


THE



Bombay Government Gazette.

Published by Authority.

TUESDAY, 11TH APRIL 1871.

 Separate paging is given to this Part, in order that it may be filed as a separate compilation.

PART V.

PROCEEDINGS 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 Friday, the 17th March 1871.

PRESENT:

His Excellency the VICEROY and GOVERNOR GENERAL of INDIA, K.P., G.M.S.I., *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.
 Colonel the Honourable R. STRACHEY, C.S.I.
 The Honourable F. S. CHAPMAN.
 The Honourable J. R. BULLEN SMITH.
 The Honourable F. R. COCKERELL.
 The Honourable J. F. D. INGLIS.
 The Honourable D. COWIE.
 The Honourable W. ROBINSON, C.S.I.

BROACH TALUQDA'RS' RELIEF BILL.

The Honourable Mr. CHAPMAN, in asking for leave to postpone the presentation of the report of the Select Committee on the Bill to relieve from incumbrances the estates of Taluqdárs in Broach, said he had only that morning received a communication from the Bombay Government which he wished to place before the Select Committee before they made their final report.

Leave was granted.

STEAMER SURVEY (RANGOON) BILL.

The Honourable Mr. CHAPMAN also introduced the Bill to provide for the survey of steam vessels in the Port of Rangoon, and moved that it be referred to a Select Committee with instructions to report in a week. He did not think it necessary to trouble the Council with any explanation in detail of the provisions of this Bill. The Bill was nothing more than the law at present in force under local legislation in Calcutta and Bombay, and would enable the Chief Commissioner of British Burma to have steam vessels surveyed in the same manner as was done at present in Calcutta and Bombay.

The Motion was put and agreed to.

INCOME TAX BILL.

The Honourable Mr. STEPHEN asked His Excellency the President to suspend the Rule for the Conduct of Business which provided that a Bill must be in the hands of Honourable Members a fortnight before it could be introduced. He made this request in order that the Bill for imposing duties on income might be introduced. The Bill had been published in the *Gazette* for nearly a week.

The President declared the Rule suspended.

The Honourable Sir RICHARD TEMPLE introduced the Bill for imposing duties on income, and moved that it be referred to a Select Committee with instructions to report in a week. He said that although the Bill might have been a very few days in the hands of Honourable Members, still the most ample publication had been given to the Bill for some days past, and he believed, therefore, that the object and intention of the Rules of the Council had been given full effect to. On the 9th of this month he obtained leave to introduce this Bill, for the reasons which he then submitted at considerable length to the Council. When the Council gave leave to introduce this Bill, he presumed that they were, or at least a majority of them, satisfied that some such measure as he then recommended on behalf of the Government of India was necessary. On that assumption, he would not at the present moment at all attempt to recapitulate any of the grounds which he then brought forward. He would restrict himself at present simply to introducing the Bill, and would endeavour by a few brief remarks to show that the Bill did really and truly carry out, as explained in his last exposition, what he presumed had the general approval of the Honourable Members present. He had said that the most important provisions of the Bill were those which related to the rate of assessment and the classes of incomes to be assessed. The present Income Tax Act (XVI. of 1870) imposed a duty of $3\frac{1}{2}$ per cent., or six pies in the rupee, on all incomes of Rs. 500 and upwards. The new Bill imposed a rate of only $1\frac{1}{4}$ per cent., or two pies in the rupee, and it would affect only incomes exceeding Rs. 750 per annum. He need not enlarge on either of those important provisions, as they were fully explained in his exposition.

Besides these, there were certain changes introduced in this Bill as compared with the existing law. There were eleven points in which these changes were proposed, to each of which he would, with His Excellency's permission, briefly refer.

If the Council would refer to the 13th section of the Bill, they would find that the Collector was empowered, on the present occasion, to require officers of companies and corporations to attend and produce accounts. The reason for this amendment had arisen in this way. The Council would recollect that companies and corporations were assessed on their published returns. In the case of individuals, where the Collector had doubts, he surcharged, notwithstanding that such charge might not be strictly in accordance with the returns before him; but in the case of companies and corporations, the Collector had nothing but the return to go upon; there was no provision for surcharging them.

That being the case, it became of great importance that the return should be strictly and correctly rendered according to the requirements of the law, and if the Collector had any doubt of the accuracy of the return, he might be able, by the examination of details and by the attendance of the Secretary or other responsible officer of the company who rendered the account, to satisfy himself of the correctness of the return. There were instances known of returns which were found not correct, notwithstanding the perfect *bonâ fides* of the person rendering them. Mistakes might be made from misapprehension, and instances had occurred of companies and corporations voluntarily amending mistakes which had occurred; and under these circumstances it was deemed of great importance that the Collector should have the power of examining the returning officer touching any points on which he might have doubts. This condition would be generally admitted to be reasonable.

The next point was this. If the Council would refer to the 15th and 16th sections of the Bill, they would find that the duty on Government securities must be deducted at the place where the interest was paid. The Council would see that the real object of this provision was to provide for the complete taxation of incomes derived from Government securities. It would be in the recollection of the Council that Mr. Wilson's Income Tax Act of 1860 did provide, in the same manner as now provided, for the taxing of this class of incomes at its source, that is to say, at the places where interest was paid. When that Act expired, and Mr. Massey's License Tax and Certificate Tax Bills were passed, those taxes being merely taxes on trades and professions, it was not found necessary, and indeed it was not deemed proper, to make any strict provision for taxing incomes derived from the Funds. In 1869, when these two License Acts were followed by an Income Tax Act, the new Income Tax Act being intended to be a very light one, and using only the somewhat rough procedure of the License Tax, no specific provision was made with regard to incomes derived from the Funds. The same course was followed in the Income Tax Act of the present year, 1870-71. During this year we found, on full consideration, that this important class of incomes could not be properly taxed, unless some such provision as that which we now proposed was introduced. No doubt, returns being called for of all classes of income, it might be presumed that the persons from whom these returns were demanded would include incomes derived from the Funds, and in many cases the returns did include such income. Still, it was a known fact that, from some misapprehension or other cause, in many instances, incomes derived from the Funds were not included in the returns, and were therefore not brought under assessment. That was one reason for the introduction of the provision to which he was alluding. Another and more important reason was this, that without this provision it was impossible to tax incomes derived from what was known as enfaced paper. It was a common practice for parties in this country to send Home their Government promissory notes duly enfaced for payment of interest in London. Mr. Wilson's Income Tax Act specifically provided for the taxing of incomes derived from enfaced paper; consequently, when enfacement was made for the payment in London of interest on Government securities, there was a provision that such interest should be paid subject to the deduction of the income-tax. This condition ceased with the expiry of that Act, and all paper enfaced for the payment of interest in England was enfaced without this condition. In that way, several millions worth of Government securities were sent Home for the payment of interest there; for, of course, the practice of enfacing paper for the payment of interest in London continued during the period of the License and Certificate Tax Acts of 1867-68-69 and during the period of the two Income Tax Acts since passed. But early in the current year, when we saw that it would become absolutely necessary to tax incomes, we inserted, in all enfacements made in 1870-71, a condition that the interest should be liable to this deduction whenever the legislature might so direct. During the current year, some two or three millions worth of additional paper had been sent Home, and if the proposal now made were assented to by the Council, the whole of the interest on that amount of securities would be bound by this condition; moreover, it had so happened that, in the course of trade and from other causes, most of the enfaced paper, or at least a great deal of it, found its way back to the country, and afterwards again returned to England. Of course, if it came back to us and had to be re-enfaced, we should be able to insert this condition. The amount at present thus held was very considerable. It was about seventeen millions sterling, and without the provision which it was proposed to insert in the bill, incomes from that large amount of property would escape taxation. Considering that the object of the Bill was to tax all classes and all kinds of income alike in the most even and just manner, he was sure that the Council would approve of the justice of this provision.

The third point to which he would refer was this. The Council would see that, by the 22nd section of the Bill, the owners of lands or houses occupying the same would be chargeable, in respect of the annual value thereof, at the "rack-rent" at which such lands or houses were worth to be let for the year; and a definition of "rack-rent" was inserted in the Bill. The meaning of the provision was this, that if the proprietor of a house lived in his own house, the rack-rent of the house, that was to say the equitable market-rate at which the house might be expected to let, was to be considered just as much a part of his income as if he had let the house. That, he apprehended, was a perfectly just provision, and was one which was inserted in the first Income Tax Act. It was not specifically inserted in the Acts subsequently passed, but a condition to the very effect was inserted in the rules for the guidance of Collectors, which were passed by the Executive Government in accordance with the power given to the Government by those Acts. However, legal doubts had arisen as to whether it was competent to the Executive Government to insert such a condition in the rules, when no provision to that effect was contained in the Act under which those rules were made.

The fourth point was this. By section 23, the Council would find that the Collector would be bound to serve a notice, in the case of every person chargeable under the Act whose annual income or profits was, in the Collector's opinion, four thousand rupees or upwards. The question of calling for returns, as the Council knew, had always been a vexed one. The object of the Government in making this provision was that as few returns as possible should be required; indeed, that they should not be required at all, from all the smaller classes of tax-payers. But it was found that the assessment could not be made on the larger incomes unless on the basis of a return. The question then was, to what limit should the requiring of returns be restricted? The limit under the existing Act was two thousand rupees; that was, however, considered too low, and might lead to more inquisition than was desirable. Considering that this was a provision solely to save trouble to the tax-payers, he was sanguine that the Council would approve of it.

The fifth point was this. Every person served with a notice would be required to return his income for the three years before the date of the notice, and state the period during which such income had accrued. To this point he might add the sixth, which was that the assessment would be made, according to section 27, on the average of the income of the three years preceding, and such average would be computed upon the period during which the income had actually accrued. The meaning of that was, that every tax-payer of the higher classes should give in a return for three years, and the assessment would be made on the average of the three years preceding. This, perhaps, was of some importance in respect to assessment. The Council would recollect that, in the first Income Tax Act, the law was, that every person liable to the payment of the tax was to render a return for the year preceding, and on that return the assessment was to be made; if the correctness of the return was doubted by the Collector, he might surcharge. It was felt to be rather an invidious task to surcharge at all. But if you did surcharge, you must surcharge on one year's return. That raised a certain amount of controversy between the Collector and the tax-payer; and in the existing law, we provided that the Collector was not bound to assess on the return of the preceding year, but he was to make an assessment on the datum of that return for the next year. The tax-payer was to make a return for the year preceding, and to state, as a matter of anticipation, whether he expected a large or a small income for the year to come. The Collector also was to make an estimate in anticipation, and it was presumed that the mean between these two would be about the income realized. He found that this provision, though milder than that contained in the first Act, also led to a good deal of regrettable controversy between the tax-gatherer and tax-payer. After full consideration, the course we proposed to adopt was this, that the return should embrace a period of three years, and that the assessment must be made, without any question of estimate or anticipation, on the returns so made. If the Collector had a doubt, he could surcharge on those returns; but still the assessment was to be made on the basis of those returns. If these returns were made with anything like correctness, then it must be presumed that the average of the three years would represent the ordinary income of the succeeding year.

The seventh point was this. In section 36, the Council would find that legal practitioners would be excluded from appearing in support of any petition or appeal under this Act. It would be found that there was a similar provision in the Income Tax Act passed in 1860. It was found practically necessary for the good of our Native fellow-subjects that some such provision should be made. This was proposed without any derogation from the respect due to the legal profession. Generally, no doubt, in the presidency towns, the legal profession held a very high status in the public estimation, and no doubt the advice of such practitioners would be very valuable to tax-payers; but the fact was that, in the interior of the country, the Native branch of the profession notoriously did not hold the same status. There were many persons practising that profession who thought, not so much of their own reputation, as of getting their unfortunate clients into a position whereby their own remuneration might be increased; and it was found that, in many places, these gentlemen waited outside the Collector's doors, and without informing themselves of the facts of the case, advised the tax-payer to make an appeal. Of course, the appeal failed, and the tax-payer, who was sorry to have to pay the tax, was still more so to have to pay also for professional advice. The provisions of the law being extremely simple, it was thought better to interdict the employment of the legal profession. He was confident that a good deal of trouble would be saved, not only to Europeans, but to our Native fellow-subjects, and that no injustice would ensue from this prohibition.

The eighth point was this. Section 37 provided that payment of the tax would be permissible in two, instead of four, instalments. The quarterly payment condition was inserted

in the existing law for this reason, that the rate of the tax was somewhat high, and it was supposed that the tax-payers would find relief in paying the tax by quarterly instalments. But now that we proposed to reduce the rate of taxation so much, we believed that quarterly instalments would be no longer necessary; and it was thought that it would quite suffice for the convenience of the tax-payer that he should now pay half-yearly.

Point nine was this. The Council would find that, by section 39, all sums due under the Act would be recoverable as if they were arrears of land-revenue. The meaning of that provision was this. The existing law provided that, if the tax-payer defaulted, the agency of the Police and Magistrates—in fact, the Criminal Procedure to some extent—should be employed. That did appear a rather severe and summary proceeding; and, perhaps, that derogatory mode of enforcing the payment of the tax, which was nothing more than a civil obligation, was not very considerate to the tax-payers. It was not thought desirable that such apparent severity should be employed. It was considered that the provisions for the recovery of the land-revenue, which were most appropriate and best understood throughout the country, both in the presidency towns and in the interior, were quite sufficient for the purpose and more considerate.

Point ten was in allusion to section 40 of the Bill, from which the Council would perceive that powers were given to amend the assessment when a person assessed proved that his income had diminished, or that he had given up his business, or when it is proved that he had died or become insolvent. There was no reason why an assessment once made should not be reduced during the currency of the year. Of course, as a general rule, it was of great importance that an assessment, once finally made, should not be subject to revision. If it were not so, it would give rise to doubts and possible misapprehensions. Nevertheless, cases did arise, which would readily suggest themselves to the Council, in which the tax-payer, having been assessed at the beginning of the year, either changed his employment or profession, or went home, or made some other modification in his arrangements, which made him not fairly chargeable with the tax at which he was assessed. A merchant in great business at the beginning of the year, after being assessed, might find it necessary to retire in the course of that year; and it was considered unfair that he should pay a high income-tax for the second half of the year when he had given up business. A case had occurred lately, in which a barrister of great talents, had at the commencement of the year, accepted a seat on the bench. Although that change added to his dignity in office, it would have the effect of very much reducing his income; and it was considered fair that, during his continuance on the Bench, he should not pay so high as when he was in practice at the Bar. And many other cases might occur, which would show the Council how just it was that there should be some provision to meet such cases.

The eleventh and last point was, that the Board of Revenue of Calcutta had furnished us with various valuable criticisms on the details of the Bill; all of which he proposed should be submitted to the Select Committee for their consideration. One important point which the Board raised was about the mode of taxing that peculiar institution called the "joint undivided Hindú family." Those acquainted with the presidency towns would know that such cases had given rise to many intricate questions, which we had not overlooked; but on a full consideration and the equity of the case, we had not proposed any change. If the Board could show any special causes for reconsidering this point, we should be happy to reconsider it in Committee.

There was one more point he had omitted to mention, and it was this, that all orders made under the Act would be final, and that the proceedings of the Collector or Commissioner would not be removeable to, or subject to the revision of, any Court. This was a provision he need not enlarge upon very much. There were ample tribunals of different grades provided in the Revenue Department in matters of appeal, and it did not seem necessary there should be any further questions raised before the judicial tribunals.

