—settlements which in the eyes of the people at all events, and perhaps of the Madras authorities under whom the district was until 1861, have had all the sanctity of an ancient permanence which was more or less ratified to them by our early settlements in the beginning of the century, and *again* 50 years ago by the settlement locally known by the name of the Tharao settlement. A *very great* increase in the demand is apparently being laid on the incomes of the land-owners of that Province, for, from the circumstances of the case I allude to, it appears that the increased demand has much more than doubled the ancient land-tax, and the owners' incomes are reduced in that proportion. Can we lay on a revived income-tax on the burdened rent-rolls of the land-holders of districts which are being brought under enhancements of this kind? These operations of the Bombay Government carry a very serious menace against all the long customary settlement of the west coast of India, and deserve the serious consideration of the Madras Government and of the Government of India.

"In short, I maintain that a special and *sufficiently* exacting rule of assessment and of imperial taxation is applicable to the land-tax, and this assessment of taxation on the rents and incomes of land-holders of this country, and we *must confine* ourselves to *that rule* and principle and must not inaugurate a new and inapplicable system of double taxation.

"I need scarcely say, my Lord, that I know the argument advanced in favour of the double imposition which I am contending against, *viz.*, for the income-tax on landed incomes *plus* the enhancements of land revenue which I have endeavoured so fully to describe, on the ground that the land revenue of India is not taxation, but rent in the European sense of that word. I have read such assertions as that the land of India is universally 'Crown-land,' and that its Native proprietory are mere 'Crown-tenants' of the State. I may cite the ideas and use the words of Professor Fawcett, the apostle of this doctrine. That school apparently holds that we are here as conquerors who have acquired the actual ownership of the soil from our predecessors by the right of the sword, and that our Indian subjects are mere 'tenants who pay rent for *permission to cultivate* the soil; that the State exercises over it (the soil) the same rights of property as an *English landlord* exercises over his own estate. That the Government of India takes the place of individual landlords, and the cultivators of the soil *rent their land* from Government instead of from private land-holders.' In fact this school holds that India is at our feet, devoid of rights or property; that no property in the land whatever appertains to its people, and that they who till their *native soil* are the agricultural serfs of the State.

"I believe, my Lord, that these sentiments are absolutely at variance with the constitutional conditions and the agricultural history of this country, are at variance with the truth and real facts of the people's agrarian institutions and rights, and are utterly *repellant* to the just, sound, and conciliatory policy which has built up this Empire.

"The agricultural laws and usages of this country are, I believe, absolutely saturated with the principle of popular proprietary right—Oriental indeed in its character and in-

cidents, yet ancient, real, and fondly cherished. In practice, *our treatment* of these rights has not been at variance with this immemorial condition, and our policy has in general tended to comfort these conditions. They *are*, of course, *quite consistent* with the demand of a moderate and fair contribution from the land-owners and their property, towards the needs of the State, as recognised by the immemorial law of the country.

"No, my Lord, the appropriated and agricultural land of South India at least is not, and never has been, as a rule, 'Crown-land.' The proprietary right of *the State* in any actual soil has been *limited* to *escheats* and *unclaimed waste*.

"*The right* which the State *has possessed* is that of imposing what in practice became an unlimited amount of fiscal burdens; and our predecessors exercised *that right* too often to the extinction of the value of the land and practical destruction of the owner's rights. But there was, as a rule, in South India at least, no confiscation. Lord Lawrence's words inadequately pourtray what has occurred in our times in many parts of India. Happily improved prices have now relieved the land. May we not again exceed.

"The theory is, I believe, 'a mere war of words,' as was said by Mr. Massey, a mere confusion of ideas, and I should not have ventured to trouble this Council with any remarks on this matter had this thing *not* been used *here*, in my hearing, for the *disheartening* purpose of removing altogether from the list of India's burdens the liberal and increasing contributions to imperial needs of over pounds 20 millions sterling *now* paid by the land-owners and peasant proprietary of India. Had it not been used in order to justify an assertion which I conscientiously believe to be *an error*, *viz.*, that, instead of having been amongst the most heavily-burdened of people, our Indian subjects are the most lightly taxed of any country under civilised government, and that therefore the income-tax on landed incomes is justfiable, and is in fact *the only form* in which the landed interests are now made to contribute anything to the public exchequer.

"I *dissent absolutely* from this view of the matter. In many parts of the Continent the land tax forms, as it does here, a larger proportion of the public revenue; but this fact has never been used in support of the confiscatory doctrine which I am venturing to repudiate. The proprietary are not tenancy.

"No, my Lord, the native soil of India is the property of its rural population, and the very heavy contributions derived from the land and its proprietors are, in the strictest sense of the word direct taxation in its most drastic and searching form. It is heavy enough.

"The very essence of our settlements is to ascertain the *rental*, or net profit of cultivation, and then to take, in *the form of direct taxation*, 50 per cent. of that *income* as public revenue. Our Land Revenue Collector exercises *no one* of the functions which would belong to the agent of a great State landlord. He cannot collect the rent-roll, oust a single occupant, or change a single tenure. He cannot succeed to, transfer, sell, appropriate, nor interfere with the ownership of a single acre of appropriated land. He cannot dictate a rotation of crops, or meddle with the cultivation of the soil in any way. These incidences of property belong to the Native proprietary. The State can only *tax;* and it *has* used that right with most stringent severity, in times now happily past, and still its hand is not light. Even when default is made in respect to the limited claim of the State on the land, the Collector can only realise the demand by the *sale* of *his debtor's* property, moveable or immoveable, and by the incarceration of the defaulter, in the same manner as any other ordinary creditor. In short, the land revenue is, I hold, heavy *direct taxation*, and *not rent*, and we cannot fairly tax—with periodical enhancement—the rent-rolls of the country by *double* direct taxation under a land revenue rule and also by an imperial income-tax such as that which has expired.

"But, my Lord, while I hold that an income-tax levied on already very heavily-taxed incomes derived from land is *unjust*, and that therein the analogy of England in no way holds good in India, I freely avow that a tax on incomes derived from other property and from taxable industries is a fair and equitable impost, if the emergent necessities of the State justify recourse to a form of taxation which is, in all lands, so unfair in its incidence, from moral and other causes; and is so odious, from its inquisitorial and arbitrary character, to every people of every clime and nationality.

"I fully recognise the *principle* of this form of *direct taxation*, but as a *practical question* I cannot advocate an imperial tax of this character for India. I have had lengthened experience of the administration of such taxation from its existence in certain forms in the Madras Presidency during the first twenty years of my acquaintance with that part of India; and I

have extensively studied its working and its effects during the last twelve years under a variety of enactments, and I consider that taxes on such incomes are eminently unsuccessful as imperial taxes. Still what is practically an income-tax on moveable property, profits, and various industries has had a prominent place in Oriental Economic Science in all times. Among the sources of revenue enumerated in Mr. Wilson's programme of Indian taxable sources already quoted, we find 'taxes on commerce, and a very small annual imposition on petty traders and shop-keepers' * * * 'Merchants are to be taxed, it is added, on consideration of the prime cost of their commodities, the expense of their travelling and their nett profits,' and so on; and again, quoting from the words of the late Sir Walter Elliott, we read 'it (an income-tax) is an ancient tax declared to be legitimate in old Hindú books, and the verse (in Menú) which *restricts the land-tax* to one-sixth of the produce, and declares two per cent. or one fiftieth to be the proper tax on the profits of trade, and that a mere trifle should be taken from meaner persons who subsist by traffic.' There is, therefore, no doubt that taxes on such incomes are sanctioned by ancient Hindú law and usage. The *Mortupha* and *Vesabuddy* taxes of the Madras Presidency are immemorial examples of this law and usage, and it appears from the reports of the late Honourable Mr. Mountstuart Elphinstone (cited at page 564 of the same debate), and other information carefully collated by Mr. Wilson, that taxation of this character has found a place in the fiscal system throughout India. Every argument, therefore, that can be advanced in support of an income-tax *of this limited character*, prevails in respect to an income-tax on moveable property, mercantile profits, and industries, and the like in this country.

"But there can be no quesion that every *moral* and *practical objection* and difficulty which finds place in Europe, America, and elsewhere, in respect to the enforcement of a tax on incomes derived from such sources, is erroneously exaggerated, is far more insuperable in this country than anywhere else. Nowhere does graver truth and weight attach to the careful summing up of the practical and moral obstacles to its *enforcement* which Mr. John Stuart Mill, himself an advocate for such direct taxation, has recorded in the following pregnant paragraph of his great work :—'It is,' he says, 'to be feared, therefore, that the fairness which belongs to the principle of an income-tax cannot be made to attach to it in practice; and that the tax, while apparently the most just of all modes of raising a revenue, is in effect more unjust than many others which are *primâ facie* more objectionable. This condition would lead me to concur in the opinion which, until of late, has usually prevailed, that direct taxes on incomes should be reserved as an *extraordinary resource* for great national emergency in which the necessity of a large additional revenue overrules all objections.'

This, my Lord, is I believe specially and absolutely true of India. These views are confirmed by the opinions of more than one of our Finance Ministers, and of many experienced and honourable gentlemen who have sat in this Council, and I think that the opinion of the majority of officials who are competent to form a sound judgment, together with the consensus of all public opinion outside, is that an *imperial* income-tax of this kind has at all times proved financially a failure, morally an evil, and politically a blunder in this country. It was so with the Mortupha and Vesabuddy taxes in the Madras Presidency, and other instances might be cited. But new financiers will not believe that the thing has been tried over and over again in vain. I can assure your Lordship that nothing which has occurred, or which has been said or written about the income-tax of these *latter days, can* exceed in condemnatory force the facts which had occurred and truths which had been recorded in respect to our endeavours to carry out the old native income-taxes of South India in days gone by. It all applies to *the tax* under consideration, and the conclusions are strengthened and vindicated by the story of *its* administration.

"My Lord, an income-tax of the kind which I admit to be just has failed ever since we held the country, at all events ever since we attempted to rule it without resort to native practices and fiscal torture. Our *late* income-tax has fared no better, and it was really only administered, even lamely, by the steady application of that moral torture, that fiscal thumb-screw—*arbitrary surcharge*. As it seems to me, the mere facts that we are forced to adopt what is a very high rate of income for this country as the *minimum* below which we scarcely dare carry our assessments, and that we are forced to attach to its administration the *impossible condition* that none below the rank of a Tahsildar or Deputy Collector shall be employed in rating incomes and profits, are pregnant proofs of failure and inherent difficulties.

"As I said last year, I am perfectly willing myself to pay an income-tax *at a much higher percentage* than I did under the dead law; and I believe that every European in the

country would be equally loyal, did he see the necessity. But I do not believe that *it is possible* to raise anything like a true percentage on the incomes of natives of this country which are derived from these sources, or to administer the tax with any sort of efficiency or certainty, and without resort to most objectionable practices in order to ascertain profits and estimate incomes, while a door for great and almost irrepressible irregularity on all sides is set wide open by the attempt thus to reach *results* which at best can only be insignificant and dearly bought.

"I think that it is proved beyond doubt that the income-tax is driving the people of the country into sullen antagonism with, and suspicious alienation from, the Government and its officers. Those practices for the concealment of property are reviving which were *rife* under *Native* government, but *were* disappearing before a more enlightened administration when this income-tax policy was unhappily inaugurated. Even respectable and educated classes are again satisfied to put up with bad accommodation, different clothing and the outward feints of poverty; while on the other hand, falsification of accounts, bribery, corruption and evasion are resorted to in a manner which it would have been worth *ten times* the proceeds of the tax to avoid.

"My Lord, I cannot conceive how this Council can require or *expect* any one to administer effectively or *well* in this country a tax which (under schedule D) is, we know, very largely abused and evaded even in England, which is repudiated by financiers in France, condemned by financiers in America, and by many of the best judges wherever it is known, condemned for those very reasons, *moral*, *political*, and *social*, which must even wreck such taxation in this country.

"My Lord, facts have proved beyond cavil that we cannot do so. Railing and disheartening imputations against hard-worked and honest servants of the State of all grades will *not better things*, for the evils are inherent and absolutely inseparable from imposts of this kind, tried wherever they may be.

"One further remark and I have done. I have been equally astonished by the excitement which has been caused by the honest home truths told in the Council by my friend the Honourable Mr. Inglis, and others last year, and by our honourable colleague's (Sir R. Temple's) wilful reluctance to believe us and the host of testimony which *has transpired*, although your Excellency has not been pleased to give us access to all the papers. Nothing has been said which has not been repeated over and over again by those who have best known the country, from its earliest time to its latest. In this Council the late Sir Henry Harington, in words quite as strong as my honourable friend's Sir Bartle Frere and various others, have borne like testimony. And were I *to dare* to endorse the assurances which the Honourable Sir Richard Temple has *ventured* now to offer to this Council in respect to the removal of abuses, I should simply belie what the political, social, and fiscal history of India teaches us in these matters, *viz.*, that the strong *will* prey on the weak, and that the most respectable *will* resort to corruption and evasion under fiscal imposts of this character.

"My Lord, I cannot accept the Honourable Sir Richard Temple's *strange assurances. I do not believe* in the possibility of removing the exaggerated forms of the abuses which are inherent in taxation of this character, and I will, therefore, vote against reviving the *condemned* and *dead thing* in any form whatever."

The Honourable Mr. Inglis said:—"My Lord,—I shall vote against this Bill. I do so because I am convinced that the imposition of an income-tax this year is altogether unnecessary, either on grounds of financial necessity, or for any other reasons. The only semblance of an excuse that can be urged in favour of the measure is the small deficit shown on the budget estimate prepared by the Honourable Sir R. Temple for the current year. Now, I think that our experience of the honourable gentleman's past budget would fully justify us, if we determined to leave the small deficit he estimates to be provided for at the close of the year, if it had not by that time disappeared of itself, as it most probably will have done. In 1870-71 the honourable gentleman estimated for a deficit and put on an income-tax to meet it. The result was a surplus of over 1½ millions. In 1871-72 he again estimated for a deficit and put on the income-tax to meet it. The result is a surplus of over 2¼ millions. He now comes before us for the third time with a small deficit, which he proposes to meet in the old way. I think that our knowledge of the honourable gentleman's tendency to under-estimate his receipts warrants the conclusion that he has again committed the error of past years; and that this year, ushered in, like its predecessors, with a small deficit, will, like them, close with a goodly surplus; but even if it were thought inexpedient to rely on this

expedient, and leave the small deficit to take care of itself, I think it would have been better, with the cash balances standing at 24 millions, or more than double the amount Mr. Wilson thought necessary, to have charged the deficit to the surplus of past years, rather than to provide for it by the re-imposition of this mischievous tax; for I deny that its re-imposition this year, when it is not wanted, will in any degree remove the difficulties in the way of making it a permanent source of income, should this even be considered desirable—any more than its abandonment now would have added to these difficulties.

"The Honourable Mr. Chapman was good enough just now to draw my particular attention to an extract he received from a letter from the Lieutenant-Governor of the North-Western Provinces, and to suggest that I should give the opinion therein expressed my very serious consideration before voting on the Bill now before us. I am happy to be able to inform the honourable gentleman that I saw the letter he refers to some time ago, and that I have given it very careful consideration. He will pardon me, however, if I say that I fail to perceive how the opinion expressed by Sir William Muir supports the position he has taken up. Sir William Muir says that, if *money must be had*, he would not object to raising it by an income-tax fenced in by restrictions and conditions far more stringent than any that have as yet been adopted. Now the honourable gentleman throughout his whole speech has carefully explained to us that he does not vote for an income-tax this year because he considers it financially necessary; in other words, he does not think that *money must be had*; but he tells us that he votes for the tax because its re-imposition this year happens to be in accordance with some crotchets he entertains on the subject of direct taxation. I can see no connection between this opinion and that expressed by Sir William Muir.