These were all the remarks he proposed to make; and he would not trouble His Excellency and the Council with any further observations, but proceed to introduce the Bill.

The Honourable Mr. ROBINSON was emboldened by His Excellency's known willingness that the financial policy of the Government of India should undergo frank discussion at this time, to express an opinion on the Bill now submitted to this Council, although that opinion was adverse to its policy.

At the same time, he felt that it might appear presumptuous for a country-cousin like himself to venture to offer remarks on the aggregates of the many budgets of receipts and disbursements for the entire empire, which were of course shown without the details upon which they were based.

But he dared not deny that the impression produced upon his mind by a study of what had been so ably submitted to this Council was that, on the one side, the estimate of revenues for the coming year was pitched unduly low, at a time when the prosperous condition of the country, and the efficiency of the administration, might safely justify a bolder and richer estimate of income; while on the other side, an increase of charges seemed to indicate undue relaxation of that wholesome economy which had done such credit to the present administration of the finances of India. On the whole, he fully thought that the ostensible budget-deficit of £509,000 might safely be treated as in a great measure unreal, and that it would disappear under a fairer estimate of income and persistent economy in expenditure. And he need scarcely add that, with its disappearance, an imaginary plea for continuing the income-tax, by which it was proposed to meet it, was silenced.

Mr. ROBINSON observed that the estimate of Land Revenue for 1871-72 was taken at £300,000 below the actuals of 1869-70. This might be the aggregate of the local budgets for the year; but, conscious as he was of the exceeding caution with which those estimates were framed by local officers, and observant as he had been of the steady and certain advance of this important source of revenue, by extended cultivation and enhanced settlements, he felt that we might confidently invite the Government of India to accept a higher estimate of Land Revenue for the budget under review. Undue caution, probably, characterised the local budget-estimates of all parts of the empire, and caused needless moderation in the general estimate of income; indeed, the regular estimate for the current year exceeded the budget-estimate by £100,000.

Be this as it might, he felt certain that the steady development of this source of revenue, and the progressive enhancements of the old demands, now in course under new settlements, fully justified confidence that the Land Revenue of 1871-72 would not fall short of the actuals of 1869-70; and that £200,000, if not £300,000, might safely be added to the Income side of the present budget on this account.

Under the head of Excise on Spirits, the actuals of 1869-70 were £2,255,000. The revenue from this source in the current year would not fall short of £2,358,000, being an advance of more than £100,000. There was certainly no obvious ground for anticipating, as was done in the budget-estimate before us, an actual falling off in this important and steadily advancing head of revenue throughout the empire.

The same remark applied to the Customs. The actuals of 1869-70 showed an income of £2,430,000 from this source. The revenues of *this* year of great commercial depression, which was just closing, would amount to £2,558,000, being an advance of nearly £130,000. He thought that, with every probability of a reaction in favour of trade, consequent on a restored peace, it was wrong to assume an absolutely stationary condition of the Customs Revenues, and that the estimates might well and safely provide a liberal increase under this head. A like advance in the year before us would add £130,000 to its income.

He thought that Salt would not fail for a better out-turn than was estimated. And he hoped that the Stamp-law and Court Fees' Act would operate more remuneratively than was anticipated in this budget.

Receipts from Public Works Ordinary were set down in the budget before us at £60,000 below the actuals of 1869-70; and the Irrigation revenues at £40,000 to the bad, when compared with the same standard.

On the whole, he thought that the estimate of Income was too low, and he considered that a moderate, but perfectly justifiable, addition thereto would at once remove any illusory deficit; and with it should efface the blot which the suggested retention of the income-tax in any form put on the financial proposals for the year.

	£
4. Land Revenue ...	120,500
5. Forest ...	65,100
6. Excise ...	21,400
8. Customs ...	8,400
9. Salt ...	46,200
10. Opium ...	37,900
11. Stamps and Stationery	11,600
15. Administration ...	74,200
16. Minor Departments	16,700
19. Ecclesiastical ...	11,200
	<hr/>
	£ 413,200

Again, the Expenditure side of the Imperial Accounts showed, he thought, just cause for regret. We had a long array of items of increased charge (as compared with the regular estimate of the current year of jealous economy), in respect to a variety of services, amounting on the whole to £413,000. So far as these additional charges had been explained to us, they were sought to be justified as being anticipatory of an increased revenue under the various heads. For this response he had, as stated before, searched, in some respects, in vain on the Income side.

Some of these increased charges, he doubted not, would

be found susceptible of moderate diminution in any case; and others should clearly be required to stand over, until equilibrium was restored by other means than by continuing the income-tax, even in a modified form.

Further adjustments might clearly be made by slightly reducing the grant for Public Works Ordinary; and projects which had already stood over long might well await an equilibrium derived from ordinary sources of revenue, unless the Government of India were willing to adopt, as they safely might, a better budget of income.

On the whole, a deep conviction had been created in his mind by the examination of the budget, that if the Honourable Finance Member were earnestly desirous to relieve the people from this, to them very offensive and inquisitorial, tax, he might on this occasion enable the Government of India to do so with perfect safety, and without in any way endangering the financial equilibrium, or unreasonably impairing the efficiency of the State services. And we might, Mr. ROBINSON thought, confidently invite the Government of India boldly and generously to undertake the financial administration of this year on the abundant and prosperous income which the country would assuredly render, without resorting to a tax, which the embittered feelings of the people and the, to them, costly administrative changes which had been inaugurated during the year, had made it both necessary and possible to abandon.

Mr. ROBINSON would not trouble this Council with general observations on the subject of an income-tax *per se* as a means of raising imperial revenue. It was unsuited in the main to the conditions of India. It was, in the form presented to us, a purely English source of taxation, and it certainly suited a country where there was no land-tax, as in India; a country which was increasingly becoming an *entrepôt* of commerce and manufacture, where the bulk of the population was ceasing to be agricultural, and where capital was mostly employed in other industries. For in England—

“in the course of one generation, the proportion of the population employed in agriculture had diminished from one-third to one-tenth. In 1831, it was twenty-eight per cent; in 1861, ten per cent—”

and the census of 1871 would probably disclose a still more surprising condition of industry and capital. In England, then, this tax was generally equitable and clearly in its place. And he would willingly see it continued in those towns of this country where anything like similar conditions prevailed.

But we had no instance of the successful application of an income-tax of this kind to a poor agricultural country like India, where every condition of taxation and of society, property and capital, was absolutely reversed. He was perfectly satisfied that this form of taxation was eminently unsuited to, and absolutely unfair in this land of small peasant farmers and moderate proprietors; where agriculture was almost the only important industry and employed eighty per cent. of an indigent population; and where, probably, nearly one-half of the average profits of *all* agricultural toil, industry and capital was already swept away by crushing taxation, to pay Military charges and the interest on old War Loans, and for the costly administration of the most expensive nation in the world. An income-tax was, he thought, utterly out of place, and inequitable, amongst an agricultural population already placed relatively at great disadvantage as respects taxation. And the inequitableness of this additional tax on their profits was, at this moment, enhanced by the fact that it operated in further diminution of agricultural profits, at a time when these were already in course of serious additional narrowing under the revised settlements which were being carried out throughout the length and breadth of the land, and were likely to diminish seriously the value of all landed property as an investment and a means of livelihood.

The Government of India had before them papers from Madras which showed how utterly impossible it was to assess equitably landed incomes in this country—and in almost every income-tax assessment the land question was involved—without disturbing, far and wide, existing conditions, exciting deep agrarian discontent, and causing much confusion, oppression, and corruption. The “rack-rent” of landed property could not be ascertained without inquisitorial measures, and a departure from the existing system of land administration, which would cause serious dissatisfaction. In short, he considered that the levy of an income-tax on *agricultural* interests, as they now presented themselves in India, was impolitic and inequitable, and now, he believed, happily needless.

With respect to the monied interests of this country, a plea for levying an income-tax, were it necessary, was certainly more valid. He would willingly see the income-tax continued in the presidency towns and in some large cities in the Gangetic valley, and at the *entrepôts*

of the cotton trade in Bombay. But as respects the vast number of Native saocars and money-lenders who came under its operation in aricultural parts of the country, he thought that the money which was in their hands was practically agricultural capital in another form. The Native bankers it was, who, in a great measure, enabled agriculture to go on at all, and to be extended. They supplied the needy cultivators with the capital which they required and provided them with what their landlords failed to give them. They brought the crops into advantageous markets; and, lastly, they furnished in a great measure the means for the punctual realisation by Government of the periodical instalments of the land-revenue. Much, and very often most thoughtlessly, as this class of men was abused, none more deserved consideration and liberality at the hands of the State. And they might well be excused special taxation, save for provincial purposes, more especially as it was now unnecessary.

As before said, there were classes of capitalists, manufacturers, merchants, bankers, and dealers in the presidency towns and in a few up-country cities, as well as some well-paid officials and salaried servants, whom he would like to see reached by an income-tax, even at a heavier rate than that proposed. But he was aware that the line could not be drawn; and rather than involve the far vaster, and now heavily taxed, agricultural interests in this vexatious and needless supplemental measure of taxation, or tax agricultural capital, he would concede immunity to these very limited classes, and leave them also to the mercies of the provincial tax-gatherer, whose exertions would, in South India at least, relieve the State Fisc of all further burdens for Police, Jails, Education, and other important branches of costly administration.

He need scarcely add that the *modus operandi* of this measure of taxation furnished another most serious objection to its needless continuance. In England, there was some morality amongst income-tax assessors and assessees, feeble as this instinct was, even there, amongst the latter. In this country, he was sorry to say that, almost universally, only the worst instincts were roused and exercised on both sides under the operation of this measure. Any one practically acquainted with the working of the income-tax knew that the whole thing, from one end of the country to the other, was an unseemly and demoralising wrangle between the lower orders of Government officials and the people of *all* classes—for, from interested motives, the challenge was carried far below the classes intended to be taxed, and exemption-fees were levied by threats far and wide—a wrangle in which the superior orders of Government officials rarely found that they could act as umpires equitably or to their own satisfaction. Bewildering inability to reach the truth, unfair challenge and surcharge, and too often oppression, partiality, and corruption, on the one side, were met by disingenuousness and cringing, and too often by lying and bribery, on the other. He was perfectly satisfied it was not worth the while of an honourable Government, which was deeply interested in the moral well-being of this people, and in the integrity of their public services, to endeavour to recoup a more or less illusory adverse balance of £500,000, in a generous revenue of fifty millions, at that price, in the demoralisation of their subordinate public servants and ill-will amongst the people, which was now most unquestionably being paid, in levying the income-tax as was now done and must continue under the policy of this Bill. The Honourable Sir Richard Temple promised a revival of virtue from his moderation, and from slightly narrowing the apparent field for oppression and corruption, by the higher standard of incomes which he proposed to tax. Mr. ROBINSON could only assure him that such virtuous dreams could not be realised in this country, when his fiscal measures gave such scope for ill-doing, alike amongst assessors and assessees.

On this score, if on no other, Mr. ROBINSON would most earnestly deprecate a needless continuance of this tax. Its main practical evils lay, not in the rate charged, but in the absence, on all sides, of qualities for which we must search in vain for the present in this country. To keep up the tax at a smaller rate was merely to maintain all its evils for the sake of a greatly diminished return. To continue the impost that the hands of the establishments might not lose their cunning, was to prolong all this wrong and evil under a bitter and hopeless menace as respects the future.

But it was chiefly on account of the great development which provincial taxation had attained of late years, and of the increased local burdens which had recently been enjoined on the Local Governments by the late measures of the Government of India, that Mr. ROBINSON would ask the Government of India to give brilliancy to the wise administrative policy now inaugurated, and to lighten the fiscal sorrows of the people by a *generous* renunciation of this futile and vexatious impost.

He must not be misunderstood as disapproving, either of liberal provincial taxation, or of the administrative changes, which, he trusted, were merely the beginnings of more complete

adjustments under stringent central control. The reverse was the fact. But he thought that this feature of change to which he alluded scarcely attracted the attention which it deserved as a whole. The number of Bills about to be brought before this Council for increasing the taxation of populations in respect of whom they legislated, should, however, suffice to awaken some interest, if not apprehension, in our minds as to what was before the country, and, he hoped, excite our sympathies.

Mr. ROBINSON need scarcely say that the Resolution of December last was not a *financial adjustment* as between the State and the taxpayers under the various administrations of the country; for we could scarcely view, as such, a Resolution by which certain services were transferred to local management, with grants which were—for instance, in the Presidency of Madras, £55,000 less than these services were costing during the current year—a cost in itself inadequate for the purposes. It was *no* financial adjustment which assigned about a hundred thousand pounds for the future education of 28 millions, who contributed a steadily increasing revenue of eight millions sterling to the imperial Fisc. The Resolution did confer very anxious liberties on local administrations, but it encouraged additional taxation for the people, which, unless it were jealously controlled, they would find it hard enough to bear with equanimity.

Mr. ROBINSON hoped that other members would lay before this Council the condition of the provinces with which they were respectively acquainted, as regards their provincial taxation, more especially of agricultural parts. He ventured, even at the hazard of occupying more of the Council's time, to state in some detail that of the Madras Presidency. He must again add that he did so in no spirit of cavil or wish to exaggerate.

The existing provincial taxation of Madras might, for practical purposes, be described as in the main comprised under three local Acts and their recent modifications—omitting for the present the presidency town, where between £66,000 and £70,000 were raised for municipal purposes.

The new Bills had not reached Calcutta in their final shape, and he spoke therefore under correction.

These enactments were—

- I.—The Village Service Cess Act of 1864;
- II.—The Rural Municipal Townships Act of 1865; and
- III.—The Road Cess Act, 1866.

There might be other minor taxing enactments; but he refrained from troubling the Council by describing them and their effects.

The village service cess consisted of a rate of one anna per rupee of the land-revenue demand, or an additional taxation of six and a quarter per cent. on all the ryotwári cultivation of the country. The measure was about to be extended to zamindári tracts, and would then involve a demand of, more or less, £400,000 a year for the entire Presidency. There were however, some sets-off by resumed tax-free land, &c., which he ventured to hope might operate to reduce the entire prospective burden to £300,000 a year or thereabout. In theory, this tax was imposed in lieu of the grain-fees, &c., which were, in parts, leviable in early times by the village servants, for services rendered to the State and the community. But as these small and nearly obsolete grain contributions, if they ever were fully realised, fell very far short of the demand as above stated, the tax was, for all practical purposes, in a great measure a new burden on the agricultural community throughout the Presidency. The services performed by the village establishments, who were now to be paid by the rate-payers, were in the main State services, connected with the realisation of the revenue and administration of justice.

The new Act was being gradually extended to each district, as the revised revenue settlements were introduced and local arrangements for the charge were completed. The tax had already been introduced into several districts at a cost, last year, of £40,000 to £50,000 (if his recollection served him right). During the year to which the budget before the Council referred, it would be extended to several others, with an enhancement of taxation which might possibly reach £70,000 to £80,000. As all districts become involved in the measure, the full charge would fall little short of £300,000, and shortly this sum would be reached. The Income Tax Bill would subject much of this landed property to additional rates.

The next measure in point of time was the Rural Townships' Improvements Act of 1865. It had been extended to forty-four provincial townships, and he found that the nett collection

all State services might be met from the other prosperous sources of revenue; because the income-tax was unsuited to most of the conditions of property in this country, and was inequitable as a general tax; because its enforcement was demoralising and oppressive; because it was utterly unpopular and offensive; and because the progress of provincial taxation was assuming very serious dimensions, and practically removed any plea or necessity for applying this measure.

The Honourable Mr. Cowie said that, in listening to the Honourable Member's Financial Statement last week, it was matter of deep regret to him to find that, in the twelve months which had elapsed since we last discussed this vexed question of an income-tax, Sir Richard Temple had been quite unable to find any substitute for it. To avoid a deficit, or to ensure a surplus, the Finance Minister could apparently suggest nothing but the retention of a certain percentage—he might say a very vulgar fraction—of a tax which millions had pronounced, with curses not loud but deep, oppressive and odious, to which he added vague guesses at the result of an opium crop. On these two items, apparently, hung his financial measures for the year.

Now, Mr. Cowie's earnest wish would have been to see the income-tax swept away altogether, but at this late point of the financial year, he could hardly hope for that concession. He maintained, however, that if it was still imposed, the Government were bound to remove the export-duty on rice, a duty which nothing but financial difficulties ever sanctioned. Mr. Cowie imagined the Honourable Member would have an orthodox horror of coming before the public with an estimated small deficit not provided for, but what would that be, contrasted with a budget which actual results showed to have been £744,000 under-estimated.

Believing it was hopeless to expect to see the income-tax finally buried this year, he confined himself to desiring the withdrawal of two of its most objectionable features.

He had given formal notice, last Monday, of two amendments; one to restrict the minimum for taxation to Rs. 83-5-4 per mensem, or Rs. 1,000 per annum, and the other to limit the operation of the Act to the 31st March 1872; and considering these to be questions more of principle than of detail, he wished them placed before the Council prior to the Bill being sent to a Select Committee. The learned Secretary to the Council informed him that this would be opposed to our Rules for the Conduct of Business; but Mr. Cowie might remind the Council that, by the 40th and last rule, the President had the power of suspending any of the rules, and if that power were now exercised, we might have the opportunity of discussing and voting upon these two questions to-day.

With regard to his first suggested amendment, he would record his belief that instances of vexatious oppression endured by the poorer class of taxpayers were very much more numerous than the Honourable Member, in his exposition of Thursday last, seemed disposed to admit; and the raising of the limit of taxation appeared to Mr. Cowie the short and simple method of lessening that oppression, leaving the tax to be borne by those who were best able to wage war with its iniquities.

His second amendment was induced by a conviction that a Bill unlimited in point of time was a tacit notice to the public that Government proposed to make the tax permanent, and in the case of an income-tax, he earnestly protested against that view in the name of the common sense of the people of India. It was essentially a tax for an emergency, and not for time of peace. One other feature of the Honourable Member's statement Mr. Cowie would desire to notice, and with anything but approbation. He referred to the enormous cash balances, which had now reached the unprecedented sum of sixteen millions. Two years ago, in this Council Chamber, Mr. Cowie suggested that the use of railways and telegraphs ought materially to economize the use of the State cash-balances, a safe average for which was usually reckoned at ten millions. They had ever since gone on increasing. Surely, to hold sixteen millions utterly unproductive, when you were paying interest to fundholders on eighty or ninety millions, was very questionable financing. Was it no presumptive evidence that you had borrowed too largely, taxed too heavily, or spent too little, and would not both fundholder and taxpayer laugh to scorn the last assumption of the three? Mr. Cowie would now respectfully ask His Excellency to make such suspension of the rules as might admit of his two amendments, notice of which was duly lodged with the Secretary four days ago, being open to discussion and division to-day, so that the Bill before them might go to the Select Committee shorn of two of its most objectionable features.

The Honourable Mr. Inglis would vote against the introduction of this Bill. He did so because his experience of the working of the income-tax during the year it had been in force in India convinced him that it was a tax altogether unsuited to the people of this country,

and because he knew that its imposition was attended with very many serious evil consequences which ought not to be disregarded by any Government.

There was probably no member of this Council who had had better opportunities than he had had for forming an opinion on this tax. He had had to assess it as Collector, to hear appeals against it as Commissioner, and latterly to look after the assessment of the whole of the North-Western Provinces as a Member of the Board of Revenue, and he had no hesitation in saying, in the words used by the Local Taxation Committee assembled last year in the North-West, when speaking of the income-tax "that it was a tax odious to the people and odious to the officers who had to assess and collect it." He believed that this opinion was held by every officer who had had to take an active part in assessing the tax. The causes of this were not far to seek. The people detested the tax in consequence of the inquisition, oppression and extortion, which everywhere accompanied its enforcement; the officers of Government hated it because they saw all these evil practices going on around them, while they were powerless to put a stop to them.

The area of the districts was so large and the population so great, that it was impossible for any Collector to make the assessments himself. He was consequently compelled to employ a lot of underpaid Natives to prepare the lists of persons liable to assessment, and had to rely on information which he well knew to be untrustworthy, when estimating the amount to be charged on each person.

It frequently happened that a Collector had not been in charge of a district more than a few weeks, or even days, when he was called upon to assess it to the income-tax. He was consequently in total ignorance of the circumstances of the people he had to assess, and did not know where to turn to for information on which he could rely, to enable him to form an opinion on the returns sent in. He felt that he was working in the dark; that with the best intentions, and with the most earnest desire to do right, he was probably every day committing the most frightful injustice.

It was this groping about in the dark, this uncertainty, this impossibility of obtaining any reliable data on which to base the assessments, that made the tax so hateful to the officer who had to assess it, and to the people who had to pay it. It was just the same with the income-tax of 1860. The returns of that tax, published afterwards, showed that no less than 93 per cent. of the assessments were surcharges, and a surcharge to the income-tax meant nothing more nor less than a guess made by an assessor on information which was worth nothing. The guess might be high, or it might be too low, but no one could tell which, but most assuredly it had no relation whatever to the real income of the person surcharged.

The Honourable Sir R. Temple, in his speech on the Budget, said it was noteworthy that, on a circular being addressed to the several Local Governments in India, inquiring whether there were any known cases of oppression or over-exaction, replies had been received from all of them (except the Government of Bengal) to the effect that no such cases were known; that the Government of Bengal did indeed transmit a resumé of some thirteen cases. The Honourable Gentleman remarked on this that the number was of course a matter for much regret, though relatively it was not large. Now, Mr. INGLIS submitted that this statement hardly gave a correct impression of the purport of the replies sent in by the various Governments.

He believed that the Government of Bengal replied that numerous cases of oppression had come to light; and that thirteen cases were forwarded as samples for the information of the Government of India. The other Governments, he believed, replied that there was no doubt that extortion prevailed to a lamentable extent, but that no cases had been specially brought to notice, and it was not probable that they would be; for a man who had paid to get his name left out of the lists, or who had paid to get off a threatened surcharge, was not likely to come forward afterwards and state publicly what he had done.

Though the people suffered in silence, it was none the less true that bribery and extortion prevailed, nor was the disaffection and disloyalty engendered the less general, or the less worthy of the very serious consideration of the Government.

The Honourable Sir R. Temple had said, on several occasions, that it was absurd to call a tax unpopular which fell on only one in three hundred of the population. Now, Mr. INGLIS confessed he could not understand how any one who had given the slightest attention to the objections urged against an income-tax, could make use of such an argument as this. It might be true that only one in three hundred of the people paid income-tax to Government; but it was equally true that, of the two hundred and ninety-nine remaining, at least one-half were subjected to the most vexatious and oppressive inquisition and extortion when the preliminary

lists were drawn up, and that a very large number of these men had to pay to keep their names out of the lists. All this went on, though the officers of Government did their best to prevent it. This bribery and extortion seemed inherent in the very nature of an income-tax in this country, where the population affected was so large and the officers of Government so few. He did not believe that a man could be found who, having assessed a district to the income-tax, would say that he believed the tax to have been levied fairly, and without a lamentable amount of bribery and corruption. No blame could be imputed to the officers charged with the assessment and collection of the tax for this. They everywhere did their utmost to prevent these evil practices, and they protested against the tax, because they knew from experience that these evil consequences everywhere attended its enforcement, notwithstanding their most strenuous and unceasing endeavours to put a stop to them.

It was, he believed, no exaggeration to say that, for every man who paid income-tax to Government, twenty paid to get off; and that for every rupee paid into the treasury, another was paid to the subordinate Native officials; that is the Natives of India paid last year upwards of two millions as income-tax, and upwards of two millions more as bribes.

Everywhere, throughout the country, the tax was demoralizing to the people; everywhere false returns were sent in; everywhere the trading classes were beginning to keep two sets of books, one set showing accurately their real transactions, the other set containing a carefully prepared garbled account to be shown to the income-tax assessors.

How unsuited the tax was to the people of this country, and how heartily it was detested by them, might be gathered from the fact, that no Native Government had ventured to levy it, and these Governments were by no means backward in devising new sources of taxation. It was the British Government alone which had the power to force this tax on its unwilling subjects, and the British Government even could levy it only in times of profound peace.

A tax, then, which was everywhere and always accompanied by the corruption and extortion which attended the income-tax in India; a tax which demoralized the people to the extent this did; a tax which created such wide-spread and deep disaffection and dislike to our Government as this had; a tax which no Native Government had ever ventured to impose, and which the British Government itself could levy only in time of peace, was a tax which ought not to be imposed, even if it produced millions; but to put it on in order to obtain a paltry fifty lakhs in a budget of over fifty million pounds sterling, was, he maintained, most unwise and impolitic, especially when, as in the present case, there seemed to be good reason to doubt whether there was any deficit at all.

He thought there was every reason to believe that a careful examination into the estimates of receipts and charge, under the heads referred to by the Honourable Mr. Robinson, would result in the total disappearance of the deficit shown in the budget as prepared by the Financial Department.

But even if this result did not follow a careful scrutiny into these items; if after all a small deficit still remained, then he would urge on the Government to meet it, either by a transfer from the cash-balance account, which was estimated to stand, at the end of 1871-72, at the enormous sum of seventeen millions; or by a rateable reduction on the assignments made to the several Local Governments under the Resolution of the 14th December last, rather than by the imposition of this demoralizing, unpopular and dangerous tax.

The Honourable Mr. COCKERELL concurred in much that had fallen from the Honourable Members who had preceded him in this debate. Last year, and on former occasions, he had very reluctantly acquiesced in the imposition of an income-tax as a temporary expedient; but to his mind the proposal to annex the income-tax to our permanent sources of revenue—and such he understood to be the object of the Bill now before them—was a matter of much graver import than the re-enactment of an Income Tax Act providing for a higher rate of assessment for a fixed period; and he felt constrained, therefore, to express his conviction that the present measure was ill-advised.

It would seem to be assumed that, in the presence of the relief afforded by the considerable reduction of the rate of assessment, the moderation of the present demand would be acknowledged, and its permanent tendency, if not cheerfully submitted to, would at all events be accepted with a certain degree of satisfaction.

Such might be the feeling with which the measure was likely to be regarded in the Presidency towns and other large centres of civilization, in which, so long as its operation was confined thereto, the tax might be worked with a minimum of oppression and other objectionable consequences, and to which, therefore, its application was not altogether inappropriate.

But Mr. COCKERELL ventured to say that, by the people at large, the attempt to give the income-tax a permanent place in our fiscal system, and at a time, moreover, when the finances of the empire were shown to be in an unusually prosperous condition, would be regarded with profound disapprobation and distrust.

The measure would undoubtedly be looked upon as, in a measure, a breach of good faith; for, although no distinct assurance of the merely temporary duration of the income-tax as a source of revenue had been given, yet the distinctly finite character of all previous legislation on the subject had certainly favoured the general impression, that it was the fixed policy of the Government to resort to the tax only in cases of special emergency.

Mr. COCKERELL did not think it necessary to dwell upon the extreme unsuitableness of such a tax to the people of this country. This had been most forcibly described by his Honourable Colleagues who last spoke, and from his own administrative experience of the working of the Income Tax Act of 1860—an Act which contained better safeguards against oppression and abuse than were to be found in the present Bill—he could distinctly endorse all that they had said as to its baneful effects and demoralizing influences, as well as the extreme distaste with which it was viewed alike by the assessors and assessed.

Nor was this to be wondered at, for it was simple impossible for us to employ a suitable agency for the assessment and collection of the tax, an agency which should be at the same time so inexpensive as not to exhaust the product of the impost, and yet not amenable to corrupt influences. The truth was that, where the assessor was of a class superior to such influences, he was, from the necessity of the case, a man who must depend for the acquisition of local knowledge as to the circumstances of the persons to be assessed upon the interested information of corrupt subordinates.

It was for these reasons that the public—under which term he referred to the general population of the empire—would be sure to regard the permanent retention of the income-tax, at even a low rate of assessment, as a serious grievance.

Much stress had been laid on the light incidence of the assessment generally, and the relief afforded by raising the minimum of exempted incomes. Now, he ventured to say that, if we were to have an income-tax, its merit and defence should be that it brought a considerable increment to the financial ways and means. And, to his mind, it was a great blot in the present measure that it kept alive a source of general irritation and dissatisfaction to attain such incommensurate results as the addition of little over half a million to an annual revenue of upwards of fifty millions, and as regards the relief of the poorer classes, if the figures given by the Honourable Member were correct, the lightening of the burden of the general tax-paying community was altogether insignificant.

What was the justification offered by the Mover of the Bill? All that he said in effect was that, without this tax, he could not make the two ends meet; he could not, in short, establish a financial equilibrium. On the last occasion of bringing forward a measure of this kind, the honourable gentleman resented, as something altogether unreasonable, the imputation of poverty of resource in devising ways and means. But could the Honourable Member come before this Council, year after year, with no fresh device, nothing but this much-abused income-tax, to sustain his financial administration, and successfully rebut such a presumption?

Mr. COCKERELL could not regard the period which had elapsed since the Honourable Member's exposition of the financial affairs as sufficient for a thorough examination and critical apprehension of the various subjects with which it dealt, and he was not prepared to go into any details of the Budget, further than to express an opinion that the estimated receipts from Opium and Customs were needlessly reduced. They provided for an average decline in prices of forty-five rupees per chest, and a small diminution of the annual revenue from import-duties, which neither the reported prospects of the opium trader, nor the general condition of foreign affairs, and its probable improving effect on the commerce of India, in any way warranted. The estimate on Opium alone gave a reduced income from this source, to the amount of about £300,000, or one-half the expected receipts from the income-tax which need not be anticipated.

There was another point in the Budget to which he would draw attention, and that was the unsatisfactory, and he might say, mysterious operations in the Loan Department. It would appear that there was always a very considerable unexpended balance in hand, created by excessive borrowing beyond the requirements of the time. When it was considered that every million borrowed represented an additional annual charge of £45,000 to be met by the

tax-payer, it was unreasonable that there should not be some check on the borrowing power, and some better adaptation of the fresh supply to the demand for actual expenditure. It was unsatisfactory to find so large a balance of unappropriated loan at the expiration of the last year of account, and to receive only the somewhat meagre explanation, that the Secretary of State, though he was expected only to borrow two millions, in fact borrowed three and a half millions. Mr. COCKERELL had no doubt that his colleagues, whose special avocations rendered them more competent to deal with such matters, would have something to say on the subject. Still he had thought it right to refer to the question in the hope of eliciting some more satisfactory explanation than was afforded by the Budget exposition.

The Honourable Mr. CHAPMAN differed from his honourable friend who spoke last, and considered that, this year, we had had ample time for attentively considering the Budget-statement. He would endeavour, as shortly as he could, to state the impressions it had produced on his mind.