"I do not intend to say much to-day on the bribery and corruption, the extortion and oppression, which have been so generally charged against the tax; it seems unnecessary to do, so as all that has been urged against the tax on this score has been fully corroborated by the reports made public during the year, and would, I am convinced, receive further confirmation were the papers asked for by the Honourable Mr. Bullen Smith produced, as I have no doubt they will be, should the honourable gentleman at the head of the Financial Department ever ask leave to introduce into this Council a Bill to make the tax permanent. I wish to say, however, that I deny that the change in the limit of taxable incomes from Rs. 750 to 1,000 will do away with bribery and corruption. I allow that this alteration will afford relief from much suffering to a large number of the poorest classes, and that the opportunities for oppression and extortion will be diminished, but I maintain that, whatever be the limit fixed, bribery and corruption will always accompany the levy of this tax in India.

"I say this from my own personal knowledge of how utterly impossible it is for any District Officer to make the assessment without the assistance and local knowledge of the Native officials. It would really seem as if some people thought that the District Officers could tell a man's income by merely looking at him. Unfortunately they do not possess this faculty, and are compelled to rely on information obtained from Native officials and others when they apply to their Districts,—in the first place the lists of persons liable to assessment can only be prepared after local inquiry carried on through the lower classes of Native officials. Now local inquiry by Natives as to who is, and who is not, to pay income-tax is merely another name for bribery and corruption; and then, when these lists have been made out, the District Officer must fall back upon information obtained from the same sources to enable him to estimate the individual income of the persons liable to the tax, for it must be remembered that the assessments are not, as a rule, made on the returns given in. If this were the case, the estimate of the probable yield of the tax framed by the honourable gentleman at the head of the Financial Department would have to be very considerably reduced; to what extent this surcharging has gone lately it is impossible to say, as no returns on this point have been called for, but the statements submitted with the report on Mr. Wilson's tax showed that of every 100 persons assessed to the tax only three were assessed in accordance with their returns, and the amount surcharged was nearly 300 per cent. above the amount of the income stated in the returns given in.

"To show the difficulties the District Officers have to contend against when assessing their Districts to this tax, I will read a few extracts from reports of officers who have taken considerable interest in the matter.

"The Collector of Cawnpur says:—

'The District Officer must of necessity, in the first instance, employ his tahsildars prepare the assessment lists, and the latter must get his information as he best can; his

only available source is the village patwari, *who, as a rule, will only include those who have not paid him to omit their names.* The tahsildar always, provided he has been resident any time, will of course have his local knowledge to fall back upon, and he will be able in a measure by local investigation to find out whether the patwari has entered the names of men *not* liable to assessment; but as to finding out those who are liable but have been omitted, if he did little else during the whole year, he would not discover 30 per cent. of them, so determined are all to conceal the incomes of one another. I apprehend, then, even the most acute and energetic Assistant and Deputy Collector when on tour, which, on account of his other equally pressing duties, must necessarily be short, can do little more than remit unfair assessments, flooded as he is sure to be by appeals, if he goes into the sub-division at the time of assessment and with every one bent upon misleading him.

'To put this in a stronger light, we will take the case of a tahsildar in charge of an average sub-division in the Doab containing about 300 villages, an area of 260 square miles, and a population of 130,000. His local knowledge must indeed be great if he is in a position to state accurately how many people there are whose incomes exceed Rs. 500 per annum; and if this is, as I hold, nearly impossible for him, how much more so for the Assistant Collector, who probably has not been connected with the District one quarter the time the tahsildar has, and perhaps hardly at all with the sub-division over the assessment of which he presides.

'I have already enlarged on the difficulty of obtaining information, and I only now want to draw the attention of the Government to the fact that *ab initio* the Collector's work is guess-work, founded on information more or less trustworthy. This guess-work, when put to the test of appeal, resolves itself into certainty only when documents are produced. When, however, as is most frequently the case, there is no documentary evidence, the Collector has to defend his guess work by simply disbelieving the evidence of the appellants' friends—undoubtedly a very unsatisfactory dilemma for the Collector, and one which certainly goes far to make the work distasteful.'

"The Collector of Azimgarh says:—

'The more I see of the working of the income-tax year by year, the more I feel convinced of the utter hopelessness of expecting to ascertain with any degree of accuracy what a Native's income is. It is a subject upon which Natives are very averse to interrogation, and on which they are prepared to deceive the assessor as far as lies in their power, while at the same time there really are in most instances no reliable means of ascertaining the truth.'

"The Collector of Ghazipur says:—

'I may here mention that, as it seems to me, a fallacy lurks in the opinion which has been expressed, that because the actual percentage of tax-payers to the population is not large the tax is not unpopular. In this district the tax is disliked not only by the persons who ultimately pay it, but also by those who, after assessment, obtain remission at last with considerable trouble, and also by those men who are never actually assessed, but who expend considerable sums in fees to pargana and village accountants, and other subordinate officials, to save themselves from being mentioned to the tahsildar or Collector for entry in the assessment rolls.'

"The Collector of Minpurie says:—

'It will not probably be saying anything the Board do not know already when I remark that the tax is a very unpopular one. Europeans are more or less accustomed to it, but Natives have a peculiar dislike to all direct taxation, and, especially to a tax of this description, which is not universal, but falls on some, while others, but slightly differing in means, escape. The inevitable and immediate result of all inquiry, with a view to the administration of the law, is an unblushing course of deception by those coming within its operation. There are honourable exceptions of course, but the rule is what I have stated, and evasion and deception, with a view to escape, is not considered dishonourable in any way to those who practsie it.

'In such light is the tax regarded that influential and thoroughly respectable persons draw back from rendering any assistance to the assessing officers, unless great pressure is brought to bear, on account of the odium that attaches to those who are considered to betray their friends by giving information regarding their means.'

"The Collector of Goruckpúr says:—

'It is possible for a very painstaking tahsildar, possessed of some conscience and a great deal of *prestige* in his jurisdiction, so to keep his patwaris in hand that gross *relative* mis-assessments be not made—*i.e.*, that if Loutun, bannian, has (reputedly) three times or four times the income of certain others, say, Roushun, and Pubbaroo, and Seetul Pershad, then that Loutun shall be assessed, say, twice or thrice higher than the three others, and not less than them (as constantly happens where the patwari is *not* looked after.)

'Much more accuracy than this I do *not* believe in. Any amount of figures can be cooked up by a wealthy mahajun, and a *rechauffé* can be made thereof by a Collector or Deputy Collector.

'Few officers, I imagine, have any faith in such figures. For my own part, I candidly confess I have none whatever in nine cases out of ten where *buhes* are produced, and in the tenth there is generally some fundamental omission which vitiates all deductions.

'It comes, then, to this; that the tax is of the nature of a "*benevolence*" or "*aid*," and that the Collector is the almost irresponsible estimater and fixer of the quota which each man has to pay.'

"These extracts show very clearly the difficulties that beset District Officers when making assessments to this tax, the worthlessness of the implements they are compelled to use, and how impossible it is for them, few in number as they are, to prevent the bribery and corruption that goes on.

"But over and above this bribery and corruption, which the District Officers are powerless to prevent, there are many other very serious and grave objections to the tax, which would remain unaffected by any alteration in the taxable limit, or any change in the time of year the assessments are made, and which would not be removed by making the tax a permanent one.

"It seems to me that latterly we have fixed our attention so exclusively on the bribery and corruption, the oppression and extortion, that are inseparable from this tax, that we have allowed these other evil consequences attendant on it, grave and important though they are, to drop in some degree out of sight. I shall therefore notice a few of these. I shall do so very briefly, as I have no desire to weary the Council, and to protract unnecessarily this already lengthy debate.

"First of all, then, the tax is, from its inquisitorial character, the form of taxation most disliked and detested by the Natives of this country. They all dislike, with an intensity we have no conception of, to make known the amount or the sources of their incomes; and the inquiries that have to be made to ascertain this are most distasteful to them. This feeling is peculiarly strong among the trading classes. Its existence is so well known, and the impolicy and danger of running counter to it is so thoroughly understood by all Native Rulers, that there is no instance on record of any Native Government having resorted to a general income-tax, although they have, at one time or another, imposed almost every other conceivable form of taxation on their subjects.

"I think, my Lord, that this general and strong feeling of dislike to this form of taxation on the part of the people of this country, about which there is no doubt, and which I have never heard the most thorough-going advocate of the tax attempt to deny, is of itself a sufficient and unanswerable argument against the imposition of the tax by a Government situated as ours is.

"Again, the assessments to the tax are in this country pure guess-work from first to last,—guess-work based on information which is known to be worthless. The argument that an income-tax falls with equal pressure on all who come within its scope,—that by it persons who would not otherwise contribute towards the cost of the Government under whose protection they live are made to pay a fair and equal proportion of their incomes—whatever may be its worth—and I have not much opinion of it myself—applies in this country only to fund-holders, and to persons holding appointments the salaries of which are known. The assessments on the mass of the people are pure guess-work, and can be reduced to no fixed percentage on incomes whatever. They are simply based on estimates made by the District Officers on the amount of individual incomes from such information as they can collect, but

are made on no reliable data whatever simply because it is impossible to get any. The tax consequently falls heavily on some, lightly on others, while some get off altogether; but very few men actually pay one per cent. on their real incomes; and the tax is really what it was styled in the extract I read out from the report of the Collector of Goruckpur, a 'benevolence' or 'aid' extorted from the people. It has no pretension whatever in this country to be called an income-tax in the meaning really attached to those words.

"Again, the imposition of this tax on the interest of the Government debt is regarded by every Native throughout the country as a direct breach of faith on the part of Government. Once and once again when the tax was first put on, Natives came to me with their Government notes, saying, Look here, in this the Government distinctly promises to pay me Rs. 50 a year for every Rs. 1,000 they have borrowed of me. I send my note to the Treasury and get only Rs. 48. How do I know that next year something more may not be cut, and eventually they may perhaps pay me nothing at all? Our credit in this country has thus been very seriously damaged by this tax. I have no doubt that the Honourable Sir R. Temple will presently tell the Council that the price of the Government securities was never so high as it is at present, and that this fact is scarcely compatible with the damaged credit. I reply to this that the prices now ruling are solely due to investments in England, and that this fact does not in any way affect the truth of what I have just said. I find, from a statement I obtained from the Financial Department, that of the whole debt due by India only 16 millions are held by Natives of this country, and of this sum only 3½ millions are held by Natives out of the three Presidency towns; if we deduct from this the sums invested by Native Princes, some of whom pride themselves on lending money to the Government, and the sums invested by persons who are obliged to give security in Government paper for the due performance of contracts, or for the proper discharge of the duties of offices held by them, the balance in the hands of the general public will be very small, and, small as it is, this amount is, I believe, diminishing every day. Lord Macaulay in one of his essays boasts that such was the confidence felt in former days by the people of this country in the good faith of the Company, that the Government had only to open their treasuries throughout the country, with the promise of a small rate of interest, to obtain any amount of money they wanted, while the Native Princes were unable to obtain a rupee on loan from their subjects, although they offered fabulous rates of interest. If he were writing now, he would have to modify these expressions very considerably. I believe that if a loan were now opened in India and confined to Natives, the amount of subscriptions offered would be very trifling. I charge the income-tax with this.

"Lastly, the income-tax has brought a most unfortunate change in the relations hitherto existing between the district officers and the people. Formerly the district officer was looked upon as the friend of all, the man to whom all might go for assistance and advice—whose advent, when out on tour in the cold weather, was everywhere welcomed: all this is changed now: the District Officer is beginning to be looked upon as the common foe, as the tax-gatherer whom all should shun, and to whom no information that can by any possiblity be withheld should be given; in short, as the Amil or the Chakladar of a Native Government is looked upon. With reference to this, I will read extracts from the following reports:—

"The Officiating Collector of Allahabad says:—

> "The utter absence of any trustworthy data on which to estimate the income of a petty trader who keeps no accounts, and the all but impossibility of obtaining any information about his business and his habits except from his enemies, render the proper assessment of this tax, in the majority of instances, simply impossible. In many instances, no doubt, a fair estimate of income is arrived at, but there must be numerous cases in which it is very far from correct.
>
> 'I speak from a large experience of the working of the tax under its varions disguises of certificate-tax, &c., and I have been unable to change the opinion I formed of it during the first year of its revival, and that is that the tax is a good one for official companies, and large firms, whose means are easily ascertained, but that in other cases the objections to it increase in proportion as the limit of taxable income is lowered.'

"The Officiating Collector of Saharunpur says:—

> 'But there never was such unsatisfactory work as the assessment of an income tax in India. I have, in my former reports, expressed my opinion freely against the tax, and the more I see of it the more convinced am I of its unsuitability to this country, and of the impossibility of assessing it justly. It is a tax which has been truly described

as "odious to the people and to the officers who have to assess it." It is not only a mistake financially, but it is a mistake politically. it keeps up disco ntent and irritation among the people; it is demoralizing to the subordinate officials who assist us in assessing it, &c.; worst, perhaps, of all, it weakens our administration and lessens our power for doing good, by undermining and destroying the influence of our District Officers. The same people who many years ago used to crowd round and delight to talk to a District Officer when he visited their villages, now distrust him and fly from him because he is a tax-collector. A District Officer can hardly ask a question from a Native now without exciting the suspicion that he is trying to worm out some information about his or his neighbour's income. It is our duty unfortunately, as servants of Government, to assess this tax. But still it is also our duty to protest as loudly as we can against it—to point out the evils attending it—in the hope that some day the Supreme Government may listen to us, and may be convinced that the tax is not one which is suited to India."

The Officiating Commissioner of the Meerut Division says:—

"The Collector's remark regarding the unpopularity of the tax and of its injurious influence in tampering with the loyalty of the people, is only an echo of the opinion of every District Officer with whom I have spoken on the subject. There cannot be a shadow of a doubt as to the truth of Mr. Jenkinson's remarks, and I would observe that no one is in a better position to pronounce on such a subject than a District Officer who is constantly in intercourse with the people of his district.

"It is not fair to discredit the unpopularity of the tax, simply because the provisions of the Act are carried out. The people see the utter uselessness of opposition, and District Officers feel their own helplessness. The position of the District Officer is rendered a most odious one, and the affection and good will of the people are alienated. It would be hard to sum up the indirect evil thus caused by the estrangement between the governed and the rulers, but it is an estrangement which creates many difficulties, not only in ordinary intercourse, but also in the collection of information on any new subject."

I believe that what is said in these extracts will be confirmed by every District Officer who has been in the habit of associating freely with the people; they all feel the change and lament it.

To illustrate my meaning I will give two instances, out of dozens that I might quote that have occurred lately.

When Lord Mayo went up country, the stud stallions were called in at one of the stations he stopped at to be shown to him. The zamíndárs in whose charge they were came in wretchedly dressed. The Stud Officer told them that they were about to see the Viceroy, and that they ought therefore to come in their best clothes. They replied, yes, we know that, but the Collector Sahib will be present too, and if we dress ourselves well, he is certain to put us down for the income-tax.

A Deputy Commissioner in one of the Non-Regulation Provinces a short time ago, when on his cold weather tour, came to a town celebrated in that part of the country for its manufactures of brass utensils. The main bazaar is one long line of workshops, where, as the natives say, the sound of the hammer is heard day and night; this is one of the rights of those parts. Accordingly, the Deputy Commissioner said he would ride down and see the people at work. When he got to the town, he found every shop closed, and all work stopped. On ringing he found that the people thought he was coming to make some inquiries relating to the income. Accordingly they thought the best way to treat him was to act as they had been accustomed to do towards the Chakladar under the native rule, and shut up their shops.

Now, when we recollect that in the Mofussil the District Officer is in the eyes of the people the representative of the British Government—in fact the British Government itself—this change in their feeling towards him indicates motive for very serious thought, on which, however, I will not enlarge now.