Considering the obloquy his honourable friend, Sir R. Temple, had incurred, Mr. CHAPMAN did not wish to say anything harsh regarding his past policy. But since he had challenged criticism, Mr. CHAPMAN must, as an impartial judge, say that he had wholly failed to justify the course the Government, acting, he presumed, mainly under his advice, adopted last year.

The case turned entirely on the Opium estimates. And it might not be un instructive, briefly to revert to the facts. Mr. CHAPMAN found that, in 1868-69, eight and a half millions of Opium revenue were realized; in 1869-70, eight millions; and in 1870-71, eight millions either have been, or will be, collected. In point of fact, there had been hardly any fluctuation. Well, how did his honourable friend act? He had estimated that he would receive eight and a quarter millions in 1869-70, whereas, as he (Mr. CHAPMAN) said, he actually got only eight millions. He thereupon took alarm; and for the year 1870-71 estimated his receipts at only seven millions. Having done so, he next proceeded to impose an oppressively high income-tax to make up the anticipated deficit of one million. Mr. CHAPMAN was well aware that he placed much stress on the fact, that he was supported in this opinion as to the probable decline in the price of opium by eminent members of the mercantile community interested in the trade. The estimate was, he had no doubt, prepared after the most careful consideration and on the best advice. But he contended that, in dealing with such a gambler's stake as this source of revenue admittedly was, the only guide you could take was that derived from actual past results; and he repeated what he said at the time, that the Government had no right to assume, beforehand, that the yield would be less than the average, and proceed on that assumption to impose exceptionally high burthens on the country. In this particular instance, events had proved how unfounded this assumption was. It was perhaps only natural that his honourable friend should have done his best to justify the course the Government adopted; but he believed he must, in common with other members of His Excellency's Government, be conscious that a very grave error had been committed, the political effects of which it would, he feared, take years to efface. He was glad to see that the error was not to be repeated, and that the Opium estimates for the coming year had been prudently and fairly framed.

Having found fault with the past, he was happy to be able to express his unqualified satisfaction at the course the Government had found themselves able to adopt in respect to the income-tax. By reducing it by two-thirds and raising the minimum to rupees seven hundred and fifty, he considered they had afforded all the relief that could reasonably have been expected. He was no admirer of the tax; and were it a question of imposing it for the first time, he should hesitate to give his assent. But Honourable Members, like his friends Messrs. Robinson, Inglis, and Cockerell, who advocated its entire abolition, must remember that it would be most difficult, if not impossible to re-impose it in time of need, and he would ask them to consider what other means they would have recourse to. It was easy enough to say that this was no affair of theirs; but he maintained that, when members took upon themselves to urge the Government to abandon an established source of revenue, it behoved them to show how, in case of necessity, it could be replaced. Besides, if the Government were in a position to afford further relief, he contended there were other interests that had a preferential claim to consideration. Amongst notably objectionable imposts, he might mention the duty on Sugar in Northern India, a tax which was nothing more nor less than a barbarous transit-duty.

Therefore, opposed as he was and had been to a high income-tax, he believed that it was sound policy to maintain it at the rate now proposed during ordinary times, and to be ready to increase it in times of real emergency. He also maintained that the Government had acted wisely in not limiting its operation to any particular period; to have done otherwise would have been to unnecessarily keep alive uncertainty and agitation.

To turn to the Statement itself. He considered it to be a clear and intelligible exposition of figures; but there were two specific parts regarding which he should like to have further explanation. The principle had, he understood, been laid down, that the revenues and charges of each year were to be dealt with separately, and that the surplus of one year was not to be treated as an asset of the succeeding. Such being the case, he wanted to know how the payment of a quarter of a million, which it was proposed to make in 1871-72 out of the revenues of 1870-71, could be reconciled with this principle? He did not himself object to these payments. The one of £20,000 to provincial services was, he thought, very right and judicious; but as surpluses were, happily likely to be the rule, he should like to hear from the Honourable Member how he intended disposing of them. Secondly, he wanted to know why, with cash-balances estimated to amount to the enormous sum of eighteen millions, it was intended to borrow one and a half millions in England? The unfavourable rate of exchange could not, he presumed, be the sole cause.

He would now advert to the revolution that had been inaugurated in the relations between the Supreme Government and Subordinate Governments and Administrations. Having been intimately associated, for some years past, with the administration of one of the principal Local Governments, he desired to say that he considered the concession of principle involved in this change most valuable and significant. He said significant, because, although this was only a first step, he was satisfied further advance was inevitable. As matters stood at present he could not say, speaking on behalf of Local Administrations, that they had much reason to feel grateful.

The Government of India had relieved themselves of a number of pressing and ever-increasing charges; and the Local Governments in turn had purchased a certain degree of freedom and emancipation. In this way the Supreme Government had not made a bad bargain.

He heartily wished His Excellency's Government had seen their way to continue the grants for provincial services, as they were now termed, in fact. Had this been done, the Local Administrations would have had no excuse for resorting to new taxation: as it was, they had been driven to impose new burthens.

He confessed that he viewed with the gravest anxiety this constant increase of taxation. The country loudly called for rest. It was not, perhaps, so much the weight of the existing burthen, as the uncertainty and want of finality that harassed the people. Simultaneously, with the diminution of the income-tax, you would oblige Local Governments to impose new taxes, and he feared the great mass of the people would find the little finger of their own rulers thicker than the loins of the Viceroy in Council.

In the Presidency to which Mr. CHAPMAN had the honour to belong, a succession of new taxes had been imposed during the past ten or twelve years. In addition to the income-tax, we had had a cess of six and a quarter per cent. on all revenue; a quit-rent of a considerable amount on lands previously held rent-free; tolls and municipal taxes had been freely resorted to; salt excise had been greatly increased; and last, but not least, in many parts, the thirty years' settlements were falling in, and revised rates, involving an increase of some sixty per cent. on the land-revenue, were being imposed. The Local Fund receipts during the year 1869-70 amounted to £618,000; while the Municipal taxes realized £530,000. Allowing for a portion of the Local Funds being derived from jail-manufactures, harbour-fees, Native States, charitable endowments, and other sources that did not press directly on the country, he believed it would be found that the presidency contributed not far short of a million sterling over and above the imperial revenue.

The non-agricultural classes were the only section of the community who might, in his opinion, fairly be taxed; and so strongly was he impressed with this belief, as far as his own Presidency was concerned, that he would even have preferred seeing the income-tax retained at one and a half per cent., rather than have obliged the Government to put on new taxes.

But he believed both of these alternatives might be avoided if a rigid policy of economy were enforced. His honourable friend, at the close of his statement, said that "retrenchments in both the Civil and Military branches of expenditure in India have been made." He wished he had particularized them. It would, he thought, be a salutary plan if, for the future, he would append a contrasted statement, showing, in detail, the several alterations in fixed charges. For his own part, he reiterated his belief that there was much room for retrenchment in almost every branch of the administration.

The Council would remember that the late Commander-in-Chief, Sir W. Mansfield, on the eve of his departure, solemnly protested against the reduction of a single European

soldier; and he was happy to find his advice had been attended to. But, at the same time, he expressed it as his opinion that we might dispense with ten thousand Native troops; and further, that the existing separate Army administrations in India might with great advantage be centralized. He would read to the Council the words of that eminent authority—

“In the course of my remarks, I have adverted to the new military strength accorded to us in these days, as compared with former times, in the power for immediate combination and concentration. This reflection leads us at once to another point, namely, that, in the combination of the Military Departments of the several Presidencies into one War Department under the Government of India, with a corresponding change in the system of Command-in-chief, may be found a measure giving at once improvement in economy and increase of strength. There should be but one War Department, which would at once involve the consequence of one Ordnance Department, in short, the concentration of the Army in the largest sense in the hands of the Government India. This need by no means interfere with the local character of the Native Forces of the other Presidencies, a character which, I believe, a sound policy bids us carefully to maintain.

“It has always appeared to me that, in this country, many things are centralized which ought to be local and dependent on the Local Governments; whereas those establishments are kept separate, and, as it were, almost distinct from the immediate control of the Supreme Government, which, from the nature of things, especially belong to it. Such is the case with military administration. We do not see the Federal States of America maintain distinct military organisations for the payment of which Congress is responsible, although, in other matters, the provincial Governments of the States exercise a very large power.

“There is no reason for separate military administration in Madras or Bombay, which would not equally apply to the several Governments making up this Presidency. So long as the separate system lasts, I am hopeless of real economy or of breaking down the influences and jealousies which meet your Excellency at every turn when economical schemes issue from this Council. I need hardly remind this Council that I ventured to utter these opinions very many years ago, when they might have been supposed to be contrary to my personal interests. A long and practical experience of government and command, first in Bombay, and afterwards in association with the Governor General, have only tended to convince me that these opinions are right, and should be carried into execution. Whenever reforms in such a direction take place, I may say, with regard to the office I am about to lay down, that some modification is necessary.”

It would have been very satisfactory if we had been told that the recommendations of Sir W. Mansfield were being attended to. We were maintaining these costly separate administrations at, in his opinion, a positive sacrifice of efficiency, and as though no such inventions as railways and telegraphs had been introduced into the country.

In respect to Home Expenditure, his honourable friend went out of his way to tell us that accounts were rendered to India of all that was incurred. It seemed to him to amount very much to this, that India was allowed the privilege of paying whatever bill was sent in to her. He could not think this relation of affairs between the two countries satisfactory. In his opinion there ought to be only one authority responsible for the finances, and that no outlay ought to be incurred except such as met with the approval of His Excellency in Council.

Under the head of Marine, he saw a charge of some half a million. It would be interesting to know what the country received for this money? He had a very shrewd idea that, if a thorough inquiry were instituted, considerable reductions might be effected.

Then turning to Civil Charges, he noticed a sum of over one million and a quarter under Administration, being an increase of £74,000 over last year. Not to look far from home, he was conscious that the cost of his seat in this Council was quite out of proportion to any small service he might be able to render. Then, look to the constitution of the Executive Government. Why should each Department require both a Member of Council and a highly paid Secretary? It seemed to him that, under a departmental division of labour, this dual system was hardly necessary. Then, again, look to the great divergencies that prevailed in the systems of revenue administration in the several Presidencies. Why, if neither in Madras or Bombay, with their far more detailed ryotwár system, the services of both Commissioners and a Board of Revenue were not found necessary, why, he said, should both these costly agencies be maintained in Bengal and the North-West? If he turned to the Judicial Esti-

mates, he found a High Court Judge in Bombay and Madras could be procured for Rs. 3,750 per mensem, while the same functionary cost Rs. 4,166 at Calcutta. On the face of it, there seemed no reason why there should be this difference of £500 a year.

He was well aware that these details were unpleasant and invidious. He might go on to instance many others; but he thought he had said sufficient to indicate that considerable reductions were practicable, if a thorough and impartial scrutiny were instituted.

There were, he knew, great—almost insuperable—difficulties in the way of effecting reforms of this character, involving as they did the sacrifice of many personal interests and the abandonment of many cherished prejudices. The Government of India must, nevertheless, grapple with the task. You possessed a superb revenue, which would doubtless increase by the natural process of expansion, but which you could not, he was convinced, safely enhance by means of additional taxation to any considerable extent. Therefore he said that, if you wished to preserve an equilibrium, and at the same time meet the legitimate growing wants of the country, you must exercise the most rigid economy in your administration, and the most relentless retrenchment where practicable.

The Honourable Mr. BULLEN SMITH had to record his opinion against the Bill now before the Council. He did so unwillingly, and solely on account of the permanent character given to the measure it proposed; but without much stronger arguments than he found in the figures of the Financial Statement lately delivered, he could not give his vote for the permanent enactment of a form of taxation which, in the opinion of all those whose judgment he most respected, was utterly unsuited to this country. He was not altogether satisfied that necessity existed for the re-enactment of this Income Tax Act for any period, but he felt it his duty to give to those who were responsible for carrying on the Government of the country the benefit of any doubt which existed in his own mind; and had this tax been proposed for one year only, he would have been disposed to vote in its favour, as perhaps not altogether an unreasonable proposal, with reference to the very small prospective margin of surplus shown in the statement of ways and means for the coming year, and with reference to the fact that the income-tax was not altogether new, but had unfortunately, for a number of years, by force of necessity, held a continuous place in our fiscal system. While saying this, however, he desired to guard himself from being supposed in any way to recede from the position he felt it his duty to take up when the same tax, but in a much more aggravated form, was before the Council last year. He thought then, and he thought still that in passing the Income-tax Act now about to expire, this Council committed a grievous injustice; as, with full knowledge of the comparatively small section of the people of this empire on whom such direct taxation even professed to fall, and the still more limited proportion from whom it was at all fairly and equitably collectable, we passed a measure which practically threw upon that small section of the community the whole burden of the deficit which was at that time apparently inevitable. In this connection, he must say that he listened with regret to the reference made in the recent budget exposition, to some reports by the Local Governments as to the working of the Income Tax Act during the year now closing. He had not, of course, a doubt that what was stated in these reports was strictly true; and as mere formal documents they did not perhaps require much notice; but imported into a budget exposition, if not as a wit of justification of the tax, he knew not for what purpose they acquired an importance and significance to which he considered they were not entitled, believing, as he did, they were utterly valueless as affording any real gauge of the working of the Income Tax Act among the poorer of the classes affected by it. He knew well what were the ideas of the Member who, last session, sat in this Council on behalf of Madras on this subject, and he appealed with confidence to the honourable gentleman opposite, who now represented that Presidency, whether the statement of his Government, that no complaints had been brought to their notice, conveyed to his mind any thing like a just impression of what he believed to have been the real working of this Act among the people of Southern India. As he said before, the reports in question were doubtless technically correct; but in this country, above all others of which he knew anything, what was brought to the notice of Government was one side of the picture; what actually took place a very different reverse. He appealed in support of this statement to the cases of oppression or over-exaction reported by the Government of Bengal. Those who were acquainted with the details of these cases, the chief of which occurred not very far from where we were now sitting, knew that they came to the notice of Government, not through any regular official source, but through the Press, set in motion by one on whose interference in such matters Government had no claim whatever, but who, becoming accidentally acquainted with what was going on, actively bestirred himself to obtain redress for those who, otherwise, would, in all probability never have got it. He

admitted that, once these cases were brought to the notice of the Local Government, redress was promptly given ; but did not the mere fact of their occurrence in the close vicinity of this city warrant the belief that there must have occurred, in the remoter districts of this country, countless similar cases of oppression, of which the Local Government never heard, and the full measure of suffering involved in which would never be known ? It might be asked why he referred to these things ? Simply because he felt that we could not afford to weaken, by one single thread, the slender cord of sympathy which existed between us and those for whom we legislated. However we might differ in opinion as to the financial measures adopted last April, we must all unite in deploring the lamentable want of cordiality between governors and governed, by which the year now closing had been so strikingly marked ; and it was because he feared the reference made to these reports would not tend in any degree to promote a better feeling, that he would fain have seen it omitted altogether from this exposition, or couched in terms of broader and more hearty sympathy.

The Bill now before the Council, as compared with the Act about to expire, gave substantial relief, both in the percentage levied and in the range of incomes affected. In common with many others, he had hoped that, even if Government found it necessary to retain this taxation in some form, they would have seen their way to the exemption of all incomes under Rs. 1,000 per annum ; but as he understood this point was made the subject of special discussion in the Executive Council, he did not press it. He did, however, trust that, if this Bill were passed in Select Committee, the apparently permanent character which it now wore would be altered, and that, like its predecessor, it would be enacted for one year only. Of the unsuitability of an income-tax to this country, we had from time to time heard so much in this Council and elsewhere, that he would not add a word on the subject ; but those who desired new testimony on this head would find it in the report of the late Committee on Taxation in the North-West, published in last Saturday's Gazette. He would deprecate in the strongest manner any attempt to place this income-tax among our permanent sources of revenue, for he could not forget—and of this he would remind the Honourable Member of the Government in charge of the finances—that so long as we continued this tax under the existing conditions of this country, so long did we violate that which is, by the highest authorities, acknowledged to be the aim and principle of all direct taxation, namely, to leave all classes affected by it in the same relative position as it found them. All experience proved that we could not thus levy an income-tax in India ; and although the Honourable Member might plead that stern necessity had driven the Government to this violation in time past, Mr. BULLEN SMITH submitted that, in asking for this tax as a permanent institution, he appeared content to perpetuate this course, and, in the administration of a finance of first magnitude, to turn his back upon the acknowledged principle to which he had alluded. There was another point of view from which, he thought, persistence in passing this Bill without limit as to time would be inexpedient, and, certainly, not in accord with that publicity which had hitherto been a notable and highly appreciated feature in the administration. By the constitution of this Council, it was not open to any member to take the initiative in any measure affecting the finances of the country without the express permission of the head of the Government. Of course he did not forget that, when a measure was proposed here to which the Government were pledged, it could not, under existing conditions of this Council be successfully opposed ; but the mere fact of leave being asked, however formal in its practical bearing on the result, gave an opportunity to the public of hearing anew what was to be said on both sides of the question, and of expressing their own opinions upon it. The Bill before the Council did away with all this ; stereotyped the impost now under discussion, and in so doing, he thought, rather tended to defeat the ends for which this Council was supposed to have been established.

Turning now to the financial exposition, of which the Bill before the Council was the practical result, he must express his regret and disappointment at the retention of the export duty on rice, and his still greater surprise at the few passing words with which a measure involving a glaring fiscal inconsistency was dismissed. He was not about to weary the Council by a repetition of the arguments by which he last year endeavoured to show that the abolition of this duty was in the highest degree expedient. He might remark, in passing, that although the rice trade from his port did show, for the year about to close, some improvement on that for 1869-70, it still fell far short of what it was in 1864-65, up to which period it had been increasing at the rate of nearly twenty per cent. yearly. He might also remark that the export to China, to revival in which the Honourable Member, in his financial exposition last year, looked forward with feelings of hope and comfort, had undergone no improvement worth mentioning, the export of the twelve months falling under 3,000 tons, or three moderate

cargoes; while, during the same year, the total export of Saigon rice had risen from 157,000 tons in 1869 to 222,000 tons in 1870, or nearly forty per cent., of which increase that to China was more than three-fold, showing how utterly, even under the most favourable conditions of demand, we were being beaten out of that market. As to the undesirable nature of export-duties as a whole, we were all agreed; but what those interested in the rice trade of this country would have liked to hear was, not the bare fact that the duty was to be maintained, but some explanation of the principle on which, assuming that a certain amount of revenue must be raised from export-duties, rice was selected, as one of the articles to contribute. In using the word 'selected,' he spoke advisedly; because, although the Honourable Member did last year, in replying to certain remarks of Mr. BULLEN SMITH's, say that he was only the continuor, not the originator, of this duty, Mr. BULLEN SMITH scarcely thought this a line of defence to which on reflection he would be disposed to adhere; and in any case, for his own part, he could make no practical difference between the administrator who imposed a wrong tax, and the one who refused to repeal it, when its injurious effects had been fairly brought to his notice! Indeed, of the two, he should say the latter was the more culpable, inasmuch as he erred in the face of actual experience. Assuming, as he had said, that all export-duties were objectionable, but that the necessities of the State rendered some income from such a source imperative, the question then surely arose, which among our considerable articles of export most nearly approached the conditions under which, according to the universally received principles of political economy, an export-duty could best be borne? In other words which of our considerable articles of export had, as regards supplying the wants of other countries, a monopoly, or the nearest approach thereto? He thought none would deny that the institution of such an examination as he had sketched, into the position of our various export trades, would be the proper course to pursue under the circumstances; but he found nothing in this exposition showing that the principle he spoke of had even been considered. By way of illustration, he would take the three important articles of indigo, rice, and jute; and he specially selected jute, because, in the financial statement before him, the continued flourishing condition of this article was dwelt upon. He found that this article, of which he might say that British India had almost an entire monopoly, the value of which had nearly doubled of late years, and the export of which had marvellously increased, left the country free of all duty whatever. He found that indigo, of which British India furnished the main supply to the world, although Guatemala to a certain extent competed, paid an export-duty of rupees three per maund, or, say, $1\frac{1}{4}$ per cent. on the average selling price of the season just closed; while rice paid an export-duty of three annas per maund, equal, at present prices in this presidency, to nearly 9 per cent. on the common, and over 7 per cent. on the better, qualities. That is to say, the article of which we had virtually a monopoly, and the growing prosperity of which was matter of universal comment, paid no export-duty; the article which met with a certain competition paid 10 per cent.; while the article which was exposed to a keen competition in every market to which it went, was at the present moment paying an export-duty of 9 per cent. It might be asked, did you wish Government to add to the export-duties? He would say, certainly not, and that he would much regret to see the Government of India enter upon such a retrograde course; but he placed these figures before the Council in order to show that it was not without reason the many who were directly and indirectly interested in this rice trade cried out for relief, and in the hope that the Government would yet reconsider this matter, and make the concession desired,—a concession which would be doubly valuable in the present season, when an abundant rice harvest in Burma seemed to promise that the repeal of the duty would be attended with substantial benefit, and perhaps enable the trade to recover its footing in some of the markets in which it had been losing ground. He did not under-estimate the difficulties of the Indian Exchequer, and he would not willingly press unreasonably or unfairly his views upon the member of the Government in charge of the finances; but it was the inevitable lot of whoever undertook to administer a finance summing up fifty millions sterling on either side of the account, to find himself face to face with great first principles, such as he had been speaking of, and in proportion as recognition to these was refused—in the degree in which they were silently ignored—to that extent would public confidence in these annual financial expositions be withheld, however clearly they might be drawn up, however elaborately expounded.

He would have been glad had the exposition now under discussion afforded a little more explanation upon the loans contracted during the current year! We were told that the Government of India had managed to get through the year without the loan which it was thought might have been necessary, which was satisfactory; but at the same time we were informed that the Secretary of State had not only borrowed the full amount mentioned in last

statement, but also $1\frac{1}{2}$ millions in excess, and that he had intimated his intention of borrowing $2\frac{1}{2}$ millions more during the current year. Now, looking at our large balances, he did not quite understand how this excess of home borrowing during the current year became necessary; and what he should like to ask was, whether these loans were contracted under the requisition of the Government of India and with their sanction, and whether the same conditions would apply to the loans to be raised during the coming year; or whether the words "intends to borrow" signified that the amount in question was to be raised without the concurrence or wish of the Government of India. If the latter interpretation was correct, then the arrangement appeared to him highly inconvenient and irregular, to say the least; and this from two points of view. The Secretary of State was of course recognised as the supreme authority in all matters relating to India; but in another sense he was, as had been stated, only the agent of the Government of India. Accepting this position, it clearly followed that headquarters were here, that here all financial measures of every kind must originate; that there lay upon the Government of India the duty of providing funds from time to time to meet their obligations in England, but that with them also must remain the discretion of providing these funds in the manner they deemed best, whether by acceptance of drafts upon them, by direct remittance by loan raised here or in England at their request. The principle of an agent contracting large loans without previous understanding with his principal did not commend itself to his judgment. Then, again, this home borrowing appeared to be done quietly, without that ample publicity which always attended upon loans issued by the Government in this country. The average rate of interest mentioned in the exposition did not indicate that any saving of consequence had attended this practice, and even were it otherwise, he thought it reprehensible. Holders of Government securities were not in the position of first mortgagees, and in his opinion, they had a moral claim to receive, in all cases where an addition to the permanent debt of the country was about to be made, that ample notice which was given in this country. He was aware that the solution of these matters probably lay at home, but he thought they were well worthy of attention. No system of finance could work well with two heads; and if there was, as seemed implied, an authority in England, either altogether irresponsible, or only checked by the very mild control Parliament had hitherto exercised on the question of Indian expenditure, which could raise money at will without the concurrence of this Government, the efforts made here to put the finances on a sound footing might be seriously hampered.

There were several other points in this most interesting exposition to which he would like to refer, but he felt that he had already sufficiently occupied the time of the Council. The statement was admirably drawn up; and although pre-eminently framed for safety, he would, as already said, have been disposed to grant, for one year, the taxation asked for in this Bill, in the hope that its renewal would not be required at our hands. His belief was that we now possessed an income sufficient for the wants of the country; an income which, if properly administered, would not fail us, and for any further margin of surplus, he thought we should look more to reduction of expenditure than to new revenue. All would approve the determination of Government, as expressed in the concluding portion of the exposition, to pay all ordinary expenditure out of revenue; but then, the term 'ordinary expenditure' must not be abused and stretched as of late years; for he thought none would deny that the financial troubles from which we seemed now to be emerging, arose, not from failure of revenue, but from lavish, and, he feared he must add, often ill-considered, expenditure. With this cardinal point kept well in view; with a continuance of that judicious economy which had in the last eighteen months effected so much, and with the recognition of sound financial principles, he doubted not that the Honourable Gentleman in charge of the Exchequer would soon attain the fulfilment of that hope to which he once heard him give public expression, "that to him it might be given to bring the vessel of the State out of the storms and tempests of chronic deficit, into the smooth and quiet haven of assured and continuous surplus."

His Honour the LIEUTENANT GOVERNOR did not propose to enter on the present occasion on the broad questions of financial policy which were raised by the Budget statement of the Honourable Sir Richard Temple and which this Bill was intended to carry out: he did not pretend to rise to that height. He did not propose also to enter on the question whether in his opinion an income-tax ought or ought not to be imposed. He would candidly confess that he had not arrived at a final and satisfactory opinion on that point. He would therefore rather address himself to certain matters in regard to the form and character of the Bill before the Council. But before doing so, he should refer to the opinions expressed as to abuses in the levy of this tax in Bengal. His Honour was new to this Government, and was therefore not prepared to enter on the question as to how far that opinion was well founded; but he was

quite prepared to admit that there was a strong feeling of objection to the income-tax on the part of the tax-payers, and on the part of the officers of Government and others in Bengal who had been acquainted with the working of the law. Having lately passed through the provinces under the government of several local administrations, he was prepared to say that the feeling against the tax was universally prevalent in these local administrations, including the Presidency so well represented by his honourable friend on his right (Mr. Chapman) who was not opposed to the Bill.

HIS HONOUR'S observations would then be addressed to the form and character of the Bill which was now before the Council. The most marked and the newest feature in this Bill was that there was no limit or duration of time, and that it might therefore be assumed to be a perpetual Bill; that was to say, a Bill that was to be continued until the wisdom of this Council should otherwise determine. He might also assume, when he alluded to the character of the Bill as a Bill without limit of time, and to the very moderate character of the assessment proposed, that the object and intention of the Bill was that which had often been suggested, namely, that we should have a light and easy tax, so worked that it would not be strongly opposed in ordinary times, but which would enable us to raise, in times of emergency a heavier tax, as we had in the year just passed. He thought, if that was the plan, that it was subject to this imputation, that when it was, as now proposed, a light tax, it was not worth the trouble and vexation which it produced; on the other hand, when, in times of necessity, it was made heavier, it was not worth the extreme opposition and ill-feeling which the past year showed that it engendered on such occasions. He confessed that he had long had doubts as to the policy of an income-tax as an imperial and general tax in this country, and he might say that these doubts were increased by the observations which had been made by Honourable Members to-day. On the other hand, looking at the increase of wealth in the country, though it might be said that the riches of the rich were exaggerated; seeing that, in many provinces, there was a rapidly increasing growth of wealth, it was a necessity of the times that we should have some mode of taxing these riches, or at least of making a beginning of taxing them, and so levying a considerable income, if not immediately, in the future. Well, then, he would say that, not discussing the question whether there should or should not be a permanent income-tax, but assuming such a tax to be determined on, he was inclined to think that it would be better to keep it high for two or three years at least. You would then be able to judge surely where the shoe pinched; you would then be able to see whether, in point of fact, it was worth the evils attending its collection, and whether it was capable of being collected in a just and equitable manner; and, if not in its present form, whether it was possible to adopt any other form in which it would be worth the evils of collection. He also differed from the Honourable gentleman opposite (Mr. Robinson) who took so sanguine a view of our financial prospects. On the contrary, he thought that, inasmuch as the Honourable Member who introduced this Bill, and who was the best judge of our financial prospects, made the calculations he did, he seemed to have sailed somewhat near the wind, because, from the statement which he had made, it appeared that the surplus was almost infinitesimal. HIS HONOUR hardly hoped that the Honourable Mr. Robinson's sanguine expectations in regard to the receipts and expenditure might be realized; and that the whole total of the revenue might be increased to the extent he anticipated, and that the expenditure might be lessened as he hoped it might. That was a view which was not quite like that which had been realised in other years. In fact, with reference to the question put by the Honourable Mr. Chapman, suggesting that the Government should arrange what was to be done with the surplus, he would observe that you must catch your hare; you must first get your surplus before you could dispose of it.

He would now go into the budget of the year, solely as affecting the Income Tax Bill now before the Council. He always had been of opinion that the Government of this country, whether they were right or wrong in imposing an income-tax, were undoubtedly right in that they did boldly face the fact of the deficit and boldly face the necessity of imposing a tax, instead of adopting the vulgar expedient of making up the deficit by means of loans. Now, to-day, we lived in happier times. The deficit of a million and a half which existed when the last statement was made had been now reduced to an infinitesimal surplus, to use a somewhat Irish form of expressing it. That change had been effected in this way. There had been an increased estimate of the yield of Opium, and a part of the deficit had been turned over to the Local Governments. He thought we ought not to lose sight of this fact that in reducing the income-tax from three and one-eighth per cent. to one and a fraction per cent., it had been effected by turning over a part of the deficit, nearly £350,000, to the Local Governments, and requiring them to make that deficit good in the best way they could.

That deficit was not only a very considerable deficit at the present moment, but was explained by the Honourable Sir Richard Temple to consist of charges which were rapidly growing, and which probably would continue to grow. He had seen it asserted in the newspapers that the Government of Bengal were in a position to carry on, without additional taxation, the obligations that were imposed upon them by the Government of India. He was sorry to say that statement was wholly inaccurate; because the Government of Bengal was not yet in a position to deal with the question, and he was afraid that it would not result in the favourable manner that had been suggested in the newspapers. He should like to call the attention of the Council to the means by which it was proposed to meet that portion of the burden which had been transferred from the Government of India to the Local Governments, and which enabled the Government of India to reduce the income-tax. That was to be done by local taxation. He would lay aside the proposed cesses for Education and Roads and the like, which, he thought, were not altogether properly before the Council, because they were to be imposed for particular objects which were not the obligations which had been transferred to the Local Governments. He might state that what had fallen from the Honourable Messrs. Robinson and Chapman in regard to these local cesses was very much to this effect. They said, we, the local powers, are squeezing the people as hard as we can; for God's sake don't you come in and squeeze them any harder. His Honour had endeavoured to ascertain how the Local Governments proposed to meet the deficits thrown on them by the recent scheme of financial decentralization promulgated by the Government of India. Well, he had looked at the course followed, or which was likely to be followed, by the Local Governments, and he found that, putting aside the local cesses, the invariable resource was something in the nature of a license tax, with which we were all familiar, and which had been at various times proposed to supplement the income-tax or as a substitute for it. He found that the license-tax seemed to be a limited sort of income-tax roughly imposed by grades, and not by a percentage on income, and that the limit did not go higher in the North-Western Provinces than six rupees. He found that the general effect of the proposed license-tax seemed to be that the Local Governments proposed to meet the deficit by a rough income-tax on the smaller incomes; those very incomes the Government of India had taken the credit of exempting from the income-tax. His Honour's view was that these license-taxes were really income-taxes on incomes not affected by the income-tax. They differed from the tax which had been taken off by the Government of India in this, that they exempted the richer and more influential classes of the people.