I affirm then, my Lord, without fear of contradiction, that this tax is of all forms of taxation that can be desired the one most disliked and detested by the people of this country; that its assessment is everywhere attended by bribery and corruption, and, when the limit is low by extortion and oppression, as well that the assesment when made are pure guess-

work that it has caused widespread discontent and disaffection; that it has seriously damaged our credit in this country ; that it has brought about a change in the feelings of the people towards the District Officer which is fraught with evil consequences.

I have no doubt that I shall be told presently by the Honourable Mr. Ellis, as he has told me on one or two occasions previously, that of the evils I have charged against the tax some are imaginary, some are too highly coloured, and that those that do exist are owing to mal-administration on the part of the officer charged with the assessment of the tax. Now, I would assure your Lordship that this is a grievous mistake. I affirm that this bribery and corruption will go on in spite of the strenuous efforts of the District Officer to prevent them, and that there is no remedy in this as long as the tax has to be assessed by a few English officers on the vast population of this country. I maintain that if the District Officers had not been men unsurpassed by the members of any service in the world for their devotion and zeal in the discharge of their duties, and for their unsparing self-sacrifice in their efforts to protect the people from extortion and wrong, that the difficulties which now attended the assessment and collection of this tax would have been far greater than they have been, the discontent engendered by it will have been more general, and the bribery and corruption far worse.

We impose an impossible task on our officers when we order them to assess this tax, and tell them at the same time to prevent the bribery and corruption which are inseparable from its assessment in this country, and when they fail, as they must do, it is unfair to attribute this picture to any neglect or supineness on their parts.

His Honour THE LIEUTENANT-GOVERNOR said that he did not mean to commit himself one way or another as to the question of an income-tax. When the Bill was introduced, he had given his reason for assenting to it on the present occasion, and he would not now go beyond that. He had listened with much interest to the speech of his honourable friend, Mr. Inglis, and he was quite sure that the objections to an income-tax could not have been put in a better way than that in which they had been put forward by his honourable friend in one of the very best speeches which His Honour had had the good fortune to listen to in this or any other Council. It appeared to His Honour, however, that there was a great deal to be said upon both sides of this question. There was not the slightest doubt that the tax was in a great degree open to most of the objections which Mr. Inglis had so forcibly put before the the Council. There must always be inequalities in the assessment of an income-tax, and in this country it was especially so. If the tax was to be retained, His Honour was inclined to think that we ought considerably to alter its form. He had before expressed the opinion that the tax fell unfairly upon Europeans, and he thought there should be a distinction between property and income; still some tax on the rich was much wanted. Allusion had been made to the salt system of India; he thought he might say that, in his opinion, the evils of the income tax would be counterbalanced if it gave us the means of putting the salt-tax upon a complete and satisfactory footing. And altogether he was inclined to believe that if we gave up the income-tax, we must find some other tax in its place. The opportunity had lately been afforded to the local Governments to make experiments in taxation. It was perfectly true, as his honourable friend, Mr. Robinson, and others had told the Council, that in some parts of India the Government had raised considerable sums by means of local taxation. That taxation had principally taken the shape of an extra cess upon the land. His Honour believed that there had been also a sort of poll-tax on the non-agricultural population in the Bombay Presidency, which he understood had not been very successful. He thought that was the only new tax tried in any part of India. We had not been successful in finding new modes of taxation. It seemed to him that when the expenses were increasing from the growing wants of civilization and the diminishing value of money somehow or other we must find the means of meeting that expenditure; and if we pursued the plan lately in vogue of limiting the land-revenue, we must find some other means of meeting the growing expenditure where the revenue did not grow in proportion.

His Honour might more especially illustrate the matter by referring to the provinces which were under his administration, where the tax upon the land was fixed for ever. In those provinces it was indisputable that the land-revenue was now reduced to what he might almost call a small quit-rent. It seemed clear that if we were to improve the mode of government by introducing expensive modern systems, we must find other modes of taxation. He was inclined to think that Bengal was, as regards the rich, one of the most lightly taxed country in the world. The well-to-do people of Bengal, especially those in the permanently settled districts, had derived the greatest benefits from British rule, and for those benefits they paid an almost infinitesimal sum in the way of taxation. He had prepared some

figures which he wished to lay before the Council upon this subject. He would only ask the Council and his native friends who complained of excessive taxation to consider these figures, and then to say whether the rich and wealthy people of Bengal paid more than an infinitesimal amount of taxation. He thought even his honourable friend Mr. Robinson, would not assert that the small quit-rent levied from landholders in Bengal was in the nature of taxation. On the contrary, he said that so far from taking from the landholders any tax on account of the land, we had created in their favour an enormous property which never existed before. We knew very little of the resources of the land; but this he might say, that the revenue derived by landholders was, out of all proportion, large compared to the revenue paid by them to the Government. Take the heaviest assessed district in all Bengal, *viz.*, Bardwán, in which the public revenue was so much as thirty lakhs of rupees, and even in that district the result of a reference made to the landholders themselves under the late rule was such as to show that the rent received by them was at least four times the land-revenue paid to Government; and in many places it was six, seven and even eight times in amount. If that were so in the Bardwán district, which was by far the most heavily-assessed district in Bengal, what was the proportion in some of the Eastern Districts, where the revenue was a mere flea-bite in proportion to the rent of the land? His Honour thought he might say that the annual revenue which we had created in favour of the various classes of landholders of these Provinces, was probably more than twenty millions; possibly it might be soon even forty millions sterling. He had observed in some papers that exception had been taken as to what had been said regarding the wealth created in favour of the zamíndárs. It was argued that the zamíndárs had created numerous sub-tenures, and that it was only in exceptional cases that it could be said that they were very rich. That was probably to some extent true. He was inclined to think that the sub-tenures were beneficial to the country: the benefit of property in land was thus distributed among the large middle class. At any rate, whoever held the land, it was held by the various classes of upper and under-holders, and there was a very numerous class of well-to-do people who had the means of living in idleness on the profits derived from their rents. He might say that the revenue derived from the land, whether it amounted to Rs. 20 or 30 or 40 millions, was a property which was utterly unknown to any Native State; and the four millions which we took as land-revenue was in no possible sense a tax.

Then we come to a larger source of revenue in the Bengal accounts, *viz.*, the Opium.

His Honour did not think that any gentleman present would say that the opium revenue was a tax taken from the people of Bengal. On the contrary, the opium cultivation was a means of enriching the people of the districts in which the poppy was grown. It was not a tax upon the people of Bengal. Well, then, what were the taxes which were really paid by these great provinces of Bengal, with a population which, he might say, the census would show to be nearer 60 millions than 40 millions? What was the taxation borne by this people? The taxation consisted in this—

The Salt duties	£	2,650,000
The Excise duties	£	700,000
The Customs duties, assuming $\frac{2}{3}$rds of the total collections to be attributable to Begal ...	£	730,000
Stamp duties, by far the greater part of which were Court fees	£	800,000
Income-tax	£	200,000
Total ...	£	5,080,000

Including then the large amount of Court fees which are not usually reckoned as taxation, the amount of taxes levied from these 60 millions of people was, in round numbers, about five millions sterling, or on an average about one shilling and eight pence, or thirteen annas per head of the population.

Then, how was this taxation distributed? It appeared to His Honour that it was distributed in a manner which fell infinitely more heavily on the poor than upon the rich. A good deal more than one-half of the revenue was derived from salt, or about one shilling per head. That was a poll-tax which fell equally upon the rich and upon the poor. The duty on salt was generally reckoned to fall at about one shilling per head, and it was sometimes said—it was in fact constantly said by the rich—that one shilling a head could not be considered

very heavy taxation; it had been often repeated that a shilling per head per annum was no great thing. But His Honour would ask the Council to consider that the shilling a head was taken on the whole population—men, women, and children; but it must be paid by the heads of families. Therefore taking an average of five in a family, 'which the census showed to be somewhat below the truth,' every head of a family bore a tax of five shillings or Rs. 2-8 a year, on account of salt. Now, what proportion did Rs. 2-8 a year bear to the income of a labouring man: it was at the very least half a month's income; and it was therefore equivalent to an income-tax of more than four per cent. taken by this single tax. That being so, he did not think it could be said that the poor of Bengal were very lightly taxed.

On the other hand, a very small proportion of taxation was borne by the rich and the middle and the well-to-do classes of the people. He would take next the item of excise. That was the most legitimate of all sources of revenue—the tax on spirits and drugs—so long as we do not stimulate the consumption, but rather check it by taxation. At the same time, he thought he might say that in this country the excise revenue was also mainly paid by the poor. If the rich were unfortunately learning from us the consumption of something stronger than water, they consumed spirits of European manufacture, the duty upon which went to the Customs revenue and not to the Excise; and therefore he might say that the Excise duty was mainly, or almost entirely paid by the poorer classes.

Then we come to the Customs revenue, under a tariff which His Honour apprehended was one of the lightest in the world. In India a disproportionately large amount of the Customs revenue was paid by the European community, and taxation on the rich natives by means of the Customs under the very light tariff was excessively small.

The Stamp revenue was, as he had said, principally made up of Court fees, for which the people who paid got a *quid pro quo* in the shape of litigation in the Court. And the result seemed to be that except a very moderate proportion of the Customs, and a very small proportion of the Salt Tax, which the rich bore in common with the poor, the rich bore no other tax than the income-tax which stood at only £200,000 for this great Province. That being so, it must be admitted that the real amount of imperial taxation on the rich was not great. But then it was said—"yes, but there is the local taxation." He said that the cry which had been raised of the enormous burden of local taxation was without foundation. That cry had been taken up and repeated and believed by the Natives of Bengal. If we were to accept it, we must suppose that the people were crushed by the most tremendous local taxation. He had seen it stated somewhere, that 250 of the cream of the inhabitants of the city of Moorshedabad had been forced to abandon their hearths and homes and to fly to other lands owing to the weight of taxation imposed upon them. His Honour was surprised on a late occasion, that his honourable friend Mr. Chapman did not seem to be aware that the Local Governments had been called upon to give full information and figures about local taxation. He might state that in answer to a call from the House of Commons, the Government of India had called upon the Local Governments to give an account of the whole amount of taxation in their respective provinces, imperial, local, and municipal. That information had been prepared by the Government of Bengal, and was entirely at the disposal of Honourable Members. The return referred to the years 1870-71 and 1871-72. No additional taxation had been levied in Bengal within the last two years. The total local taxation in Bengal consisted of the following items: In one district of Behar there was a very old one per cent. road fund levied in addition to the land revenue, which might be said to be the predecessor, if not progenitor, of the one per cent. local fund of the North-Western Provinces, and which had been imposed on newly-settled estates. The total amount of this tax in these provinces was the very insignificant sum of Rs. 37,569. Another local tax was the commutation of the duty of the zamíndárs to convey the local posts. Under a Bengal law this duty had been commuted to a money payment, which amounted to a sum of Rs. 2,47,219. There were no other local taxes except the two trifling items which His Honour had mentioned.

He would now come to municipal taxation. Municipal taxation did altogether come up to a tolerable sum, but when the figures of which it was composed were examined, it would be found that nearly three-fourths of it was paid by the great town of Calcutta, and other places inhabited by European communities. He found that the town of Calcutta, with the European communities of Howrah and the Alipore suburbs, contributed altogether as municipal taxation the sum of Rs. 32,28,921, whereas the whole of the rest of the inhabitants of the Bengal Provinces paid no more than Rs. 11,32,338, of which nearly Rs. 2,00,000 was derived from tolls, fines, and such miscellaneous items. The real municipal taxation of Ben-

gal amounted only to Rs. 9,53,107. Adding the several items of Local and Municipal taxation together, it stood as follows:—

One per cent. Road Fund	Rs.	37,569
Commutation of the Local Post	,,	2,47,219
Municipal taxation	,,	9,53,107
Total	Rs.	12,37,895

or £123,789-10, as the sum total of local taxation of all kinds in this great Province of Bengal. He said that this was a most infinitesimal amount of taxation, and to call it excess of taxation was the most preposterous thing that had ever been heard.

Then it was said that municipal taxation pressed with great severity in particular towns. For instance, take the town of Murshidabad, which, it was said, the 250 respectable inhabitants had abandoned from the pressure of taxation. What did the Council think was the terrible taxation which was supposed to have driven those people from their homes? It amounted to the sum of Rs. 21,612, or £2,161, paid by the great capital of our predecessors in the Government of Bengal, the present seat of the ex-ruler and his Court, of many great bankers and traders, and of a large community. That sum, His Honour apprehended, would be borne by many petty towns in England, and it was preposterous to speak of it as an amount of taxation which had driven people from their homes in Murshidabad. Calcutta was undoubtedly heavily taxed.

Excluding miscellaneous items, Calcutta proper had an annual taxation of about 25 lakhs of rupees. In the Suburban Municipality of Alipore, &c., the taxation amounted to about 3 lakhs, and in Howrah to about 1½ lakhs. But when he took the other Suburbs of Calcutta, where we had two Municipalities called the North Suburban and South Suburban Municipalities, which were inhabited by a large class of well-to-do natives, what was the taxation there? In the North Suburban Municipality it amounted to Rs. 11,847, or £1,184, and in the South Suburban Municipality to Rs. 21,895, or £2,189. It might be said that there might be exceptions, that in some towns the taxation might be excessive. His Honour would give the Council the figures of the highest taxed municipalities. The municipality in which the highest amount of taxation was realised was the town of Patna, which was a very large town, the seat of great wealth, trade, and resources. The taxation in Patna amounted to Rs. 51,289. Then there was the town of Dacca, which was a rich and populous town: the people of Dacca were very sensitive of taxation, as he knew by personal experience, and were said to be undergoing very hard and severe taxation. What was the amount of taxation there? It came to the sum of Rs. 34,477.

His honourable friend, Mr. Chapman, wished to know the sources from which this municipal taxation was derived. In the North and South Suburban Municipalities of Calcutta, and in the town of Murshidábad, the municipalities were administered under the local Act VI. of 1868, where the tax levied was a sort of rough property and income-tax. The tax was assessed upon the "*circumstances and property to be protected*" of the rate-payers. Then there were some other municipalities which were administered under Act III. of 1864 of the Bengal Council. This Act allowed some variety in the forms of taxation; but the principal tax levied under it was a tax upon houses and immoveable property. Comparatively small sums were raised in some of these towns by a tax on horses, carriages and carts by licenses for offensive trades, and in one instance by licenses for processions. There were also some income from tolls and ferries, and from cattle pounds and fines.

Many small towns were administered under several different laws, the general form of taxation being a rough assessment on means and substance. All these were included in the figures which he had given.

The system of octroi or town duties had not been introduced in Bengal, and there was no tax of that kind imposed. He had stated the figures which he had the honour to submit to the Council in regard to the existing local taxation in Bengal. But although we had not yet begun to levy it, we proposed to impose some additional taxation. Last year there was passed in the local Legislature an Act, the object of which was to levy a small cess upon land for the maintenance and improvement of roads, canals, and other means of communication. The tax was to be solely and exclusively devoted to local purposes for the good of the localities in which the cess was levied. It was to be administered by local bodies appointed and elected for the purpose, and the proceeds were to be devoted to the objects to which the

people wished them to be devoted. He hoped that the result would be to introduce much local self-government.

Further, the local Legislature had under consideration a Bill for consolidating and amending the various existing municipal laws. He hoped that any new taxation under this law would be truly and really voluntary. His Honour was sanguine that the people of Bengal would find it beneficial to tax themselves for really useful purposes. The effect of the new law if it was passed would be to widen the discretion of the local bodies both as to the taxes to be levied and as to the objects upon which the money might be expended. A certain Police rate was compulsory, other things, were mostly quite voluntary. The only new subject of expenditure was primary education : we proposed to add primary education as one of the objects upon which the revenues of municipalities might be expended when it was absolutely necessary to do so. With that exception it was not proposed materially to increase municipal taxation in Bengal. He thought that when the educated people of the country came to examine the facts which he had submitted to the Council, they would be induced to believe that the people were not so heavily taxed as was supposed.

That was all His Honour had to say with regard to the subject of taxation in the Province with which he was connected. He would now offer a few remarks upon other subjects, confining himself to two or three special topics mentioned in the budget speech. He believed he spoke the sentiments of all who had experience of the matter when he said that the scheme for the assignment of revenue to the Provincial Governments, commonly known as the Financial Decentralization Scheme, had been a most complete, full, and unmitigated success. He thought that every one who had experience would agree with him that in every way the change had been most beneficial. He believed that a healthy incentive to economy had been given to the Local Governments by means of that scheme. He believed that under its influence all the Local Governments had been economical. He believed that even the Bombay Government had exhibited a surplus which was something very new in that quarter. And not only had the change been productive of economy, but he might say that an enormous amount of friction had been removed in the relations between the Local Governments and the Government of India. He almost hoped that the Government of India were in a position to reduce the establishments of their Secretariats to one-half of their present strength. He believed that the diminution of correspondence between the Supreme and Local Governments had been very great. The system had effected a very beneficial change in that respect, and it had also taken away a very great source of irritation which had previously existed. He believed he might venture to say as the result of his own experience that things had worked smoothly to a degree never known before. He gratefully acknowledged that he had received the most constant and generous support from the Government of India. He believed that in the course of the last year not one word had passed between the Government of Bengal and the Government of India such as had often arisen before this Financial Decentralization Scheme was put in force by the wisdom of the Government of the late Viceroy.

His Honour wished to add one word in support of the view propounded by his honourable friend Mr. Robinson as to the system of borrowing money for the construction of what were called reproductive public works. He viewed with considerable apprehension the new system of loans for extraordinary disbursements. He had very considerable misgivings upon that point. It appeared to him that it was not every work to which the name of reproductive was given which was really reproductive. We were undertaking very great works of Irrigation. He would only remind the Government and the Council that the Government were undertaking these works simply because no one else would undertake them. Two companies which had been established for the construction of large works of Irrigation had broken down, and the Government was obliged to take over those undertakings and proceed with them. He sincerely hoped that these canals would have much effect in staving off those calamitous seasons of famine to which we were liable, but at the same time he must say that the calculations of the revenue to be derived from these canals made by sanguine Engineer Officers were not worth the paper upon which they were written. We must expect that for many years at least, with regard to a large proportion of these canals, the Government must consent to bear a great portion of the outlay to save the country from famine; and it could not be said that all these extraordinary Public Works were certain to be successful as commercial speculations. The estimates of revenue must be made entirely anew from better materials before they could be depended on.

Then there was another subject which was suggested to him by the observations which had fallen from his honourable friend Mr. Inglis. His Honour did not agree with Mr.

Inglis that the reason why the natives did not take to our loans was that income-tax was levied upon the interest payable to the fund holder. But he knew that it was the fact that the natives did not lend us their money now as they did before. In times gone by a far greater proportion of our loans was held by the natives of the country. For some reason or other this had changed. His Honour believed that a great part of the change was due to the modernizing of our system of finance. We had followed the English system of contracting loans rather than the French system. It was the habit in England to deal with the great capitalists instead of applying to the small people of the country. In former days we used to deal with the people by the system of open loans, and we used to get our money from the people at a very cheap rate. A certain income from Government was very greatly prized. So much was this the case, that when we tried to pay off the small loan-holders in Lucknow, we could not get them to take the money. His Honour thought that if we were to borrow for great Public Works, there was no reason why we should not have an open four per cent. loan under the system he had suggested. The evil was, that under the present system the people were not only debarred from subscribing to our loans, but there was that enormous difficulty resulting from the figures which the Honourable Member in charge of the Financial Department had given us, that we must send 13 millions from India annually for the service of the Secretary of State. That was an enormous sum for India to pay. We could not go on borrowing for ever in England for what were called Reproductive Public Works; if we did so, it would be necessary to transmit to England annually a sum beginning with 13 millions now, and which would go on increasing. His Honour therefore did hope that the Honourable Member would devise some means by which we might get the rapidly accumulating wealth of the people of the country instead of taking our money from England, and from England alone. The payment of so enormous a tribute by India to England as that which the remittances represented must be a source of difficulty and danger.

The Honourable Mr. Robinson had alluded to the sugar duties and the salt duties. His Honour wished to say a word or two upon those points. He did not think that those sugar duties levied on the Delhi frontier were so great an evil as was generally supposed. Export duties were an evil when there was competition with a rival trader, but when we had a monopoly like Opium, as in the supply of sugar to Central India, he did not think any great amount of harm was done. But he would draw his Honourable friend Sir Richard Temple's particular attention to this extraordinary fact, which he thought would interest the Honourable Member, that not only did we levy an export duty on sugar exported to Rajpootana, but at this moment sugar sent from one part of our territories to another was charged duty under our own rule, and within our own territories, that is to say, when carried by rail from Benares and the North-Western Provinces to the Bombay territories, it was charged duty, at Hoshangabad. If it was brought down to Calcutta and sent round by sea, it paid no duty, but if sent direct by rail, it was charged a heavy duty, much heavier than that charged on the Mauritius sugar which competed with it, and the consequence was that the trade once existing had been killed.

His Honour did hope that the Honourable Member would not allow this extraordinary anomaly to exist. He would also explain with regard to the salt duties that it was a mistake to suppose that it was the duty which threw the trade into the hands of the Cheshire manufacturers. Cheshire salt had superseded the native salt in Bengal, for this simple reason that Bengal being a very moist climate, salt could not be obtained at a cheap rate by solar evaporation, as in other parts of India, but was only made by boiling, at an expense of 12 or 13 annas per maund, say a farthing a pound, while Cheshire salt was made for next to nothing, and owing to the circumstances of the trade, was imported very cheap. He believed it would be just the same if there were no duty at all.

His Honour had been struck with the observations which fell with such weight and point from the Honourable Mr. Robinson in his discourse to-day upon the land revenue. His Honour was not going into the intricate subject of the ancient history of India, and whether in the days of Menu the full rent was taken from the holders of land or not. But this he would say, that the full rack-rent of the land was exacted from the people by the Native Governments of the country so far back as we had any knowledge of the matter; that they took all that they could get; that the only limitation was the power of the people to pay. He entirely agreed that property in the land in one sense did exist in a strong degree; the right of occupation in the land was what no Native Government attempted to disturb. But property in the sense of a right to the rent did not exist in Native States. Then we came to the question of our assessment of the revenue. It appeared to His Honour that we had become from day to day more lenient in our demands, until we had created a great property in the land which

was utterly unknown to the Native States; and the question had arisen whether it was wise and prudent to do as we were doing, and whether we were not taking too little as the Government share of the rent of the land. He must confess that it was with some surprise that he found that the observations which had been made on a former occasion in this Council upon this point were controverted in an anonymous paper published in the Gazette of one of the Local Governments. He was particularly alrmed by two points in that paper, which he supposed must have some sort of authority, being published as it was. One of the points was this, that the Local Government professed to take as land revenue fifty per cent. of the rent, but that no sufficient provision was made for an increase during the long period of settlement. The value of money and produce was undergoing rapid change, and he thought the paper to which he alluded showed that the provision for future increase made in the North-Western Provinces was insignificant and insufficient. The result of that paper was to convince His Honour that before the thirty years for which the settlements were made had expired, the existing assessments would not amount to fifty per cent., but probably to some thing like twenty-five per cent. or less of the net assets. Another point which was noticed in that paper was still more alarming, and gave greatly increased force to the doubts which His Honour had long entertained regarding the land settlement system of the North-Western Provinces, where, as in some other parts of India, settlements were made with the actual cultivators of the soil; the system was a very good one. When such a cultivating proprietor had 50 or 60 rupees profit in additon to the return for his labour, he did very well. But in many parts of the North-Western Provinces there were very numerous proprietors who did not cultivate themselves, and their number was rapidly increasing. The argument of the writer of the paper seemed to be that we must give to such people the means of living, and that if they multiplied from scores to hundreds the revenue must be diminished to enable so many drones to live. He looked on that as a most dangerous and demoralizing doctrine. His Honour might say this, that the result of many discussions had been to create in his mind the greatest doubt whether the recognition of this property in the land had not been altogether a mistake. If we were free to assess the land in the way the Native Governments did, we should be above the necessity for all income-tax. We should then have money for all sorts of purposes. But his impression was that they could not now go back. We had created a property in the land which was never known to the Native Governments. The property had been created, and once you had established that property in the land, it was very difficult suddenly to alter its value by any great increase of assessment. So long as the people thought they had a mere right of occupancy in the land, they were content to pay a full rent, but the longer the settlements lasted the more they became discontented when an increase was imposed. In the early part of this century the people of Madras paid a large land revenue, but in the course of a long administration that revenue had been allowed to go on without enhancement of rates. Now that it was proposed to increase the rates, we had a distinguished member of the Board of Revenue, like the Honourable Mr. Robinson, protesting against any increase as an atrocity and injustice. People who had sat for 60 or 80 years at rates becoming easier and easier, were more and more unwilling to pay more, and practically it was very difficult to raise their revenue. We very much doubted whether, having once created this form of property, we should not be driven to a permanent settlement after all.

At any rate in Bengal we had a permanent settlement. Honourable Members were aware not only that our faith was pledged, but that such numerous interests were involved, that in Bengal it was utterly impossible to disturb the existing arrangement. Therefore His Honour was inclined to believe that we must find new modes of taxation to increase our revenue to meet the increasing demands of modernised administration. That was why he feared that either the income-tax must be improved, and must be made into a permanent tax, or that some other tax must be substituted for it. If it was to be continued, he did hope that the Government would consider the question of localizing the tax and making it a portion of the very successful decentralization scheme. Our local taxes were, as he had explained, mainly income and property taxes; and he did not think that we should have two tax-gatherers going about the country to collect two similar taxes, one for the local administration and one for the Imperial Government. He did, therefore, very strongly hope that the Government would consider the advisability of making the income-tax over to the local Governments for local purposes, if it were to be retained.

Before he left the subject he also wished to express the strong hope that this subject of the income-tax would receive the careful attention of the Government before the next season came round. He hoped that they would cease to use it as a stop-gap at the end of the year to fill up a small deficit. He hoped they would lay before the Council, at an early

period of the Session, the views they matured on the subject in the cooler and more intellect-compelling climate of Simla. He might venture to say, during the whole period that had transpired since the passing of the last Act, the Government of India had not thought fit to consult the local Governments upon the subject. His Honour had thought himself bound to inform himself upon the subject as far as he could, and in that matter he was greatly assisted by the eminent member of the Civil Service who presided over that Department of the Board of Revenue which controlled the administration of the income-tax. But he had done so of his own accord, and not in answer to any call from the Supreme Government. He thought every possible information should be obtained before the next discussions in the Council, and that the Council should have time very fully to deal with the subject if it were to come before them at all. All that time the tax should either be adopted as permanent part of our system or made over to the local Governments, or abandoned altogether. It should not be continued in its present precarious footing.

Major General the Honourable H. W. Norman said that he could have wished that, in the course of his speech, His Honour the Lieutenant-Governor had expressed a more decided opinion on the general question of an income-tax in India, for such an opinion would have been most valuable. He was himself no friend of an income-tax for this country, and he would have been very glad if it had been found possible not to impose it in the ensuing year. It was a tax that appeared to him very unsuited to India. It opened a large door to fraud and injustice of various kinds. Without any reference to reports, the perusal of which had been so desired by some of his honourable friends, he thought that every one who knew the natives of this country might be quite certain that the levy of an income-tax, would lead to frauds by subordinate officers, which it was impossible for the higher officials effectually to check. We had also heard various other objections to the tax in detail given in forcible language by the Honourable Mr. Inglis, whose statements were, he believed, in the main accurate.

Major General H. W. Norman freely admitted that if the income-tax was to be maintained at all, it could hardly be imposed in a less objectionable form than was now proposed, namely, at the low rate of one per cent., and with the minimum amount of taxable incomes raised from Rs. 750 to Rs. 1,000, and this too without the annoyance of a re-assessment for the coming year. With the taxable limit of incomes raised to Rs. 1,000, it was difficult to suppose that any large number of really poor people could be forced improperly to pay the tax, for there was a very wide distinction between a Native with the income of Rs. 1,000, and one who could be considered poor; though even with advantage he feared there would still be cases of fraud.

The question, however, still remained, why retain a tax at all which only produced about one per cent. of the general income of the Empire, which is most unpopular, which is always hotly opposed both within and without these walls, and which took up the valuable time of our officers which would be far better employed on other objects? The answer to that, as given by his honourable friend, Sir Richard Temple, and others, was two-fold, first, that as the Government was in a sort of transition state, it would be unwise to attempt to dispense with the tax this year, and thus render it difficult to re-impose it next year. That was one of the reasons that had been given for the retention of the tax this year. But he did not think that that was sufficient for itself to justify the retention if there had been a surplus without it. But then came the other reason that without the income-tax, there would be a deficit of about £300,000, and there was therefore no help but to re-impose it, and with its aid, instead of a deficit, there would be a moderate surplus of about a quarter of a million sterling. No one, he presumed, would seriously advise that we should budget for a deficit merely because we had large cash balances, which however, as shown by his honourable friend Sir Richard Temple, would have to be used to meet heavy liabilities, and no one had proposed that we should at the present time launch a new tax in lieu of the income-tax. Therefore, unless it could be shown that the revenue had been set down at too low a figure or that we could retrench the expenditure in any respect, it appeared necessary to re-impose the income-tax. It had not been seriously asserted that any of the items of revenue were under-estimated except Opium; and from all he had heard on the subject, he was assured that the estimate taken by his honourable friend, Sir Richard Temple, was fair and proper.

With regard to the expenditure, he would remind the Council that all the departments of the Government had recently enjoyed the benefit of the supervision exercised by the late Viceroy, who had enforced very rigid economy in every branch of the service, and habits of economy had been instilled in every department which it would take more time to weaken. Many savings had been made, and we may hope for more, but then there are never-ceasing de-

mands for improvements. In the departments with which Major General Norman was more immediately connected, he could not contemplate any material saving of expenditure. The military expenditure had been submitted to the most rigid scrutiny, and during the last two or three years many savings had been made. Some more may be expected, but the result of those which were in the power of the Government of India would not be large, and might be counterbalanced by demands for improvements which could not be resisted. Those who had not dealt with military expenditure could hardly appreciate the difficulty of saving even a few thousand pounds without a reduction in the number of the men, horses, cattle or material, none of which it was proposed to touch. His honourable friend, Mr. Chapman, was mistaken in supposing that the military savings in 1871-72 are mere matters of adjustment. They are partly due to downright savings, and partly due to a fortunate fall in prices; nor did he see how, as suggested by his honourable friend, a low expenditure in provisioning Enropeans, and in compensations for dearness of provisions to Natives, should necessarily lead to increased expenditure in future years. The diminished purchase of horses, to which Mr. Chapman alluded, is due to the fact that five batteries of Artillery went home about fourteen months ago, and left a considerable number of horses for distribution, thus lessening the number to be purchased. With regard to Military Public Works, the expenditure has been reduced from £1,834,113 in 1867-68, £2,187,776 in 1868-69, £1,510,150 in 1869-70, £992,996 in 1870-71, £1,012,500, in 1871-72, to £910,450 in 1872-73. He did not think it was possible to go below the last sum without evincing a culpable disregard to the comfort and health of the European troops. He rather apprehended that some extra money might have to be applied for, to enable work to be carried on important defensive works which had recently been reported on by the talented officer of Royal Engineers who had been brought from England for the purpose, and which report was under the consideration of the Government. In the Marine Department the whole expenditure had recently been carefully considered by Admiral Sir W. Meads, and the Honourable Sir Richard Temple had also paid considerable attention to the subject, so that the expenditure for the coming year has been lessened, partly in anticipation of savings, by about twenty per cent. Taking these three great sources of expenditure together, he did not think that the Government could hope to do much more than to keep within the estimates.