As he had said before, he thought it was not right to bring in the question of local cesses as regards the burden of taxation on the people; but he would ask to be allowed to say a few words with reference to the form of local taxation in Bengal. He had lately looked over the various Acts of this legislature, and those of the local legislature under which local taxation was imposed in Bengal, and he had inquired into the working of these local taxes; he found that several of these taxes were taxes on houses and on other things, while others were taxes on the means of the persons to be taxed. The most common and most popular, or rather the least unpopular, of these taxes was a tax described as a tax on the circumstances and the property to be protected of the person to be taxed; that was to say, a tax of the nature of a rough property and income-tax, a tax graduated with regard to the circumstances and property to be protected of the person liable to be taxed. Perhaps this was the fairest of all forms of taxation. Well, here was one local income-tax, and it might be that we would have to impose cesses for Roads and Education and other matters, and that some of these also might take a similar form. The result seemed to be that it might be said with some justice that, instead of having one income-tax, you would in future have several income-taxes in different forms; since it was pretty clear that the greater portion of the income-tax was going to be taken off, and also that the local Governments would have no power to re-impose it. Several Native gentlemen had made this observation to him—“We had rather not be taxed at all; but if we must be taxed, we had rather pay what we must pay once for all in the shape of an income-tax, than have to pay half a dozen different taxes.”

The question was whether, in case it had become necessary and desirable to impose a tax in the shape of a tax on incomes, you should not, as he understood was done in America, appraise a man once for all, and then put on all the taxation that it was necessary to raise, calculating a penny for this purpose and a penny for that. In the course of a few minutes' conversation with an eminent American Statesman who was lately in this city, he had learned that taxation for local and provincial, and even for general, services was raised in this way in the United States. That raised the question which had been raised by the Native gentlemen who had talked to him on the matter, whether the Natives of Bengal

would really prefer an income-tax to any other ; whether it would be permitted to us by the Government of India to add a local income-tax to the imperial tax imposed by this Bill ; whether we could add to the income-tax the sum just taken off by the Government of India for local purposes. He did not believe that he really could do so. He would be met by the overwhelming resistance of some important classes. This led him to turn over in his mind this important question, whether the strong objection to the income-tax entertained by many classes, and by none more strongly than by European gentlemen resident in India, had not some good foundation ; whether there was not a great deal of reason in the objections which they alleged against the income-tax as it now stood in the Bill before the Council, and in the former Bills which had been passed into law. The first prominent feature in this Bill, which struck him as distinguished from the English Income Tax Act and other Acts of the kind, was that the word "property" was omitted in the title of the Bill ; that it was called a Bill for imposing duties upon income, "property" being assigned a secondary place as regards the objects for which the tax was imposed. We knew that many Statesmen and Political Economists had held, and did still hold that, in respect to principle, the great objection that appeared to the income-tax in England was, that the tax was imposed equally on incomes derived from property and from labour. It was said, and he thought most reasonably, that income derived from property was a much more valuable possession than income derived from labour. Income derived from property was protected to a greater degree than income derived from labour. The Commissioners of Inland Revenue had always raised departmental objections as regards the difficulty of carrying out a distinction of that kind. Individually, His Honour thought there was no good reason for that objection in England, and that injustice was done by the present mode of taxation. But, when he looked to the state of things in India, it seemed to him that these objections were *immensely* increased, and most obviously so in the case of Europeans who were earning their living in this country, where both Government servants and the independent classes of the European community were not permanent residents having a strong interest in the country, but who came to the country for a term of years, and who realized during those years an abnormal income, and could not hope to remain for the period of their lives in the country, and where, as a matter of fact, they did not remain. As a matter of fact, gentlemen remained but a few years, in the hope of making such a use of their income as would enable them to make a provision for their families and for themselves in after years. It did seem to him that to tax incomes thus derived was to tax, not so much the income of the year, as the capital set by for the support of their families hereafter. Therefore, he believed that, if there were objections to this form of taxation in England, they were infinitely stronger here. We should study the American model and other forms of municipal taxation, and carefully adjust the incidence of taxation if this tax was to be maintained at all.

This brought him to the fact that, owing to financial considerations and other circumstances, the income tax had never been properly discussed in the light of day. He was sure, if his memory served him rightly, and certainly as regards late years, that the practice had been that there had been no time for discussion ; that Income Tax Bills were introduced late in the session, and that the Council was told they must pass them or reject them, and the result had been a sort of 'stand and deliver ;' that the Council had passed the Bills without much discussion or inquiry. It might be that this state of things had been submitted to because people hoped that it would be only a temporary measure. But now that we had the tax in a form which probably would be perpetual, he wished very earnestly to suggest that it was immensely desirable that the present Bill, before it was finally passed, should be most fully and thoroughly considered ; that opportunity should be given, not only to Honourable Members who in some respects represented the local administrations, but also to the mercantile members of the Council, who could render much assistance in its consideration ; and opportunity might also be given for getting information from others outside of this Council. He had alluded to the information which he had obtained from the eminent American Statesman to whom he had already referred ; and he had discovered that there were several American gentlemen in this city who were capable of giving great information with regard to the mode in which the income-tax was imposed in America. Now, one week was much too short a period to overlook this Bill in a proper manner ; to overhaul it and put it into shape, if it was expedient at all to pass it. He was aware that, if at this season he proposed to extend the time for the submission of the Select Committee's Report, he would be treading on very delicate ground ; and perhaps it would not be becoming in him, who was a local member of the Council, and must stay in Calcutta, whether or no, to suggest that it would be desirable for the Committee to sit for a longer period than it was proposed to do. But he would suggest that it would be not unfitting that the Government should accept the

suggestion thrown out by the Honourable Mr. Cowie, that this Bill should be passed for one year, not in the expectation that the Bill would then cease, but with the intention that, very early in the next session of the Council, it might be re-introduced at a time when there was ample opportunity to refer it to a Select Committee, with power to make ample inquiry and to put the Bill into a shape as acceptable to the public as any Bill of this kind could possibly be.

He would now detain the Council for one moment in order to suggest an alternative proposal. The plan which he suggested was this. He had always had great doubts whether this tax was really fitted for imperial taxation. It seemed to him that the effect of imposing an imperial income tax had been, and was likely to be, to render both your local officers and the people its hot opponents. An Honourable Member on his right (Mr. Chapman) spoke of the effect of the tax as snapping asunder the slight cord of cordiality between the governors and the governed. His Honour was bound to say that his experience of this tax was that, so far from this bill having that effect, the result of the income-tax had been to unite governors and governed, Local Governments and officers, and the people, in the most hearty cordiality in abusing the tax. But it appeared to him that this tax was perhaps more suitable for purposes of local rating than for purposes of imperial taxation; for, although there were infinite difficulties in the way of imposing this tax as an imperial tax, when imposed, as a rough local income-tax on the means and property to be protected of the persons liable to the tax, every man had a sort of interest in seeing that his neighbour paid his due proportion of the tax; for if his neighbour paid too little, he might have to pay more than his proper share to meet the amount required to be raised by the tax; and the local officers, moreover, would have an interest in the objects for which the tax was imposed seeing that it was imposed for the benefit of the people of the locality in which it was levied, and not for the purposes of the Imperial Government. Some local officers had even spoken as if the Government of India was a sort of alien and hostile and tyrannical Government set over them. The suggestion, then, that His Honour would make was that, if a tax of the sort he had been describing might possibly be less unsuitable for local purposes, the Government of India should consider whether it might not be able to make it over to the Local Governments with a proper amount of additional charges, as had been done in the case of other items of account entered in the Budget. It seemed to him that that might be done. And in making over the income-tax to the Local Governments, the Government of India might say—"If you do not like an income-tax, it will rest with you to take the responsibility of manipulating the tax and putting it into a shape suitable to the people, or of substituting for the income-tax some other tax for the purposes for which the income-tax is imposed, and for which it is assigned to you." The only objection he had heard to a plan of this kind was, that there were some gentlemen sitting here who were in no sense local officers; but as regards local officers and merchants and others, the Bill already provided for the determination of their local habitation and for the taxation of every man in the country. This difficulty of the want of locality could apply only to persons who were connected with the Government of India, and His Honour was quite willing that they should be taxed by some special machinery. If this tax was made over to the Local Governments, the responsibility of providing means to meet the charges on account of which the tax was transferred to them would rest with those Governments. If they thought it desirable to retain the tax, they would have the power of modifying and altering and extending it; if it seemed desirable to those with whom the determination of doing so or not rested, they would retain it. But it was always to be remembered that the tax could not be repealed without the consent of His Excellency the Governor General, who by law held the power of controlling the legislation of the Local Governments, and thus would be able to see that the income-tax was not put aside without a sufficient substitute.

That was all that His Honour had to say as respects this question of an income-tax. He had commenced by saying that he did not propose to go into the broad financial questions that were raised by the budget-statement. He would only propose to say one word with reference to what had fallen from the Honourable Mr. Bullen Smith, who so well represented the commercial community in this Council. His Honour must say that he was very much struck with the observation Mr. Bullen Smith had made with respect to the rate of the duty on rice, and the weight of the duty, and as regards the difficulties connected with the exportation of rice. His Honour also felt that there was something to be said on the other side, as to the advisability of putting an export-duty on the staple food of the people. Such a tax as a tax on the exportation of food, had a tendency to keep the food at home. He would express the hope that this matter would receive the full and impartial consideration

of the Government of India, with reference to the state of circumstances at present existing which were possibly different from those existing at the time when this duty was imposed.

There remained only one point on which His Honour would remark, and that was with reference to the question of borrowing. He was not a financial man, and did not pretend to enter upon the consideration of this question in a strictly financial point of view. But as a social question, he was very much impressed with the impolicy of carrying all our loans into England. It was said that it was a political advantage to have the people interested in the security of the Government of the country, and that it was a safe-guard against revolutions and political dangers. He did not wish it to be supposed that he was anxious to create a large debt in India on this supposition. He was against borrowing more than could be helped; but if you did borrow, he thought the Government of India should avail themselves of the advantage which the offer of the loan to the people of the country did undoubtedly give. He said that, not only with reference to the course proposed to be adopted on the present occasion, but also with reference to all future occasions when it was proposed to borrow. There were in this country very few modes of investment. The District Saving Banks had not yet been established to any great degree. In Lucknow especially, there had been a large class of people who were much impressed with the security of incomes derived from the Government. We had a very large number of small pensioners there, the payment of whose pensions was so troublesome, that the Government were at one time exceedingly anxious to capitalize their pensions and pay them off; but it was found that the pensioners would not accede to the proposal; they preferred to have a fixed income from the Government. The experience of that and other occasions had brought to his mind this conviction that, if we went to work in the right way; if we left it open to the Collector to receive from the people small sums the interest of which would be readily payable, we should in that way receive a large sum in satisfaction of a loan from our Native fellow-subjects. The difference in value of the loans here and in England was very fractional. The difference was not more than one or two per cent. He observed that, at present, Government four per cent. securities stood in England at ninety-nine and a half, and here it was as high as ninety-eight. He spoke with reference to the value of the Government funds in this country; and he believed that if Government securities did not sell at ninety-eight, they certainly sold at ninety-seven. The difference was merely fractional, and that very small fraction was, he thought, more than counterbalanced by the Government obtaining an additional security, from the people of the country being largely interested in the debt of the country, and giving facilities to the saving people for investing their savings.

Colonel the Honourable R. STRACHEY did not propose to trouble the Council with any remarks as to the details of the measure now before the Council. All that he desired to say was, that the difference was very great between the feelings of those persons who were responsible for carrying on the administration of the country and finding the revenue and giving proper means for carrying on the Government, and those who had no such responsibility. It had been remarkable how the tone of the debate upon this Bill had changed as it had travelled from one end of the room to the other; and how, in proportion as a specific responsibility for carrying on the Government had become developed in those Honourable Members who had spoken, so their feelings in favour of the measure had been found to rise. Whether the Government was necessarily right in what was proposed in this matter, it was not for him to say. But it was certain that every member of the Government felt the obligations placed on him to do the best for the country and what was most practicable. It was absolutely necessary for every Statesman to consider, not only what he considered theoretically best, but what was possible. Having said this much, he should only add that it was his intention to support the Bill.

The principal point to which he should ask the attention of the Council on the present occasion was the great change which had been recently made under the orders of the Government of India in the system of financial administration. His name had been mentioned in connection with this change, and also in connection with the general subject of the finances of the country, and of the expenditure of the Public Works Department, which had been so frequently called into question.

In the first place, as regards himself, he begged to disclaim any very particular credit in reference to the change which had been made in the financial administration. The mere preparation of a scheme for giving practical effect to a principle which had been accepted was, after all, somewhat mechanical. The truth was that this reform, like all others, was brought about, not by the action of any individual, still less by himself, but by the necessary and unavoidable result of the course of events which had arisen in the carrying on of the Govern-

ment of India—events the pressure of which for a long time had proved so imperative as to force upon the Government of India the definite course of action which they had recently taken. If there was any merit in having seen that such a result would be inevitable, such merit he might claim; but there was no doubt that the actual adoption of the scheme was due to the Government, and principally to the head of the Government, on whom the responsibility of carrying out the change must rest, and with whom also would rest the claim for any credit or blame which might result in the future from the consequences of the change.

Before going on with the further remarks which he desired to make, he might say one word in respect to his right to offer an opinion on the subject which he was about to discuss. He had now been connected with the administration of the Government of India, at intervals, for about fourteen years in the Public Works Department. During that time, he had been an agent on behalf of the Government of India for controlling the very large expenditure and the very large establishments of that Department. He knew personally, from his own experience what was the nature of the system on which such expenditure was controlled, and he knew also what had been the nature of the claims made on the Government of India to supply the means of expenditure, and the character of the control exercised in meeting such demands.

Returning now to the general question to which he would specially ask the attention of the Council—the alteration of the system of financial management—he would remark on the singular difference of opinion that had arisen as to the value of the change. On the one side, certain portions of the critics had taken up the position of extreme opposition. They alleged that the change would lead to the disintegration of the power of control of the Central Government; they said that it would also lead to extravagance and waste on the part of the Local Governments, and that it would also lead to improper and injurious taxation. On the other hand, those who supported the change said that it would do exactly the opposite of all this. He admitted, after all, that this was the fate of all proposals to carry out any considerable administrative change; and in truth on such a subject the mere opinions of either party were really not of much value. For these reasons, he would ask the Council to let him put before them the actual facts of the expenditure and revenue of the Government of India during the last ten years, and he would ask them to judge for themselves as to what really was the state of things at present. He did not desire to go into speculations as to what the probable revenues and expenditure would be during the next year. The only really solid ground that any financier could have, in dealing with the future, was carefully to ascertain and appreciate the actual facts of the past, and this was what he would now ask the Council to do.

In the first place, the actual accounts proved that the total expenditure of the Government of India during the past ten years had increased by very nearly six millions sterling. In the year 1861-62, the total charge was £44,100,000; in 1865-66 it was £46,300,000; in 1870-71 it was £50,050,000, showing an increase, between the years 1861-62 and 1870-71, of £5,950,000. It was true that this increase of expenditure had also been attended by a corresponding increase of revenue; otherwise, of course, the country would have been in a state of hopeless bankruptcy. But, really, the state of things which admitted of such an increase of expenditure in nine years was not the less serious on account of such increase of revenue.

He would now ask the Council to follow him whilst he explained, as briefly as possible, the elements of this great increase of charge, which, in his opinion, had been referred to altogether wrong causes, and while he fixed the responsibility for this increased expenditure on the causes to which it was really due. The figures which he would take were based on the regular estimate of 1870-71: he thought it better to take those figures, and to refer to them than to the estimate of the coming year which had been laid before the Council. The separation, in the new budget, of the provincial charges made it difficult to make a comparison with the expenditure in previous years.

He had said before that the total increase of expenditure was £5,950,000. First of all, however, before going into details, he should explain that a good deal of this increase was due to the manner in which the accounts had been kept, and was merely nominal, having arisen from the increased strictness in the keeping of the public accounts. Nothing in the shape of deduction was now allowed; and the whole of every charge in the gross, without set-off, was considered as expenditure, in the same way as all income in the gross was now considered as revenue. There were also certain administrative changes which had led on the one side to the apparent increase of expenditure, and on the other to the apparent increase of income. Amongst these charges he might notice that under which official postage was now shown as a charge against every Department, and that which required service telegrams to be paid for. These charges, of course, led to equivalent increases of revenue.

Again, an important change, causing an important addition to the apparent expenditure, had been made as a consequence of the amalgamation of the Indian Army with that of Great Britain. This was the abolition of the Army Service Funds. Now, the pensions which used to be paid from these Funds were discharged by the Government, the Government having *per contra* taken over the payments which were made by the officers who contributed to these Funds. The increase of charge had thus, to a certain extent at least, been accompanied by a corresponding increase of income. To what exact degree the accounts had been affected by these alterations of system it was quite impossible for him to say.

The first item which he would take, in proceeding to discuss the details of the total increase of charge, was the expenditure connected with the Army. In 1861-62, the total charge on account of the Army was £16,220,000; in 1870-71, it was £16,300,000, showing an increase of only £78,000. But, so far as he could make out, the accounts for 1861-62 showed the charge after a large deduction of £937,000. He apprehended that, if the accounts had been kept as they were now, the charge for the Army would have been £17,160,000, instead of £12,220,000. If that was the case, there would have been a reduction of charge of no less than £860,000. Consequently, it might be positively affirmed that the Military charges had nothing to do with this great increase of expenditure.

The next item was Public Works. The Public Works charges had, up to the present time, been the scape-goat upon which all the obliquities of the finances had been thrown. Let us see what were the facts here. In 1861-62, the Public Works expenditure chargeable against the revenues for ordinary purposes, including everything except the Railway charges was £4,115,000. The charges on account of Railways, including guaranteed interest, were £2,065,000. The total charge was therefore £6,180,000. He might say, here, that it was too commonly the custom, in dealing with these Public Works charges, to overlook this very important item of Railway interest, which was, of course, just as much a Public Works charge as money spent in the construction or repairs of any public building. Well, in 1865-66, the total expenditure under these two heads was £5,200,000, or £900,000 less than it was in 1861-62. In 1870-71, the total expenditure would be £6,039,000; therefore, the expenditure in this year on account of the Public Works Department was no less than £141,000 less than it was in 1861-62; and during these nine years the revenues had increased seven millions sterling. If anybody, on the face of that, could say that the Public Works expenditure now formed an improper burden upon the Government of India as compared with the expenditure in 1861-62, Colonel STRACHEY must say that he could not agree with him. The expenditure upon Public Works Ordinary had been reduced by £175,000; but that did not really show the whole extent to which reductions had taken place. In the year 1861-62, the charges for Military Buildings amounted to £638,000; in 1870-71, they amounted to £950,000. The consequence was, that the Military expenditure during the last year had been £300,000 more than it was in 1861-62, and a corresponding reduction had been made, from the sum remaining from the total grant, for the other items, Roads and Civil Buildings. The consequence was that the reduction on these heads was no less than £475,000. He thought that, after that statement, no one could say with any degree of propriety that the Public works grant had not been cut down as low as it possibly could be. His own opinion was that if, with any degree of reason, it was practicable to give a larger grant for Public Works, that larger grant ought to have been given. But he entirely admitted the absolute necessity of doing what was requisite to maintain an equilibrium in preference to anything else. For that reason, he had never hesitated in supporting the Government of India in the way of retrenchment in order to effect an equilibrium.

In order that the Council should correctly understand the position of the Public Works expenditure, he would remark that the year in which the Public Works outlay was the greatest was the year 1868-69—a year to which he had not before referred—in which it was £8,284,000, or two and a half millions in excess of the sums which he had taken in his comparison. But it would be remarked that the total outlay of the country in that year was also two and a half millions in excess of the total of the years to which he had referred. The consequence was that, if in 1868-69 the Public Works expenditure had been reduced to what it was in 1870-71, the total expenditure would still have been upwards of fifty millions, and still six millions in excess of 1861-62, and therefore the unusual Public Works expenditure of that year had nothing whatever to do with that general excess of charge. The absolute deficit in 1868-69 was £2,774,000, and there would still remain a deficit of half a million if the extra outlay of two and a half millions had not taken place. Of course the large Public Works expenditure in 1868-69 assisted in causing the deficit of two and three quarter millions; but the deficit was obviously quite as much due to the great simultaneous increase in the whole of the Civil charges to which he should now proceed to refer.

He would next remark on the interest of the Public Debt, with which he included the interest on deposits in the hands of the Government, upon which the Government paid interest. In 1861-62, this charge amounted to £5,190,000; in 1865-66 it amounted to £5,200,000; and in 1870-71, it amounted to £5,850,000, which showed that there had been a small increase in the charges for interest on account of the Public Debt. But this was reduced again by an increase of interest received by the Government, so that the real increase of charge was not important.

The Deductions from Revenue—under which he took actual refunds from revenue, and those appropriations of the Revenue under Treaties and Assignments, which in reality were not charges, as they never formed part of the revenue, were, in 1861-62, £2,230,000; in 1865-66 and in 1870-71 were nearly at the same amount.

The total of these elements of charge—Army, Public Works, Interest on Debt, and Deductions from Revenue—being taken away, the rest were purely Civil charges. The total so to be deducted was, in 1861-62, £29,800,000 in 1865-66, £29,400,000, and in 1870-71 £30,250,000, showing an increase, between 1871 and 1862, of £424,000, which was mainly due to an increase of debt.

Therefore, the remaining expenditure for Civil charges was as follows:—In 1861-62, it was £14,274,000; it was raised in 1865-66 to £16,860,000; and was still further raised in 1870-71 to £19,800,000. Consequently, the increase in the Civil charges proper was £5,530,000. He would ask anybody to compare this great increase of the Civil charges with the absolute and positive decrease in the Public Works expenditure, and then to say to what any present financial difficulties of the Government of India, such as they were, were actually due.

He would now follow this increase of £5,530,000, and let the Council see where it came from. First, he would refer to the Home charges. A great part of these charges consisted of expenditure in regard to which the Secretary of State was only the agent of the Government of India. There was a large expenditure incurred in England on account of the payment of pensions and the salaries of officers on leave. Also, a large charge on account of the Army for stores, and payments to the British Government on account of the European troops. He thought the idea often entertained, that the financial management in the India Office was lax, was altogether erroneous. His opinion was that the administration of the Secretary of State in this respect was unexceptionable. He did not mean to say that such items of expenditure as the grant to the Mysore Family and the Ball to the Sultan might not be fairly criticized; but they were not recurring charges, and could not justly be regarded as causes of financial difficulty.

The first portion of the Civil charges was for the General Administration. In the course of nine years, this showed an increase of £500,000. In 1861-62, the Home charges, which gave the whole cost of the administration in England, were £185,000; in 1865-66 they amounted to £184,000; and in 1870-71, they stood at £207,000, showing an increase of £22,000, or little more than ten per cent. Consequently, the rest of the increase, £480,000, was due to the General Administration in India.

He next came to what might be called subsidiary administrative charges, such as the charges for the Diplomatic, Marine, Medical and Educational Departments. All these branches of administration had led to an increase of £630,000.

He now came to Law and Justice. On this, there had been an increase of no less than £1,183,000 since 1861-62, of which one million was due to Judicial charges and £120,000 to Police. Allowing for the set-off in shape of receipts under these heads, the nett increase of charge was still about £700,000.

Next followed the charges on account of the Departments for the collection of the revenues. The charges on account of the Land Revenue and the administration of the Forest Department showed an increase of £588,000, about £300,000 of which was due to the increase of Forest Establishments, and the remainder was chiefly due to the increase in the outlay on Revenue Surveys and Settlements. Under the head of Excise, there was an increase of £210,000; under the head of Income Tax, there was a reduction of £77,000. In the Salt Department, there was an apparent decrease of £280,000; but this was only apparent, because in 1861-62, £400,000 was spent in Bengal in the manufacture of Salt, which had after that year ceased, so that there had been a virtual increase of £100,000. Opium showed an increase of £624,000, which, he presumed, was due to the increased area under cultivation. In Stamps, Stationery and Printing, there had been an increase of £200,000, which was largely due to Printing. The whole of the Departments for the collection of the revenue

gave an increase of £1,294,000. Against this was no doubt a large increase of income, amounting to about five millions, but to the increases he would call attention presently.

Then came the charges on account of the Mint, Post Office and Telegraph Departments. The expenditure on account of the two last showed a considerable increase; but both those Departments showed also an increase of revenue which more than compensated the increase of charge.

He now came to the charges on account of Pensions, which had risen in India from £612,000 to £679,000, showing an increase of £67,000. The charge on account of Home Pensions had risen from £276,000, in 1861-62, to £288,000 in 1865-66, and to £780,000 in 1870-71, showing an apparent increase of £500,000. He thought it was to be regretted that the accounts did not show what were the actual charges against the revenues on account of Pensions, and how far the outlay was covered by the payments to funds. This point, he was of opinion, was worthy of the attention of the Financial Department.

The last item was on account of Miscellaneous Charges, which amounted in 1861-62 to £520,000, in 1865-66 to £1,383,000, and in 1870-71 to £1,400,000; showing an increase of £875,000. It was only necessary to remark, on this, that there appeared a tendency to throw more and more charges under the head of Miscellaneous, which had now consequently become a formidable item, being now commonly over a million sterling. He thought that it was very desirable for the Financial Department to consider whether it might not be possible to do something to show these charges more in detail, in order that the public might see what was their nature.

Before leaving the question of Public Works expenditure, he would observe, in regard to the expenditure on account of Barracks, that, out of the ten millions which it was supposed in 1865-66 would be necessary to provide for the accommodation of the European troops, six and a half millions had been expended up to the end of 1869-70, and out of that sum about four millions was for new buildings. He was not able to say, at the present moment, what the amount was likely to be at the end of the present year. In general terms, he might say that the Government of India had made up its mind that it would not continue the construction of the upper-storied Barracks more than was necessary by the present condition of the buildings in progress, or than might be requisite to provide buildings of that character to ensure the health of the troops in unhealthy localities. He had no doubt it would be found that a considerably less amount than the residue of the ten millions would suffice for the satisfactory housing of the European Army.

With reference to the money made available to the Local Governments under the head of Local Public Works for the coming year, complaints had been made in various quarters that the grant was not what it ought to be. The fact was that the grant of 1871-72 was within £100,000 of what it was in the current year, and of that amount there was, for Roads and Buildings, £80,000 more than there was in the current year. The expenditure for the coming year on account of Public Works would be £5,974,000, which was about £100,000 less than was estimated for the current year, and, consequently about £275,000 less than the outlay in 1861-62. He confessed he did not think that that was a satisfactory state of things, but it was all that could be afforded for the Public Works Department, and we must get on as best we might.

From a consideration of the figures he had stated to the Council, it was apparent that it was fortunate that the grant for Public Works had been so completely within the control of the Government of India. It had been found possible to reduce that expenditure suddenly, and by means of that reduction the Government had been able to bring the finances to a practical state of equilibrium. The control of the demands that had led to this great growth of charge, the details of which he had explained, had been the practical problem which the Government of India had to solve; and the conclusion to which it had come was, that this could be done only in one way, namely by putting a specific limit to the power of the local administrations to increase the present outlay under certain heads of services, except so far as they could find the means of meeting the increased outlay by increased income.

His Honour the Lieutenant-Governor, when he addressed the Council last week, although he agreed fully in the propriety of the general measures which the Government had adopted in relation to the financial administration, made a complaint that the amount placed at his disposal was somewhat smaller than he should desire to obtain for carrying on the administration of the province under His Honour's control. It had always seemed to him that one of the most singular features of the relations between the Local Governments and the Govern-

ment of India was the difficulty which the local authorities had in perceiving the utter impossibility there was on the part of the Government of India to find money for them when it did not exist. All that the Government of India had been able to do for the coming year, without getting into further financial difficulties, was to distribute to the local authorities such sums as could be provided, after carefully examining the relative claims of each province, from the whole amount available for the purpose.

It would be useful before he ended to consider, in relation to the growth of charges of which he had spoken, what had been the condition of the revenues. In 1861-62, the total revenue was £44,000,000; in 1865-66 it had risen to £49,000,000, and in 1870-71 it was £51,000,000, showing an increase of seven millions. There was an increase under almost every head of income. The increase under the heads of Salt and Opium, the two most important of these heads, was, in Salt 1,500,000, and in Opium £1,600,000. Allowing for the increase of charge corresponding to the increase of revenue, it would be found that, in the case of Opium, the actual nett increase of revenue had only been about one million. On the whole, the nett increase of the main items of revenue, after allowing for the increase of charge, had been £3,870,000, while the nett increase of charge on the main items of expenditure for civil administration purposes, after allowing for increase of income, had been £2,700,000. The improvement corresponded to the surplus of the current year, but would be more than counterbalanced by the reduction of the income-tax.

Under the arrangements now made, it was proposed to give up the income-tax to the amount of one and a half million. Consequently, the increase of *Income* of seven millions, as compared to 1861-62, would be reduced to five and a half millions. Relatively speaking, therefore, and allowing for the increase of *Charge* of six millions in the coming year, the Government, on the whole, would be £500,000 worse off than in 1861-62.

That seemed to him quite a sufficient reason for the Local Governments being satisfied with the assignments made, and, when viewed in relation to the small surplus expected for the coming year, showed that the amount of these assignments might be said to be excessive rather than anything else.

The general conclusion to be derived from this review of the revenues of India was to show that there had been an extremely satisfactory growth under every head, and, under these circumstances, there could be no greater error than to talk of the unelastic character of the Indian revenues. In fact, the revenue had increased at the rate of nearly half a million a year, and it was quite evident that all that was really necessary to establish a perfectly satisfactory condition of the finances in future was to put a stop to the growth of the charges, for, in reality, it was wholly the increase of expenditure that had brought the Government into financial difficulties, in spite of the constant growth of the revenues.