"As the deficit, therefore, could not be otherwise prevented, he would support the motion; and, notwithstanding his objections to an income tax, he thought that the exposition of his honourable colleague, Sir Richard Temple, showed that the finances were in a satisfactory and creditable condition. Before concluding he desired to express entire concurrence with his honourable friends, Mr. Stewart and Mr. Chapman, as to the necessity of watching the progress of municipal and local taxation. He had said before that he believed as much dissatisfaction had been created by municipal taxation as by the income-tax, while it extended to larger classes. He feared that in some places municipal taxation was imposed on very needy people, more for purposes of ornamentation and appearance than for really necessary objects, and he commended the subject to the very serious attention of his colleagues.

"The Honourable Mr. Ellis had much to say on land assessments, revenue settlements, and many other matters which had been discussed by some of the Honourable Members who had preceded him. But as those subjects could hardly be considered pertinent, he would refrain from taking up the time of the Council, and would proceed to offer a few brief comments on the observations made by Honourable Members in reference to that which was immediately before them. These observations might be divided into three heads:—The first embraced the strictures which had been passed on the financial position of Government, the second included the consideration of the general fiscal system and the necessity for its revision, and under the third head came the income-tax and the Bill itself.

"With reference to the strictures upon the financial measures of Government, he would not detain the Council, for his honourable colleague the Finance Member would hardly thank him for anticipating what could be so much better dealt with by the Honourable Member himself. He (Mr. Ellis) would be satisfied with referring to one point only, as connected with a branch of the administration in which he had always felt the greatest interest. On the question of the pressure of local taxation, he conceived that some members had, from want of sufficient information, formed hasty impressions. Possibly they might prove to be right, but at present the Council had not before them sufficiently detailed statements to allow of correct deductions being drawn. He hoped that in future years, when other Governments had published statistics in detail such as had been given in respect to Bengal and Madras, it might be possible to arrive at safe conclusions. He would refer to the Finance Member's Budget statement itself in illustration. The Honourable Member had stated that

three quarters of a million of local and provincial taxation had been newly imposed, but that amount included the new road cess of Bengal of which not a rupee had yet been levied; the non-agricultural tax of Bombay which had certainly not turned out in its first year as productive as it was estimated, and the new taxes in Madras, some of which were to come in force by slow degrees. Thus the amount actually raised was much less than the amount put down. Moreover, the figures given as the total of local and provincial funds, and upon which Honourable Members based their arguments, included many sources of local income that were not taxes at all. We must therefore guard against the assumption that figures showing local and provincial funds represented the amounts of local and provincial taxation.

" Under the second head, the revision of the General Fiscal System, some Honourable Members had discussed the question whether the income-tax had a preferential claim for remission, in comparison with other items of taxation. But the question now before the Council was simply, whether the income-tax should be re-imposed for one year, and therefore he did not think it appropriate to discuss the larger questions upon which his honourable friend Mr. Chapman had entered, though he (Mr. Ellis) believed that his honourable friend's suggestions all deserved careful consideration at the proper time. This consideration, he hoped, they would receive next year, when Government would be in a position to review the whole fiscal system and make such reforms as may be deemed proper. Owing to the exceptional circumstances in which Government were at present placed, this was not now possible, and therefore he would confine himself in his further remarks to the third point discussed, namely, the Income-Tax and the Bill now before them.

" He (Mr. Ellis) would in the first place refer to the remarks of his honourable friend Mr. Inglis, who had contested the correctness of the assertion made by him last year, that the administration of the income-tax in the North-Western Provinces was susceptible of great improvement. In reply, he need only refer to the letter from Sir William Muir already quoted by his honourable friend Mr. Chapman. His Honour of course wrote cautiously, but still it was plainly enough stated in his letter that already the abuses connected with the income-tax had in a great measure been removed, and it was fairly to be inferred that the Lieutenant-Governor himself was of opinion that the income-tax might be worked satisfactorily in the North-Western Provinces provided certain alterations were made. Most of the suggested changes had his (Mr. Ellis') complete concurrence. Some of them had been made by the Bill now before Council; others would be effected when it was possible to remove the temporary character of the tax. His honourable friend Mr. Inglis had insisted at some length on the administrative difficulties in working the tax; but even if these difficulties existed before, they could hardly occur in the current year, when the Collectors would be relieved of nearly the whole work of assessment by the terms of the present Bill. He thought, therefore, that whatever value the Honourable Member's opinion on this point might have had with reference to other Bills, his objections were inapplicable to the Bill now before them, which fixed all the assessments of incomes of Rs. 1,000 and upwards of the past year at the same amount during the currency of the tax under the present Bill. He believed, therefore, that the prospect of working the income-tax successfully in the North-Western Provinces was very hopeful. He would also refer his honourable friend to the Province of Oudh, the immediate neighbour of the North-Western Provinces. He (Mr. Ellis) had received letters from General Barrow, the Chief Commissioner of Oudh, who would be admitted to be a good authority on all matters relating to that province. These letters being private he did not produce, though if he could have referred to General Barrow, doubtless no objection would have been made. From these letters it was clear that General Barrow was entirely at issue with the Honourable Member regarding the oppression and corruption supposed to take place in working the income-tax. General Barrow said emphatically that the oppression and corruption were not greater than ordinarily occurred in the Settlement and other Departments; and he added that since his return to England, he had had many correspondents among his native friends in the province, upwards of forty, if he (Mr. Ellis) was not mistaken, and these not of one class, but including Talookdars, merchants and others, all liable to payment of the income-tax. General Barrow stated that his correspondents had written to him freely and unreservedly, and told him all the grievances of themselves and other people in regard to decisions of the Settlement and Civil Courts; their disputes among one and another and other matters public and private, but not one of these correspondents had ever mentioned a single grievance in connection with the income-tax. This was worth something in his (Mr. Ellis') opinion as the testimony of a high officer thoroughly well acquainted with the country, in respect to the working of the income-tax in the Province most closely allied to that Province regarding which they had heard so much from his honourable friend Mr. Inglis.

"He (MR. ELLIS), would next advert to the remarks made by his honourable friends Mr. Stewart and Mr. Robinson, who both objected to the tax in any form. He could not admit that the tax had been rightly called an emergent tax. Whatever may have been the object with which an income-tax was originally raised in India, there was nothing to prevent its imposition permanently. If, on former occasions, his honourable colleague Sir Richard Temple had confined his arguments to the immediate financial necessity, he had done so because such financial necessity was of itself a sufficient justification. But he (MR. ELLIS) could recall nothing that had been said by any member of the Government to lead to an inference that the Government had committed itself to the view that the tax should be levied only on an emergency. His Honourable friend Mr. Robinson had stated his belief, based on what he (MR. ELLIS) had said to be that Government had a covert intention of continuing this tax permanently. Now he had been most careful to guard against the supposition that his individual opinion in any way represented the opinion of Government, and in fact he had stated that Government especially avoided a decision at the present juncture. But his own opinion was certainly not a covert one. He had said clearly that he deprecated the temporary character of the tax as at present levied, and on this point he most fully concurred in all that had fallen from his honourable friend Mr. Bullen Smith. He would say, further, that he desired to continue the tax in its present modified form, without any period being fixed for its cessation, the high minimum being the essential feature to be maintained as obviating those evils which had given the tax a bad name in its special application to this country. It was not his wish to have the tax levied *permanently*, for that was not a correct expression, but he wished the tax recognised as a part of the general fiscal system like the Salt tax, Custom duties, or other sources of revenue. If the Government were in a position to remit taxation, the claims of the income-tax would then be considered in common with those of Salt and other duties. It had already been explained why no general revision of taxation was this year possible. Under other circumstances Government would probably have been prepared to raise the general system of duties and taxes, and declare whether the income-tax should or should not form part of it. He trusted that this would be done next year, and if the estimated surplus proved larger than was anticipated he would especially rejoice, as Government would then be in a better position to deal with the question broadly, and would be able to incur some risk to secure so important an object as a complete and thorough reform of the whole fiscal system."

The Honourable MR. STEPHEN said: "My Lord, I will not occupy the Council for more than one minute.

"I shall vote for the Bill on the ground that Sir Richard Temple's estimate is correct, and that there would be a deficit without the income-tax.

"The proof of this proposition I shall leave in the hands of Sir Richard Temple.

"Assuming its truth, and bearing in mind the provisional character of this government, and the fact that we have to provide for the current year here and now, I think it clear that we can neither diminish expenditure nor increase income to the extent required by any other means than the revival of the income-tax, nor has any one attempted to show that we can."

The Honourable MR. STRACHEY said—"My Lord, I have so often on previous occasions stated my own opinions on the subject of the income-tax that I will not, at this late hour, say more than a few words. While I am quite alive to the faults of the income-tax, I have always believed that the abuses of which we have heard so much have not been its necessary consequences. I believe that they have mainly arisen from causes which have either ceased to operate altogether, or which are clearly avoidable. I have always held that there are other existing burdens worse than the income-tax, and that there are fiscal reforms more urgently required than its removal. But I do not think that the merits or demerits of the income-tax are really now a question at issue. Under the altogether exceptional circumstances in which we are unhappily placed, the temporary retention of the tax appears unavoidable, and, as it has already been said in this Council, the Government now simply desires to maintain the *status quo*, and to reserve altogether for future consideration the question of the retention or abolition of the income-tax with all the other questions of financial reform to which reference has been made.

"My Lord, there is only one other matter which I wish to notice. I have heard with great satisfaction the testimony which His Honour the Lieutenant-Governor of Bengal has borne to the success of the measures taken last year for increasing the financial powers and responsibilities of the Local Governments, and for entrusting them with the control of their

own provincial affairs. Similar testimony has, I believe, been given by almost every Local Government in India, and I heard His Honour's remarks with no common pleasure, because I felt that he was giving his testimony to the wisdom and the forethought of the great statesman whose loss the nation now deplored, and was paying a tribute to his memory which he himself would have prized; for Lord Mayo was satisfied that as time went on and the system in question was developed and improved, it would be found that a reform had been carried out, which more than any other reform, had tended to place our finances on a permanently sound footing; had improved the efficiency of many of the most important branches of the administration, and had for the first time established rational and harmonious relations between the Supreme and the Local Governments. The honour of practically inaugurating this great reform belongs to Lord Mayo alone. It was emphatically his own work, and all my colleagues in the Executive Government will confirm my assertion that, but for the personal interest which he took in it, and his personal determination, it could not have been carried out at all.

"I wish my Lord, that it were possible for me now to speak of the many great financial and other improvements which we owe to his sagacity and energy, or which he contemplated, and would certainly have accomplished if he had lived. My honourable friend, Sir Richard Temple, has already spoken of the interest which Lord Mayo took in the business of the Financial Department. There was no branch of the administration to which he devoted more close and constant and personal attention, and there is none in which he liked to see his labours rewarded by a larger measure of success. Keen and generous as the appreciation by the public of Lord Mayo's services has been, it has still to learn the full amount of the gratitude which it owes to him personally for the great improvements which have been accomplished, or which are still in progress."

His Excellency the Commander-in-Chief said that after the excellent discourses which the Council had heard from the Honourable Members, to whom he had listened with the greatest possible attention, it would be very unreasonable for him to detain the Council with many remarks. There were points to which he had listened with much interest, and in regard to which he should have liked to offer some observations; but his doing so would not tend towards the settlement of the present question, which was confined to the fact, that the Budget showed a deficit, which made it necessary to continue the income-tax in order to maintain a financial equilibrium. His own opinion regarding the income-tax had been expressed here before, and nothing which he had heard from the honourable gentlemen present had in the slightest degree altered the opinion which he entertained and had expressed last year.

But the question now before them was merely to maintain the present financial arrangements of the Empire for this year, in order to leave the coming Viceroy an opportunity to consider thoroughly the whole subjects of the financial policy for the future before being committed to any important measures. For these reasons, he should vote for the Bill.

The Honourable Sir Richard Temple said; —"My Lord,—At this late period of the debate I shall not attempt to discuss the various matters introduced by the Honourable gentlemen who have spoken to-day in opposition to this bill. There is only one matter which I must treat at some length, inasmuch as it has been so pointedly alluded to, namely, the state of the cash balances. I must also touch on the principle of the income-tax bill itself.

"The cash balances then, and the principle of the bill must form my main topics on this occasion. But before dealing with them, I will notice in the briefest terms some few of what I may call the miscellaneous topics adverted to by my Honourable friends on the left.

"In the first place I am unable to follow the Honourable Mr. Bullen Smith in his criticisms on the financial relation between the Government of India and the Home Government. Surely my Honourable friend must know that all this forms part of the constitution of the empire, and is hardly a subject for discussion in this Chamber. Neither can I undertake to re-open the controversy respecting the terms offered by us for the recent conversion of the 5 per cent. loan. That question was disposed of by the correspondence between the Financial Department and the Calcutta Chamber of Commerce.

"I acknowledge the friendly and considerate terms in which my Honourable friend Mr. R. Stewart is pleased to speak of the mode in which the Financial Statement has been prepared. I cannot, however, agree with my Honourable friend in thinking that there has been over-caution this year in framing the Opium estimate. No doubt, that estimate does provide for the contingency of a possible fall in prices. And that is well. For, already, that is, within the last few days, there has been a considerable fall in these prices. It is to be recollected that in 1870, when we resolved to redouble our caution in regard to the Opium estimate,

we had had ten years' experience of the differences between the estimates of Opium revenue and the actual out-turn. And though there had been some years surplus of the actual over the estimated sum, there had in some years been considerable misfortune in the way of deficiency of actual out-turn as a compared with the estimate. Indeed, the embarrassment caused by our receiving a sum less than anticipation is apt to be greater than the convenience of receiving a sum greater than anticipation. I saw then that in Opium, there had been four years of surplus, amounting in all to 5½ millions; whereas, on the other hand, there had been three years of deficit, amounting in all to 3 millions. These circumstances inspired us with increased caution, which has been followed certainly with some success since 1870.

"I desire to show every respect and consideration to the speech of my Honourable friend Mr. F. Chapman, who is one of the few supporters of the income-tax among the Honourable Members on the left. But there is one point which I can hardly refrain from noticing. My Honourable friend seems disposed to reproach the Government with aggravating the evils and troubles of the income-tax by enacting it for one year, and then again for another year, instead of enacting it for some fixed period, or for some considerable period without any particular limit of duration. Now, I must remind my Honourable friend that in 1871 the Government did not propose to enact it for one year, but proposed to enact it for an indefinite period. In fact, we desired to do exactly what my Honourable friend now seems to think we ought to have done. And why did we not succeed in doing this? Because there was so much opposition from Members on the left in this very Council that we deemed it better, on the whole, to take the tax for one year with option of renewal. It therefore hardly behoves my Honourable friend now to reproach us with that!

"My Honourable friend seems to desire more details of the various establishments and heads of service. I must remind him that this information is always published in the shape of a bulky quarto volume. The volume for last year must have been in my Honourable friend's hands for many months past. That for the new year will be very shortly given. The information thus given is probably equal, in quantity at least, to that afforded by any Government in the world.

"I cannot possibly pursue the Honourable Mr. Robinson throughout his discursive speech. I must object to his expression about our "financing in loans to municipalities." This is surely not the way to speak of our beneficent operations in this respect. We lend municipalities money at 4½ per cent., which they would otherwise have to borrow at 6 per cent. Thereby the inhabitants of the towns are saved so much of taxation, while not a fraction of burden is on this account imposed on the country at large. I further object to the expression about faith being broken with the people, and assurances being contravened by the maintenance of the income-tax. Since 1869 my Honourable friend cannot, I am very sure, find any trace of such assurance. Whatever assurance could be found relates to the five years' income-tax which was passed in 1860 and expired in 1865. My Honourable friend tries to prove that the revenues are very elastic by contrasting the sum total of receipts now-a-days with the total some fifteen years ago. He seems to suppose that all this represents the natural growth of the revenue. But he apparently forgets that there have been additional taxation, and enhanced rates of previously existing duties, and a variety of new sources of receipts opened out. If allowance be made for all this, he will find that our revenue, though not otherwise than flourishing, is yet very far from being elastic. Then my Honourable friend, alluding to the fact that the budget shows an increase of more than one million in civil expenditure, declares that there is an evident relaxation of economy. But he apparently ignores the explanation which was rendered together with that statement which showed that the greater part (three quarters of a million) is owing to reproductive expenditure in Opium culture, and that only £170,000 are really owing to the Civil Departments in India; for which small increase even there is explanation afforded. I affirm that there is no ground whatever for my Honourable friend's inference.

"In his researches as to the forms of taxation orginally adopted by the Hindus, my Honourable friend refers to a passage in Menu, the law-giver. It is curious that the very passage which he cites from Menu includes, in its strongest form that very income-tax which people now find it convenient to say is quit dissonant from Hindu notions. Why, if Menu be the authority, I might show the income-tax to be included among the original institutions of the Hindus.

"Again, my Honourable friend speaks as if Lord Lawrence (a great authority) was opposed to the tax on income derived from land. As is well known, Lord Lawrence was an

advocate of the income-tax, and I do not recollect that he made any exceptions in favour of any class or interest.

"Then, my Honourable friend, alluding to the advice he gave me last year to take higher the estimates of various items of revenue, states that the result has shown the correctness of that advice. Now, as that advice was specific, I must point out that it has in every single particular proved to be fallacious. For instance he thought that the land-revenue ought to have been estimated £300,000 more, but it is turning out, on the contrary, £140,000 less. He said that Excise ought to have been estimated £100,000 more, it is turning out only £10,000 more; that Custom should have been £130,000 more, whereas they are turning out only £3,000 more. He said that Salt should have been estimated higher, but it is turning out, on the contrary, £190,000 less; that Stamps should have been estimated higher, whereas they are turning out £46,000 less; that Irrigation receipts should have been taken higher, whereas they are coming out £25,000 less. Thus the Council will see that if I had attempted to follow my Honourable friend's advice last year, I should have been led into great error. I regret to have been obliged by the tenour of his present remarks to produce these points against his arguments. But after this he will hardly expect me to enter into similar criticism which he ventures upon respecting the present budget.

"In regard to the Honourable Mr. Inglis's speech, which simply resuscitates the discussion between the Government of India and the local Government of the North-West, regarding the administration of the income-tax, it will, I trust, suffice to refer my Honourable friend to the correspondence which was published in the *Gazette*, whereby it clearly appears that the evils described are not necessarily incident to the tax, but in part arose from misapprehensions, which may be, and doubtless will be, remedied in future.

"There are some points in the speech of the Lieutenant-Governor of Bengal which I must briefly touch upon.

"I was surprised to hear His Honour, alluding to the thirteen millions to be drawn from India by the Secretary of State's bills, speak of this sum as tribute paid by India to England. Doubtless His Honour will not need instruction from me as to the real nature of these payments. But I dread lest such expressions falling from so high an authority may confirm a misapprehension but too prevalent on the matter. Of course the payment in question is *not* tribute at all. It represents the payment by India of debt which she incurs for her own service in England. It includes the payments for the salaries and pensions for Indian officers at home, civil and military; for the expenses incurred at home on account of the European troops in India; for the stores sent out for all the Departments in India; for the interest on the loans raised at home for the service of India; for the guaranteed interest on the capital raised in England for the railways in India. These facts speak for themselves, and show that India is not paying tribute to England, but is merely paying for what she takes, and is only discharging indispensable obligations.

"His Honour regrets the fact that so small a proportion of our public debt is held by Natives, and thinks that by imitating the French system we might improve matters. The real cause, however, is this, that English competition has, to a considerable degree, driven the Natives out of the loan market. The English capitalist will lend us money at 4½ per cent. The Native can seldom afford to do so. That is the short of the matter. While this cause prevails, we can hardly help the circumstance to which His Honour alludes. Nor do I at all share his hope that by accepting small loans we can effect any considerable change. We are virtually trying this very plan by our district savings' banks. We there offer 3¾ per cent. to depositors on deposits repayable at call. These liberal terms are as yet attracting but few depositors. The total deposit does not exceed 1¼ million sterling. And this hardly encourages us to hope that 4 per cent. open loans, for sums however small, would prove successful.

"I concur heartily in what His Honour says of the risks attendant on the extraordinary expenditure we are incurring for reproductive works. But this only proves the necessity for the strictness or severity we have enforced in our ordinary finance. It shows that we are quite right in imposing income-tax, in effecting reductions, in maintaining a strong cash reserve.

"Having thus briefly disposed of what may be called the miscellaneous points, I approach the main point, namely, the "Cash balances," so pointedly adverted to by my honourable friends Mr. Bullen Smith and Mr. Stewart. The substance of their remarks is this that the cash balances are far too large.

"In the first place, I must demur to the manner in which Mr. Bullen Smith speaks of the discrepancies between estimates and actuals of the cash balances. It might, *primâ facie*, be supposed from the tone of my Honourable friend's remarks that full explanation of these differences had not been afforded. For instance, much is made of the difference of 7½ millions between the first anticipation and the ultimate result for 1870-71; whereas the statements given at the time showed how the difference is accounted for, namely, by the improvement in the opening balance (1¾ millions), the surplus in ordinary finance (better by 1¼ millions), the extraordinary expenditure less than estimate by 2 millions, the general deposit account better by 1¼ millions, the railway capital account better by 1½. Now, these explanations will be found complete, and they were apparent from the first. Again, my Honourable friend makes much of a similar difference in 1871-72. But I have so recently afforded specific explanation, item by item, in my last financial exposition, that I will not trouble the Council with repetition.

"Reverting to the main point, the Council will bear in mind that the amount now set down for the cash balance in India is £21,640,143, or 21½ millions. This is the amount which my Honourable friends consider excessive. But, in the first place, it is to be remembered full one-third of this money *is not our own*. There are 2½ millions (£2,648,185) loan money which we owe to the Public Works Department, being the unexpended balance of monies borrowed for Canals and State Railways. There are 3½ millions belonging to the Railway Department, being the unexpended residue of capital raised for the construction of the lines. There is 1½ million of undrawn monies of the discharged 5 per cent. loan, monies which are the property of the national creditors, and payable on demand at any moment. Then there are £750,000 of Secretary of State's bills outstanding, which represent sums received in England and repayable on presentation of the drafts in India. These several items make up an aggregate of full 8 millions, which, deducted from the 21½ millions, leave 13½ millions, which would represent as nearly as possible the real cash balance properly belonging to Government at the present time. And it is only by calculating this just abatement that a true idea of the existing cash balance can be obtained.

"Now, is the sum of 13½ millions too large an amount of cash balance for the ordinary service of Government? I say it is not too large, but is really a proper amount. Remember the amount in question is for the month of April, a time of year when the cash balance ought to be "flush." As is well known, there is a flow and an ebb in the cash balances. The autumn is the slack time. Experience of many years has shown that there will be a difference of more than 3 millions between the spring April, and the autumn October. If, then, there are 13½ millions now (April), there will be ten millions in October. Then, on the principal of the beam being no stronger than its weakest part, we have to consider whether 10 millions in October represent more than a safe sum, wherewith to carry on the public service at that period of the year. I unhesitatingly affirm that in the autumn the cash balance ought not to be allowed to fall below 10 millions. This is essentially a matter of experience. And I confidently appeal to every Accountant General, to every person who has had anything to do with these affairs, as to whether the above statement is not substantially correct.

"It has been indeed said that some of my predecessors, and especially Mr. Laing, declared that a cash balance of 10 millions should be ample. Others among my predecessors have even expressed a hope that a lesser sum might be made to suffice. When Mr. Laing spoke of ten millions, however, he did not apparently mean the sum which we ought to have at the maximum, or at the minimum period. He probably meant approximately the average sum for the whole year. In that case the calculation would scarcely differ from that which I have just made.

"At the same time, however, Mr. Laing uttered some words of wisdom which seem to have been forgotten by those who criticise the present cash balances, but which may well be quoted here. He said (in his financial statement of April 1862):—

'We could, in case of need, get over two or three little wars, or the first year of a great war, without either loans or new taxes, and I earnestly trust that no Government of India will ever leave itself without this, which is the first and best of all reserves, an available £3,000,000 or £4,000,000 in hard cash, on which it can lay its hands at any moment.'

"In the above sentiment of Mr. Laing's, I cordially concur. Considering the circumstances in which we are placed in this country, and the complications which might at any moment arise, we ought to have a *moderate* cash reserve in our Treasury, available on the

instant. According to Mr. Laing's authority (which has been erroneously cited against me), we ought to have 10 *plus* 4, or 14 millions of cash balance at least. And I maintain that, after the necessary abatements, our real cash balance is under 14 millions, and is from this point of view not at all excessive.

"It is true that Mr. Laing and others among my predecessors anticipated a reduced cash balance after the completion of the lines of railway and electric telegraph.

"But since the time of Mr. Laing, and even since the time of my immediate predecessor, Mr. Massey, there has been a considerable expansion of our financial transactions which would *primâ facie* render necessary a larger cash balance than formerly. In Mr. Laing's time the receipt side of the cash account of the Government of India showed 67 millions (1861-62). In the present year, 1872-73. the same account is swollen to 115 millions. A part of the difference is due to certain items being included in the latter account which were not in the former. But the greater part is due to real growth of our affairs—increase of revenue, construction of reproductive public works with borrowed capital, extension of the railway transactions, increase of local funds and provincial services, accretion of deposits, and the like. One main item, indeed, which greatly influence the cash balances, which used technically to be called 'debt,' and is now called 'advances and deposits,' almost exactly admits of comparison between the two periods. In 1861-62 it stood at 10 millions. For 1872-73 it stands at 18 millions. Inasmuch, then, as our account has grown so much, it is *primâ facie* to be expected that we should have a much larger cash balance now than then.

"We recollect, of course, that since that time the railway and the telegraph have facilitated the remittance of money and the transport of specie. And had it not been for these agencies we must have maintained a much larger cash balance than we now maintain. It is owing to this, indeed, that we are able now-a-days to do with an amount *not generally* larger than that with which we did years ago.

"But it cannot be expected that, with the vast extension of our business, we can manage to reduce our cash reserve.

"Again, if the cash balance follows, as it naturally would follow, the course of the State finance, then at those times when there is deficit of income as compared with ordinary expenditure, the cash balance must be low. Hence it must happen that when the said finance recovers itself, when the deficit is turned into surplus, the cash balance will be high. A period of comparative repletion succeeds the period of depletion. Such is the case now, when the finance of the two last years is resulting in a surplus of more than four millions.

"And, as a matter affecting the credit and prestige of Government, it is desirable that the Treasury should be full—fuller than it was in Mr. Laing's time. In those days our finance was successfully righting itself after the war of the mutinies, and its ultimate prosperity was held to be assured. After that we were obliged to embark on public works to an extent not originally contemplated, and to borrow money on that account. In the midst of the borrowing for this extraordinary object, doubts arose whether the ordinary expenditure could be kept within the limits of income. To this were added some misfortunes in opium, in trade, and in other respects. Some deficit occurred, and more was threatened. The cash reserves fell to a low point. All this caused apprehension as to the stability of our finance (apprehension now happily dissipated). Then, as we began to succeed in strengthening our position, we raised the cash reserves. And the possession of such reserves is an element in public confidence. I say then that, in consequence of all that passed some three years ago, it is important that our finance should be placed in a strong, even in an exceptionally strong, position. And the possession of a large reserve conduces to that end.

"Besides this, which may be called the general reason for maintaining a high cash balance at the present time, there is a special reason relating to the year just past, 1871-72, which is this. During that year we intended, if possible, to reduce the interest on a considerable portion of the national debt. Last year I indicated, so far as might be consistent with the necessary official reserve, that there might be some reason of this sort. Now, however, there need be no hesitation in pointing to this as an obviously cogent reason. Undoubtedly the existence, so well known, of the large sums of cash available in our coffers operated as an inducement to the public creditor to accept our terms of reduced interest, for fear that refusal might lead to discharge of the loan altogether! My Honourable friend Mr. Bullen Smith has to-day endeavoured to question the profitableness of that operation to the State, and the propriety of the small borrowing which took place that year in England; and he dwelt on the loss involved in the retention of large reserves. Now, does my Honourable friend recollect the declared profit per annum of that operation, £93,000 per annum of immediate gain, with

prospect of increase to £160,000 per annum after seven years, besides the gain from the currency investment made on that occasion of £109,000 per annum? These annual gains are really perpetual. And even if it be supposed that, in order to secure such gains, a loss has been incurred for, say, two to three years in maintaining the cash reserve, *what* is such loss as compared with the above gain? Is not this an instance of giving a minnow in order to catch a whale?

"If, however, it be contended that the cash balance is higher at this moment than it ought ordinarily to be, still it is very difficult to prove by any abstract reasoning what exactly ought to be the ordinary amount. The centres of receipt and expenditure are so various, the treasuries—some 250, scattered over the length and breadth of the country—are so numerous, the divisions of provinces and departments are so multiform, that an inquiry which we have been making for a long time past fails to afford such proof. The matter is really one of experience. And I may just mention what the experience of two eventful years taught me. The beginning of the year 1868-69 found us with a low cash balance of 11¾ millions, somewhat reduced by the advances which had been made for the Abyssinian Expedition. We soon found it difficult to carry on the public service with this amount. We were obliged to draw all our available cash from the Presidency banks, and ultimately to even overdraw our account occasionally. In several respects our position became fraught with inconvenience, even with embarrassment. Matters improved a little, however; some of the Abyssinian advances were recovered, and we began the next year with a balance of more than ten millions. Soon afterwards we raised two millions for the public works extraordinary; some further part of the Abyssinian advances were recovered; the remittance account with England proved very favourable; in short, we enjoyed various advantages in respect of the cash balances. Still, however, the General Treasury continued to be short of cash. Still our account with the Bank was in debt, instead of being in credit as it ought to be. Still it was a matter of anxiety to feed with money the main treasuries which formed the centres of expenditure. And it was not till near the close of the year that we succeeded in maintaining a substantial credit balance at the State Bank.

"Now these are facts, and very troublesome facts they were at the time. They are worth more than any amount of theorizing on a complex and recondite subject. And they go far to show that in practice nothing short of 13 millions (as I have already stated) will suffice for the commencement of the year.

"On this review, then, of the whole case, allowing for necessary abatements, and considering our liabilities, I adhere to what was stated in my budget exposition, to the effect that the cash balances, though satisfactorily high, are yet not too high.

"I shall now turn to a question very justly put by my Honourable friend Mr. Robert Stewart. He asks in effect (if I understand him aright) what is the amount and nature of the liabilities for the satisfaction of which the 'cash balances' may be considered the principal asset. On former occasions I have myself brought these liabilities to the recollection of the Council, and I will now try to answer my Honourable friend's very pertinent question. For this purpose I produce a return prepared in India in December last, and recently printed by order of Parliament. It purports to be 'a return of all stocks, loans, debts and liabilities chargeable on the East India revenues.' It is made up to the 30th September last for India, and 31st December for England. It includes a statement of the national debt; but I need not allude to that, as it represents principal which we shall not be called upon to repay. I will only extract the statement of those liabilities which we may or shall be called upon to discharge, whether they bear interest or not. These may be set forth thus—

India.		Bills payable.	Deposits.		Total.
Treasury Notes.	Service Funds.		Bearing interest.	Not bearing interest.	
£	£	£	£	£	£
1,163,406	4,705,453	274,959	1,505,028	9,069,949	16,718,795
England.					
Capital of Indian Railway and other Guaranteed Companies remaining in Home Treasury after deducting sums drawn by them in India. £ 3,771,741					3,771,741
Total of above, India and England.....					20,490,536

The item 'Treasury Notes' means a portion of the capital of the funds of the Covenanted Civil Service (known as the Civil Annuity and the Civil Funds) invested in Government securities. The heading 'Service Funds' means the remaining capital of those funds, a portion of which will shortly have to be paid out from this account by the new arrangements. The heading 'Bills payable' comprises the amount of Secretary of State's bills outstanding on that date, representing moneys received in England but remaining to be drawn (on presentation of bills) in India. The 'deposits bearing interest' comprise the moneys deposited in the Government Savings Banks. The 'deposits not bearing interest' include all the moneys belonging to the local funds; to the new provincial services; to the judicial department all over the country—that is, the sums deposited in the Courts of Justice, sums in the hands of the official assignees and the like; to the various revenue departments, often representing disputed items of revenue; to all the other departments of the service; to the military prize funds, and to other branches. The last item, 'capital of railway companies,' represents moneys which we have received from the railway companies and shall have to pay on their account.

"Of these liabilities there is a small portion, such as a part of the capital of the Civil Fund, which practically the treasury will not be required to discharge. But by far the greater portion of the liabilities will have to be discharged, and is constantly in course of being discharged. And a great deal of that, again, represents money lying at call, and will have shortly to be discharged.

"The aggregate of these items is seen to be £20,490,536, or 20½ millions, for the discharge of which the cash balance forms the assets. There are other assets indeed, such as buildings and other real property, of which I am not prepared to offer a valuation.

"But it is to be further recollected that this aggregate is liable to constant increment and decrement, that is to say, that there are constantly receipts of one kind and another which augment the liability, and payments on the other, which *pro tanto* operate in discharging it, and this process goes on to the extent of many millions on each side of the account yearly. In the statement of receipts and payments appended to the budget will be found the items for 1872-73 of receipts and disbursements on account of advances recoverable and deposits repayable, namely, £18,518,600 or 18½ millions receipts, and £18,394,400 or 18¼ millions disbursements. Now, out of these items £16,556,700 receipts, and £16,620,400 payments, or 16½ millions on each side of the account, relate to this very aggregate of liabilities which I have been describing. In other words, there will be 16½ millions of increment and about the same amount of decrement during the year. The aggregate liability indeed is like one of the great perennial snowy mountains in the Himalaya. There is yearly a great accession of snow over and above the permanent mass. On the other hand, there is a great thawing and melting annually. But after all a mass remains. Let that be represented by the aggregate of 20½ millions. Let the newly fallen snow be represented by the 16½ millions of receipts; and let the thawing be likened to the 16½ millions of payments.

"Having thus briefly explained the nature of 'the cash balance,' I shall add an explanation in abstract of the causes of its growth from £10,175,804 or just over 10 millions in April 1869, the lowest point, to the £21,640,143 or 21½ millions in April 1872, showing an increase of £11,464,333, or 11½ millions, at the latter date over the former, that is, in a period of three years. What then are the causes? Why, in the first place, we have had surplus of income over ordinary expenditure to an amount of 4¼ millions. We have 2½ millions of unexpended loan money in hand: that is, 2½ millions have been borrowed for public works more than have been spent. Half a million of railway capital has been raised more than has been spent. The result of the account of the Secretary of State's drawings is favourable to the extent of 1¼ million, that is to say, 1¼ million more has been received in England than has been paid in India upon the drafts. Half a million of Abyssinian advances have been repaid. One and a half million of the 5 per cent. loan debt discharged and credit taken, but money remaining unpaid and lying at call of creditors. Half a million has been virtually transferred from the Home Treasury to the Indian Treasury. Three quarters of a million more have been received than paid on the deposit account. The aggregate of these items amounts to 11½ millions, which exactly accounts for the difference and for the growth of the cash balance.

"I now approach the second object I proposed to myself, namely, the income-tax measure before the Council, regarding which shortness of time compels me to be brief.

"I cannot on this occasion express any opinion as to whether the measure should be permanent, or as to what other measures of relief it should be combined with if made

permanent. Whatever opinion I may have thereon, I must reserve it for representation or for vindication at the proper time. Therefore what little I have now to say will relate to the past and to the present. It is true that I have hitherto contented myself with founding its justification on manifest necessity. With this absolute financial necessity staring us in the face, I have deemed it a work of supererogation to advance arguments as to other advantages and merits which the measures may possess. The fiscal success of a measure which in a decade of years has brought in 13½ millions to the treasury is indisputable. Being still, at this moment, as much convinced as ever of the necessity, I nevertheless acknowledge having seen, as indeed I still see, great and manifold advantages in the measure.

"Notwithstanding all that has been ever urged to the contrary, I affirm that no tax we could devise is so free from politic and economic objection. With the exception of the excise and opium duties, which I regard as the best possible form of taxation, there is no part of our taxation which I would not sooner have remitted than the income-tax. If relief could have been afforded, I would sooner have afforded it under the head of customs or salt, even in some provinces under the head of land revenue, than income-tax.

"I believe that the moral effect of the income-tax in the enforcement of economy has been excellent. One of the dangers that beset Indian finance is the innate extravagance of 'public opinion' in this country respecting administrative reform—a noble and generous failing perhaps, but still a failing. The moment that the pockets of the rich, the clamorous, the influential, are touched by an income-tax, then the otherwise irrepressible tendency is repressed. 'Public opinion' becomes intent upon economy, partly from the fear of direct taxation being increased, partly in the hope of such taxation being mitigated. And this is well. I certainly perceive, or fancy to perceive, an immense improvement in public opinion since the imposition of the income-tax.

"Then, though it may seem paradoxical to my Honourable friend on the left, I assert that the tax is *truly* popular. When it reached low incomes there was indeed an element of unpopularity—which indeed was, with some justice, alleged against the measure. But by the amendments and remissions of 1871, and now of 1872, the wind has, as it were, been taken out of the sails of the 'unpopularity' argument, till it at last is flapping idly. And now the tax is popular, because it avoids the poor and needy, and fastens only on the well-to-do!

"My Honourable friends on the left never tire of telling us that the Natives, both educated and uneducated, hate the name of this tax; that the dislike to it is universal among the best of our own officers. Now are my Honourable friends justified in being so very sure on this point? Let us see. The Council has heard to-day the opinion of Sir William Muir, Lieutenant Governor of the North-Western Provinces (quoted by the Honourable Mr. Chapman). I should infer from that that Sir William Muir is in favour of the principle of the tax, provided that it be fixed with comparative permanency. The Council has also heard to-day the opinion of General Barrow, Chief Commissioner of Oude (cited by the Honourable Mr. Ellis), which is highly favourable. I hold in my hand the official letter from Mr. Davies, Lieutenant Governor of the Punjáb, submitting an elaborate report on the working of the income-tax, and declaring it to be satisfactory and requiring no further remark. I further beg to read an extract from a minute by Mr. Alonso Money, one of the highest revenue officers in Bengal. He says, writing 18th October 1871, 'I still hold to the opinion expressed by the Board in July last year, that under certain conditions, and guarded from abuse by a different procedure, the tax would be a proper and a safe one. Assuming that money must be got from some sources of taxation other than the normal ones, I consider the income-tax the best form of direct taxation, as being the only one which falls upon trading profits, as well as upon profits from land. But it should be levied only from well-to-do classes * *. If there is to be an income-tax, I would have it fixed for some years at its present rate * * *. The return after the first year would be satisfactory, and little or no discontent would be excited.'

"Thus, though no doubt many high officers, and especially some of my Honourable friends on the left, perhaps also the majority of our officers, generally do condemn the tax, still I produce some evidence of the highest character which is more or less favourable, drawn too from each one of the several great divisions of the Bengal Presidency.

"Then as to the Natives, perhaps my Honourable friends are not aware that some of the organs of Native opinion are becoming actually favourable to the income-tax. I will read some extract translations from two newspapers published in the Bengali language, written with

much ability and with entire independence, representing large sections of opinion in Bengal and having considerable circulation. They are named the 'Shôm Prakash' and the 'Amrita Bazar Patrika.'

"The 'Amrita Bazar Patrika,' on the 25th January last, observing that 127,000 persons had been assessed to the tax in Bengal, remarks that 'the tax may be hated by the 127,000 people, but that the rest of the population of Bengal, 39 millions, are quite indifferent to it.' Then it proceeds to question whether all of the 127,000 persons really object to it, and states 'by recent changes the number of tax-payers will be reduced to 50,000 only out of 40 millions. And this is the tax which is said to be unpopular. Why, according to this view, only one in 800 will be touched. Certainly the one unfortunate may hate the tax and abuse the Government, but the 800 people will with uplifted hands pray for the prosperity of a Government which has saved people who are poor, and taxed those only who can afford to pay!'

"Perhaps my Honourable friends will admit that this is remarkable testimony from an original Native source.

"On the 18th of March last the 'Shôm Prakash,' writing about the coming budget, writes—

"'We learn that the Anglo-Indian cries against the income-tax have by this time reached England, and that probably it will be reduced, if not abolished altogether. We are further informed by the same journal that the *London Times* has denounced this tax as unsuited to our countrymen, Natives of India. We are thankful to the *Times* for pleading on our behalf: but in reality we poor Natives have very little to do with the income-tax. This tax has the merit, as we have frequently pointed out, of leaving the lower orders completely intact; we have shown in a former issue that it affects only one in four hundred of our countrymen, and that it is the most equitable of taxes, inasmuch as it takes from those alone who are able to give. Our late lamented Viceroy had a full insight into this matter, and he persistently turned a deaf ear to the bitter abuses and keen satires of the Anglo-Indians for keeping fast to the income-tax. But we trust we have accorded the fullest measure of praise due to the deceased Lord for his manliness in this respect. * * * The Government has already earned the gratitude of the people by persisting in maintaining the income-tax in opposition to the will of his own countrymen.'

"Now, my Lord, all this is genuine opinion of Natives as expressed by themselves in their own fashion, and it differs *toto cœlo* from the other phases of Native opinion as to-day described by some of our Honourable friends on the left.

"But in corroboration of this view of Native opinion as being favourable to the income-tax I will read a passage from an English journal, the *Pioneer*, of Allahabad, second to no journal in India in respect to influence and ability. The *Pioneer*, in a leading article of the 12th April (the present month), says:

"'In one, and perhaps the true sense, the income-tax is, and always must be, the most popular of taxes. * * * * * * *

The millions will always desire gradually to devolve the whole burden of taxation on the thousands. But where the income-tax is voluntarily self-imposed by the rich, and is not forced upon them from below, this objection does not apply, and the measure has then a self-denying and patriotic appearance very useful in conciliating popular respect. Even in this country we believe that the tax has already had to some extent a good effect, and that it will have still greater use, now that the minimum is raised, in persuading the Indian masses that their English rulers, when it comes to taxation, do not spare themselves, and that they do desire to spare the poorer population. In this sense we believe the income-tax to be decidedly popular.'

"This testimony is the more remarkable in that this journal appears to be opposed to the income-tax in several respects, and to regard it as an object of dislike to those who pay it.

"And now, my Lord, I shall conclude by reiterating that in all our proceedings in respect to the income-tax we have been animated by the desire to do justice by impartial distribution of the public burdens. It is indeed well that in a Legislature where the Native members are very few, and where the members are almost all of the governing race, the measures of taxation should justly include the European community. It is also well that in an assembly where the majority of the members is official the taxation should equitably affect the

official classes. In other words, the justness of our conduct is manifest when we show that, on the occurrence of necessity, the first thing we do is to tax ourselves!"

The Honourable Mr. Robinson said:—"My Lord, the Honourable Finance Member has cast a doubt on the judgment I entertain of Lord Lawrence's view of the income-tax. I gather the view which I hold from his Lordship's own public enunciations, from the conduct of the Government he presided over, and from the repeated enunciations of his Finance Minister. The Honourable Member, I suppose, is giving some personal impression of the private opinion entertained by Lord Lawrence on this subject; but I may observe that I have heard others who knew His Lordship's views well, and they entertain the same view as I hold of that statesman's views in respect to laying further burdens on the land. I can, of course, only judge by the enunciation of the Viceroy himself and of his Finance Minister when actually urged to impose the income-tax. The simple facts are that Lord Lawrence never did put a tax on landed income, that his Government persistently refused to do so, and that it was only when our honourable colleague came to lose the sagacious guidance of that statesman that we heard of the income-tax as it is."

His Excellency the Viceroy said,—"I shall certainly not complain of the length to which this debate has been drawn out, or of the discursive character of the disquisitions which this Council has heard. These disquisitions have contained much that is interesting, and much that may be valuable, when recorded or repeated, in enabling the Council to come on a future occasion to a sound conclusion with reference to the confirmation or abandonment of the income-tax, and with reference to the form in which it should be cast if adopted as a permanent part of our fiscal system. I shall, however, not follow my honourable friends into the wide arena of discussion which they have occupied. I cannot flatter myself that, on the very eve of departure, when my connection with India and its interests is about to be severed for ever, my opinion could have any influence in shaping the financial policy of Government, nor should I consider myself justified at this stage of the debate in engaging the attention of the Council for any length of time. The remarks which I shall submit will be of a personal character; they will embody a justification of the share which I have had in the presentation of this financial statement, of the part which I now take in recommending the re-imposition of the income-tax in a provisional shape.

"Some expressions which have fallen from my honourable friends who are opposed to the present bill might almost seem to imply that, in their opinion, the financial statement has been so contrived and adjusted as studiously to bring out a small surplus, a surplus so small as to make the re-imposition of the income-tax indispensable. I cannot too strongly protest against any imputation of this nature. I can only say that if I believed that the statement was in the least degree obnoxious to this suspicion, it would never have received the least share of countenance or support from me. On the contrary, I affirm that if we regard the peculiar circumstances under which the present budget is framed and presented, it is a fair, honest, and judicious project, an accurate picture of the probable revenue and expenditure, a scheme which we can present with confidence to the criticism of the Council and the country.

"There has been no desire to under-estimate receipts; there has been no desire to over-estimate expenditure so as to elicit an unfavourable result. Setting aside for a moment the revenue and expenditure connected with opium, I contend that an unprejudiced view of the capital sources of Indian revenue will show that the estimates of revenue to be derived from those sources are rather high than low, rather hazardous than timid. The estimated receipts from land revenue, salt, customs, stamps, and excise are either based on the actuals of recent years or prudently expanded where there is the least hope of increased returns. The disbursement side is a normal estimate with reference to the figures of the past year; it has been framed with an earnest desire to restrict expenditure, and where there are excesses an accurate analysis, into which I have no time to go, would show that these excesses are strictly justified by the claims of the several Governments concerned and by the necessities of the public service during the present year.

"There is an item in the revenue and expenditure of India which defies the power of official forecast, the item of opium. The price which we have adopted, *viz.*, Rs. 1,200 per chest, may be repudiated by many outside these walls, who are disposed to regard the question from a hopeful and speculative point of view, but the decision of Government in this respect has been approved by the silence of my Honourable friend Mr. Bullen Smith, whose ability and impartiality in this matter are beyond dispute; while my Honourable friend Mr. Stewart has not ventured to suggest a higher figure than Rs. 1,250, an advance which would make no essential difference in the balance-sheet.

"There is, on the other hand, a great increase in the estimated expenditure on account of opium when compared with the abnormally low expenditure in the year 1871-72, but that estimate is justified by the expenditure of former years, and by the benefit of a higher price which the oGvernment have determined to award to the cultivator. If the season is not adverse, and if the projects of Government for increased cultivation are fully carried out, the disbursements on this account will be completely realized.

"The results of the opium revenue may nevertheless be more favourable than the results here set down; they will probably be more favourable, but the Government have in this matter duties and responsibilities which they cannot overlook; they must act prudently and on the best advice. They have done so, and I do not think that the soundness of their resolution will be seriously disputed.

"Both with reference to the ordinary sources of revenue and to the exceptional item of opium, the financial results are, I contend again, presented in a just though it may be sober light.

"If then we have no right to count with confidence upon a larger surplus than the one now presented, a surplus of a quarter of a million sterling, it is obvious that the re-imposition of the income-tax is indispensable, for the budget could not be introduced with a deficit. The admission of a deficit on the financial project of the year would be a violation of all the principles and traditions of our financial policy. I may add that it would be absolutely prohibited by the Secretary of State.

"I beg the Council to believe that the conviction at which I have arrived on this question has not been hastily or willingly adopted. I do not appear before you as an enthusiastic partisan of the income-tax. I do not appear before you as an advocate of a high expenditure in order to maintain a high revenue. The present conclusion is contrary to all my hopes and all my wishes. I am a reluctant convert. When my attention was first devoted to the financial situation of the present year, I was, like others, arrested by the immense accretion of the cash balances gorged with money which had flowed in from numerous sources of which the nature was to me then partly unknown, but which have been lucidly explained by my Honourable friend Sir Richard Temple on this occasion. I was, however, from the first aware that not less than four millions and a half of this unprecedented accumulation represented surplus revenue during the last three years, and I cherished a warm hope, I may say a persuasion, that the financial prospects of the present year would be defined in such a form as to justify the remission or relinquishment of taxation in some shape or other. These hopes were confirmed by the knowledge which I acquired that the same impressions were entertained by a far higher authority, by the late Viceroy. From the last recorded opinions which he left behind him, from his latest expressions well remembered by his friends, we know that the Earl of Mayo believed that the time had at last arrived when the question of reduction and re-adjustment might be seriously entertained. I assure the Council that nothing would have given me deeper, more intense satisfaction than to present to the Council and the country an alleviation of the public burdens as a posthumous benefit from that strong and kindly hand which has ceased for ever to labour and to give. After deliberate inquiry this course was found to be impracticable.

"But, gentlemen, because we are not able in an exceptional and provisional condition to take up the benevolent thoughts and plans which the late Viceroy surrendered with his life, and conduct them to the conclusions which he contemplated, are we therefore to abandon all hope of an early relaxation of the fiscal pressure which for most justifiable purposes has been imposed upon the country? In my humble judgment, not at all! When three years ago the Earl of Mayo assumed the direction of the finances, he found himself in a situation which warranted a severe and exacting policy. He found the national reserves at the lowest ebb; he found the Government drifting into the sufferance of recurrent petty deficits, a situation more than anything else disgraceful and debilitating to a State: to meet these evils he had recourse to the most unsparing and energetic action. He continued and raised the income-tax as an impost on the more affluent classes; he raised the price of salt to 50 or 60 millions of our Indian fellow-subjects, which was an income-tax on the poor; he arrested imperial expenditure even for the most justifiable objects on every side; he contrived the system of provincial appropriations to the several Presidential and Provincial Governments representing repartitions of imperial revenue not soon or lightly to be exceeded; he indirectly stimulated the development of local and municipal taxation, by which the claims on imperial and provincial revenue might be replaced or supplemented. I, for one, have always admired and

extolled this courageous policy. By the light of subsequent events it may seem in some particulars to have been overdone, but it was justified by the knowledge which Government possessed at the time, and it was better to go too far on a wise course than to fall short of a great public necessity. You have now before you the full result of the energetic action adopted by the Viceroy in your replenished cash balances, in a restored equilibrium between revenue and expenditure, in the confirmation of public credit in the introduction of a vigilant economy in expenditure. The ends which the Viceroy had at heart have been attained; the first phase of his financial policy was concluded at the moment of his lamented death. If his life had been spared for the benefit of this country, I do not doubt that a second and a different period of his government would have been inaugurated, a period of prudent remission and re-adjustment of imperial taxation for the welfare and contentment of all classes of the people—such a task would have been peculiarly congenial to his humane and temperate intelligence.

"It is acknowledged on all hands that even the first steps in the direction which has been indicated could not have been taken now. No serious remission of taxation can take place without reductions of expenditure, and reductions of expenditure except in emergencies can only be justifiable and useful when maturely considered, cautiously introduced, continuously urged and carried out under the personal impulse and control of the permanent head of the Government. The duty which dropped from the hands of the late Viceroy, and which I could not possibly take up, will be properly assumed by Lord Northbrook, whose ability and varied political experience will enable him to prosecute it with success.

"Having said so much on the general question, I shall only touch upon one of the subordinate topics which have been introduced in this discussion— I mean the question of local and municipal taxation. In this matter I concur in much that has fallen from my Honourable friend Mr. Robinson, and I cannot agree with the spirit of the remarks made by His Honour the Lieutenant-Governor. The Honourable the Lieutenant-Governor in making light of this description of taxation may be right in reference to Bengal, where the system is in its infancy, and where the Government land assessment is so light. But my Honourable friend Mr. Robinson referred to other parts of India, where municipal and local taxation have already assumed formidable proportions, and where they are superadded to a land revenue fully proportioned to the ability of the cultivator. These local taxes are weighty already, they have a tendency to accumulate and expand, and they justify the careful inspection and control of the Supreme Government; on the other hand, I cannot agree with my Honourable friend Mr. Chapman, who seems to consider that the imperial revenue should be kept at a high level in order to increase the provincial appropriations, and thus to enable the subordinate Governments to reduce the local taxation already levied. My Honourable friend advocates a course which I apprehend we cannot follow. The system of local taxation on which we have entered is not one from which we can turn back, or from which we ought to turn back. I concur with my Honourable friend Mr. Strachey in considering that the institution of provincial appropriations, and the development of local and municipal taxation which is indisputably linked with that measure, are among the most important and fruitful innovations which we owe to the Government of the Earl of Mayo. But the late Viceroy, in instituting or stimulating these methods of taxation, did not only regard them as a way of raising money. Municipal and local funds involve municipal and local bodies by which those funds are administered, and in promoting the creation of such bodies the late Viceroy sought, as my Honourable friend Mr. Strachey can testify, not only to procure money for good purposes, but to deposit throughout the country the principles of public spirit and local self-government. The project was not only financial, but social and political. We may indeed, I trust, look for a reduction of taxation hereafter, but I would not look for it, as the Honourable Mr. Chapman does, on the local side. I would look for it on the imperial side. To arrest the project of municipal and local taxation and organization now would be, in my opinion, tantamount to a reversal of the policy originated by the Earl of Mayo,—it would be a retrogressive and reactionary step."

The motion was put and agreed to.

The Honourable Sir Richard Temple then moved that the Bill as amended be passed.

The question being put,

The Council divided—

Ayes.	Noes.
His Excellency the President.	Honourable Mr. Inglis.
His Honour the Lieutenant-Governor.	Honourable Mr. Robinson.
His Excellency the Commander-in-Chief.	Honourable Mr. Stewart.
Honourable Mr. Strachey	
Honourable Sir R. Temple.	
Honourable Mr. Stephen.	
Honourable Mr. Ellis.	
Major General the Honourable H. W. Norman.	
Honourable Mr. Chapman.	
Honourable Mr. Bullen Smith.	

So the Motion was carried.

EXTRADITION BILL.

The Honourable MR. STEPHEN moved that the Report of the Select Committee on the Bill to consolidate and amend the law relating to offences committed in Foreign States be taken into consideration. He said that the question which he thought the Council ought now to consider was whether, under all the circumstances, this Bill ought now to be disposed of. He would shortly state what was the position in which the matter stood, and it would be for the Council to decide whether they would consider the matter now, or consent to its lying over for several months. Considerable complaints had been made by some of the Native States as to the inconvenience to which the present state of things gave rise, and, in consequence of those expressions of opinion, a Resolution was drawn up by the Government of India, and circulated to all the Political Agents, proposing certain changes which were embodied in this Bill. The replies which had been received to that circular had been duly considered, and a Bill founded upon those replies was introduced and published in the Gazette so far back as the second of January last. The Bill had been before the public for upwards of three months. MR. STEPHEN did not think that the Bill as drawn up on that occasion was expressly submitted for the opinions of the Local Governments; but he knew that all the Governments principally interested in the matter had returned expressions of opinion on it. The Bombay Government had stated in answer that they desired that the Bill should be passed. The Government of Madras had answered, also expressing their general concurrence in the provisions of the Bill. The Government of Bengal had not favoured them with any explicit expression of opinion, but they had sent up the opinion of the Commissioner of Burdwan as to the effect the Bill was likely to have on the relations of the Government with the French Settlement of Chandernagore. Those communications were taken into consideration by the Committee, and amendments had been made in the Bill, not with the view of affecting the character of the Bill, but of making its provisions more explicit. The Bill as drawn recited:—

> "Whereas various Courts have been established by the Governor General in Council beyond the limits of British India for the trial of offences committed by British subjects beyond such limits; and whereas it is expedient to consolidate and amend the law relating to such Courts, and to offences committed by British subjects beyond the limits of British India, and to the extradition of criminals."

And then the Bill enabled the Governor General in Council to establish Courts of Justice of criminal jurisdiction in Native States. Those provisions had been explained when the Bill was introduced. The right of the Governor General in Council to establish such Courts, MR. STEPHEN said, was a political question which had to be determined by the Government of India and the Native States concerned. There were, in many parts of India, British Officers who, as Political Agents in Native States, were entrusted with the power to try political offences committed by British subjects in Native States. It was felt, when the Bill was referred to a Select Committee, that the expressions to which allusion had been made were liable to misconstruction. Accordingly, various amendments were introduced, which he hoped would render the provisions of the Bill free from misconstruction. Instead of the preamble to the Bill as originally introduced, the Committee had substituted the preamble to an Act 6 & 7 Vic., known as the Foreign Jurisdiction Act, giving similar powers to British officials in certain cases. And the preamble to the Bill now stood thus:—

> "Whereas by treaty, capitulation, agreement, grant, usage, sufferance, and other lawful means, the Governor General of India in Council has power and jurisdiction

within divers places beyond the limits of British India; and whereas such power and jurisdiction have from time to time been delegated to Political Agents and others acting under the authority of the Governor General in Council; and whereas doubts have arisen how far the exercise of such power and jurisdiction, and the delegation thereof, are controlled by and dependent on the laws of British India; and whereas it is expedient to remove such doubts, and to consolidate and amend the law relating to the exercise and delegation of such a power and jurisdiction, and to offences committed by British subjects beyond the limits of British India, and to the extradition of criminals."

It would be observed that the word "Courts" had been avoided throughout the Bill, and it had been stated that the Governor General in Council might exercise any jurisdiction or power which the Governor General in Council might have exercised before the passing of this Act. The Bill did not alter in any decree the position of the Government with regard to Native States: it merely said that where the Government had power to establish such Courts at present, that power might be exercised in such manner and by such Courts as the Governor General in Council might direct.

His Honour the Lieutenant-Governor had expressed doubts as to the manner in which this Act would affect the relations of the Government with the Settlement of Chandernagore. To that MR. STEPHEN would reply that undoubtedly a British subject who committed a crime at Chandernagore would, under this Bill, be delivered up with a very much greater degree of promptitude than was the case now. It would not in any way affect our relations with the French Government. MR. STEPHEN might state that the Committee had taken into consideration certain objections which had been raised by the Commissioner of Burdwan, who thought they had omitted to put into the Bill certain powers conferred by Act VII. of 1854 for the extradition of criminals. In answer to that, MR. STEPHEN would refer to the provisions of section 14 of the Bill, which embodied the principal provisions of Act VII. of 1854 which were considered necessary to be retained.

He would repeat that the existing law had been found very inconvenient, the Native States having found it very difficult to obtain the extradition of British subjects who had committed offences within their States and sought refuge in British territory. The provisions of this Bill would be a boon to the Native States, and MR. STEPHEN would have wished that the final amendments of the Select Committee had been presented at an earlier date. As he had said before, he was in the hands of the Council as to the course which should be pursued in regard to the Bill.

His HONOUR THE LIEUTENANT-GOVERNOR had been taken by surprise in this matter. He understood that the Bill had been withdrawn and postponed to a more favourable season. But at an early period of HIS HONOUR'S presence in Council that day the Honourable Member had announced to him that it was his intention to proceed with the Bill if there was time. At that time HIS HONOUR was listening to the interesting speech of the Honourable Mr. Robinson on the income-tax. Other Honourable Members followed, and the flood of eloquence was so great that he never imagined there could be time for this other Bill. He must go back and explain his position in regard to this matter. Two or three days ago the Honourable Member told him that it was not his intention to proceed with the Bill: he then communicated with another Honourable Member, and they both felt some doubt, and the result of that communication was that the Honourable Member had himself formally withdrawn the Bill at a late period of the proceedings of the previous day. Objection had been taken to the provisions of this Bill by two or three officers under HIS HONOUR'S Government. One peculiarity in the Bill was that Chandernagore would fall under the category of a Native State, and the appellation was not calculated to foster the cordial relations which had always existed between the Government of Bengal and the authorities of the French Settlement of Chandernagore. It appeared to HIS HONOUR that there was no necessity for this Bill as regards Bengal. The Government had been getting on very well without this Bill, and he thought that this was not a kind of Bill that ought to be brought in and proceeded with in a great hurry. He did not purpose to be obstructive in the matter, but he must wash his hands of all responsibility as regards this Bill, for he did not know anything about it, not being prepared. If the members of the Executive Government would say that, looking to the position of Chandernagore and other European settlements, as well as to the Native States, the Bill was not likely to cause any difficulty in dealing with them, he would refrain from urging any further objections to it; but if it was a Bill got up only by one department of the Government he would press his objection that sufficient time had not been allowed for the consideration of the measure.

The Honourable Mr. Ellis could not agree with His Honour that they were getting on very well without this Bill, or that the relations of the Government with Native States in the matter of extradition were on a satisfactory footing. He had seen the Bill substantially in the form in which it was proposed to pass it, and he believed that it met the requirements of the Native States of the Presidency of Bombay: they were very numerous and of a diversified character. He had at first been of opinion that time should be afforded for the further consideration of this measure, but he had since had the opportunity of knowing that the matter had been fully gone into in Bombay by the Government of Bombay, and that His Excellency the Governor of that Presidency was anxious that the Bill should be passed; therefore, unless His Honour the Lieutenant-Governor had some more specific objections to urge, Mr. Ellis would consider it his duty to support the passing of the Bill.

The Honourable Sir Richard Temple said that [illegible] proceeded with at present it could not be passed for some months, notwithstanding his knowledge, the matter had been for some time past under discussion; and considering that it had been carefully considered by his Honourable friend Mr. Stephen, in consultation with the Foreign Secretary, who had given long-sustained attention to the matter, he thought that there could be no objection to the passing of the Bill at once.

The Motion was put and agreed to.

The Honourable Mr. Stephen then moved that the Bill as amended be passed. In doing so, he observed that the Bill had been very carefully considered in detail by the Select Committee, and had been drawn in the Legislative Department in consultation and communication with the Foreign Department. Every Political Agent in the country had had an opportunity of expressing an opinion upon the provisions of the Bill, and we were roughly in possession of the opinion of every Local Government interested in the matter.

The Honourable Mr. Strachey said that, with reference to the remarks which had fallen from His Honour the Lieutenant-Governor, he wished to say that he had himself thought the Bill might without any disadvantage be postponed; but he was now satisfied that it would be wiser to proceed with it at once. This was the last occasion upon which the Council would have the advantage of the Honourable Mr. Stephen's presence. He had studied the whole matter most carefully, and he thought the Council ought to avail themselves of the great advantage of his advice. It would be hardly fair to the Honourable Member's successor to throw on him immediately upon his arrival the labour of going into this most delicate and intricate subject. Mr. Strachey had no doubt that the subject had been most carefully considered, and he would therefore vote in favour of the passing of the Bill.

His Honour the Lieutenant-Governor said that he accepted this Bill as a Bill placed before the Council by the Government of India which the Government asked the Council to pass, and in that view he would not oppose the passing of the Bill.

The Motion was put and agreed to.

The Council adjourned *sine die*.

H. S. CUNNINGHAM,

Officiating Secretary to the Council of the Governor General for making Laws and Regulations.

Calcutta,
The 17th April 1872.

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