Major General the Honourable H. W. NORMAN said that, like the Honourable Members who had preceded him, he was not an advocate for the imposition of an income-tax in this country; but as he felt convinced that the proceeds of this tax were really required, he thought the Council might be well satisfied at the great step in advance which was now proposed to be taken in reducing the income-tax to one per cent., and in exempting from its operation all that large class of persons whose incomes ranged between rupees five hundred and rupees seven hundred and fifty per annum. He believed he was right in rejecting the idea entertained by some Honourable Members that, in accepting this Income Tax Bill, we in any way accepted the principle of an income-tax as a permanent measure. He would therefore support the Bill. But as he strongly felt that an income tax afforded numerous opportunities for oppression and deceit, he looked forward earnestly and hopefully for the day when the income-tax in India would be a thing of the past. He thought, however, that the Select Committee to whom the Bill would be referred might possibly improve the present Bill.

With regard to what had fallen from the Honourable Mr. Chapman as to the possible reductions in the Military expenditure, he would take the opportunity of stating that, in compliance with the suggestion made last year by his Lordship, he proposed at a future stage to submit to the Council a brief statement of the measures which had been taken to reduce Military expenditure.

The Honourable Member had also alluded to the expenditure under the head of Marine. He would explain that that expenditure covered the cost of a great number of vessels and establishments on the rivers and sea-board of India, and also the charge on account of six vessels of Her Majesty's Navy placed at the service of the Government of India. A reduction of more than £50,000 had been made this year in the Marine expenditure, and the strictest attention was now being directed to economy in that and other branches of the service.

The Honourable Mr. ELLIS said that he should not be justified in taking up the time of the Council with any explanation of the general financial policy of the Government, as other members of the Government were far more competent than himself to do so. But he trusted that he would be excused for saying a few words as to the financial measure of this year, which closely affected many of the branches of administration with which he had been connected. Before touching on that subject, he begged permission to say a few words in reference to what had fallen from the Honourable Member opposite, in regard to the Bill now before the Council. He would not stop to rebut the assertion that the income-tax was not necessary on the ground that the receipts were under-estimated and the expenditure over-estimated. He was of opinion that the estimates this year were framed with great care; but the Honourable Sir Richard Temple was better able to defend the estimates than he was. Admitting, however, that this reason for the abolition of the income-tax was well founded, he would still say that he could not concur with those Honourable Members who advocated its abolition. Even if it were proved that our out-turn was likely to be better than we expected it would be incumbent upon us to relieve other interests, rather than abolish what remained of the income-tax. He thought the remarks made by the Honourable Mr. Bullen Smith and other Members in regard to the export-duties upon rice, and the sugar-duties in the North-Western Provinces, would show this. These items certainly would demand our consideration, with a view to their revision, if not their abolition, before we proceeded further in the reduction of the income-tax. As to the general policy of the tax, it was not as if it were a question of the first imposition of an income-tax. He never was enamoured of it. But now that we had it, he considered that it was of very doubtful expediency to do away with it without having something in its place. It was better, in fact, to bear the ills we had, than fly to others that we knew not of. This view of the question was supported by what had been related by His Honour the Lieutenant Governor, who told us that, in spite of the oppression which had been alluded to, some intelligent Native gentlemen had come to him with a proposal for the enhancement of that tax for local purposes. Mr. ELLIS thought that the general discontent spoken of must have been exaggerated; and he would add that those gentlemen who had urged that objection had failed to distinguish between the dissatisfaction caused by a high rate of tax and such discontent as was due to the tax itself. Those who opposed the tax for the most part admitted its suitability to the presidency towns and the large centres of commerce; he, on the other hand, would admit that, in some places, this tax was unsuitable. But granting that unsuitability, he would say that the evils complained of were such as were not beyond relief, and that the difficulties were such as were not irremediable: a great part of those evils arose from the minimum of assessment being too low, an evil which it was proposed to redress now, and this alteration would give a large measure of relief to those peasant proprietors whose cause the Honourable Mr. Robinson had so feelingly advocated. In regard to the oppression on which the Honourable Mr. Inglis had so forcibly dwelt, we must look to a better administration for their redress; and he (Mr. ELLIS) was persuaded that, if the Honourable Member and others who were so anxious to redress grievances would give their minds to the subject, it would be easy to devise remedies. He could remember traditions of a time when greater oppression was rife in regard to the collection of land-revenue in the Western Presidency, and he would appeal to any one who knew that Presidency now, and ask him whether any such general oppression existed at the present day. The extortion in the collection of the income-tax was due in a great measure to its being a new tax, and he was confident that, as the scope of it was better known, and as the officers of Government became more familiar with its working, they would be able to devise means to redress wrong and corruption, as had been done before in India. No substitute had been suggested whereby we might reach the wealthy men in the presidency towns, nor had those gentlemen who opposed the tax told us, except by a surmise that we had over-estimated our expenditure and under-estimated our proceeds, how we ought to meet the deficit of £600,000 which the income-tax proposed to cover. Until they did this, he must vote for the retention of the income-tax as a part of our fiscal system.

Passing to other criticisms, he observed that the Honourable Mr. Chapman had called for a declaration from the Honourable Sir Richard Temple as to what constituted a surplus. In regard to this, he was not going to say anything, as he might be heterodox in his opinions. It was a matter for the Finance Minister and not for him to deal with. But there were two items which the Honourable Member had mentioned, on which he wished to say a few words—the grant of £40,000 for the Indian Museum, and the grant of £200,000 for provincial services. Whatever might be the principle which should regulate surpluses, there could be no doubt that these grants were right and proper. The grant for the Museum might be briefly explained. Our position resembled very much that of a man who had given a draft, promising to pay a sum

of money by a certain date. If, owing to misfortunes, he had got into embarrassed circumstances and was unable to fulfil his promise, he would be wrong and might be pitied. But if, on the date for payment, he had the money at his bankers, and if, then, owing to rules he laid down for himself, he said he must defer payment of the liability, we should call him nothing better than a swindler. We were under an obligation to build the Museum by the 23rd of March instant, and owing to circumstances, we had been unable to give effect to that intention. But when we had a balance in hand from which, in the spirit, if not in the letter, the bond might be satisfied, he could not conceive any one hesitating at once to fulfil the obligation, and make over the money for the completion of the building.

Then, with regard to the twenty lakhs for provincial services this question rested on grounds quite apart from the question as to what might be done with a surplus. The position was simply this. At the commencement of the year we made certain provincial service assignments according to our means. As the year wore, we found that we could give £200,000 more to be placed to the credit of these services, and this amount was given. Now it had been resolved that, in all future years, the sums devoted to provincial services should be at the disposal of the Local Governments, and should not lapse to the imperial revenues but remain to the credit of those Governments, and the £200,000 would similarly remain to their credit. It was not for the expenses of the Imperial Government in this or any other year that this sum was set aside, but for expenditure on those services at the discretion of the Local Governments. Mr. ELLIS contended, therefore, that, whatever might be the Honourable Sir Richard Temple's exposition of the general policy of the Government as regards surpluses, he was fully justified in dealing in this way with the amounts in question.

He would now proceed to consider, next, the very important subject which formed a prominent feature in the financial administration of the Government this year. He need hardly say that he referred to the scheme for enlarging the control of the Local Governments over their own finances. He had all his official life been an advocate for such enlargement, and he was glad to find that the scheme had met with so very little opposition, and that those who did oppose it had so very little to say against it. He thought that the objections taken to the scheme might be reduced to two. There was the objection, which would be serious if well founded, that the Local Governments were by this scheme forced heavily to tax the people subject to their control; and there was the objection, taken very freely by the Press in the presidency towns, and which had been repeated by his Honour the Lieutenant Governor, that the assignments upon which the allotments had been made were starved assignments, and less than had been hitherto enjoyed by the several Local Governments. Now, he must beg the Council to bear with him whilst he gave a few figures which would show that these objections were not valid.

It would be in the recollection of the Council that the assignments were based on the estimates for the year 1870-71, and that a reduction of about seven per cent. had been made in the assignments to each of the Local Governments. He must take leave now to discuss separately the Civil Departments, as distinguished from the Public Works Department, and he would show from the figures that, as far as regards the Civil assignments, which formed the basis of settlement, there was no starving at all, but, on the contrary, that the Local Governments had received allotments based on very full and liberal allowances. Well, then, the assignments, after deducting receipts, were, for all India, under the heads of Education, Police, Registration, Gaols, Printing, and Medical Services, £3,607,000. Now, as compared with the expenditure in the year just coming to an end, we found that, in this year, they would spend on those services £3,450,000. But the objectors said that this year was one of starvation, and was therefore no criterion upon which to proceed, and they would refer to the allotments of other years. In answer to that, he would ask them to take the estimates of the year 1869-70, which were framed when we were in a state of financial prosperity, and when no doubt was entertained as to the healthy condition of our finances. In that year there was estimated for these provincial services only £3,443,000, and therefore, compared with what was considered sufficient when there was no doubt of our financial position, he thought the grant of 1870-71 most liberal. Compare it further with what had been assigned in the years when there was abundance and no check upon our administrative expenditure. When we compared the assignments on which the allotments to Local Governments were based, we found that it was £3,607,000, against an average on the actual expenditure of five years, from 1863-64 to 1868-69, of only £3,222,000. He thought, therefore, as regards the whole of India, we might assure the Local Governments that the basis of their assignments was ample and sufficient. But as the greatest complaints had been made in Bengal, Madras, and Bombay, he must ask the Council to bear with him for a few minutes more, whilst he gave the figures for those three Local Governments. In Bengal, the figures were £941,500,

against a budget-assignment, in 1869-70, of £919,000, and an average actual expenditure, from 1863 to 1869, of £822,000. There could be no reason for complaint there. In Madras, again, we had £574,000, against £546,000 in 1869-70, and an average of £525,000 in former years. In Bombay, there was an assignment of £673,500, against a budget-allotment, in 1869-70, of £570,500, and an average of former years of £558,500. It would be understood that, from the assignments he had mentioned, a deduction of seven per cent. had been made, and even after that deduction, the allotments made would contrast not unfavourably, when compared with the budget-assignments of 1869-70, and would compare very favourably when contrasted with the average actual expenditure of former years, when there were no doubts of our financial position. He thought, therefore, that it would not be competent for any one, after the exposition of these figures, to say that, as far as regards the Civil assignments of the Local Governments, they had been based on starved assignments. Then, it might be asked, where was the reduction? He answered in two words—in the Public Works Department. And he thought that, after what the Council had heard from Colonel Strachey, no one would fail to be convinced but that a reduction was inevitable in the Public Works. He had told you that, in all Public Works Imperial, as well as those included in the assignments to the Local Governments, in all alike, there had been large reductions. Why were those reductions made? Because we had no more money to spare. Well, those who cavilled at the policy of the Government of India were most prone to reproach us for our extravagance in Public Works. It could not be urged now as a reproach that, in our allotments to Local Governments, we had been making retrenchments, for, as Colonel Strachey had shown, we had reduced all the Public Works grants. It must be borne in mind that, as we had not sufficient money to give to the Local Governments to carry out all the improvements they desired, they would, without any connection with this scheme of decentralization, have to devise means to get the money, or go without the works. It would be clear that the assignments for the civil portion of the provincial charges were sufficiently liberal, and that there could be no ground whatever for the imposition of additional taxation on account of these departments; it remained to be considered whether the contraction of the Public Works grant afforded such ground. He would beg the Council to bear in mind that, even if this scheme were not carried out, the money would not be available; moreover, he would have it borne in mind that all those Local Governments who had legislatures of their own had, for some time past, quite independently of this scheme of the Government of India, been devising means for raising money by local taxation. The Madras legislature had already passed two such Bills, which had been long pending before the local Council; and he would say, with regard to Madras, that he must confess that he was unable to receive the figures given to them by the Honourable Mr. Robinson as representing new and local taxation in Madras. Mr. ELLIS hesitated to question them, as he had not the Madras Bills before him; but in the former discussions of the Madras legislature, which he had read carefully, he could see no trace of that vast greed on the part of the Madras Government which his honourable friend had represented. On the contrary, those measures appeared to him to be most moderate. Under these two Bills, the amount that would be raised was within £300,000, and that amount, they were told, it was proposed to arrive at by degrees. He confessed that, until he saw the Bills themselves, he should hesitate to accept as correct the basis of the Honourable Mr. Robinson's calculations. Had he been asked to state which of the Local Governments would be the least likely to impose an improper burden on its people, he would say that it was the Madras Government. It was essentially a paternal Government, and it would be the very last to attempt to raise from the people anything more than they could be reasonably called upon to bear. Anyhow, these Bills had been commenced with long before the scheme for carrying out the system of provincial assignments had been started. In Bombay, also, as had been stated by the Honourable Mr. Chapman, Bills had been some time under consideration with a view to further taxation by municipalities in towns. Again, in Bengal, as every one was aware, correspondence had for a long time been going on as to the raising of further funds for Education and Roads; therefore, he said that these measures of taxation were independent of the Government of India, and not in any way initiated and forced upon the Local Governments in consequence of that scheme. They were initiated and brought about by the feeling of the Local Governments that further improvement was required, and that the funds would not be forthcoming from imperial resources. He submitted that it had been shown that the allotments to the provincial Governments were sufficient, except in so far as related to the allotments for Public Works, and for these latter more could not be afforded. Therefore, he did say that there was nothing in the action of the Government of India to compel the Governments to impose upon the people a burden greater than they were able to bear. As regards the three Governments who had legislatures of their own, Bills had been introduced or were under con-

sideration for some time past for the raising of funds for local improvements. As regards the North-Western Provinces and Oudh, Bills for this purpose were now before the Council, and it would be in the power of this Council carefully to consider those Bills, and not impose on the people of those provinces more taxation than was justified by a reasonable demand for improvement. In conclusion, he trusted that no difficulties would be thrown in the way of carrying out the so-called measure of decentralization, for he believed that it was calculated to increase the efficiency and economy of administration in India.

The Honourable Mr. STEPHEN had not intended to trouble the Council with any observations upon the policy of an income-tax; but in the course of the debate, several observations had fallen from Honourable Members which appeared to him to call for some remarks upon his part. The first observation to which he would refer was made by His Honour the Lieutenant Governor of Bengal, and he referred to it, not only on account of the weight which must attach to every observation which fell from His Honour, but also on account of its great plausibility, and because it specially pointed to the Department of which Mr. STEPHEN had the honour to be the head. His Honour observed that a reference of this Bill to a Select Committee with instructions to report in a week was hardly consistent with a due regard to the public interest. Mr. STEPHEN considered that a very serious charge, and he begged leave to remark that, as far as he could form a judgment upon the subject, it was not deserved. Of course, there were topics connected with the income-tax which you might discuss, not only for weeks, but for months, and it might be a question whether, at the end of those months, you would be in a better position than at the commencement. We all remembered

“Others, apart, sat on a hill retired,
In thoughts more elevate, and reasoned high
Of Providence, Foreknowledge, Will and Fate—
Fixed Fate, Free Will, Foreknowledge absolute,
And found no end, in wandering mazes lost.”

The discussion on the income-tax which His Honour suggested might lead to similar results, and he hoped it might not be undertaken. On the other hand, if the Committee confined itself, as Mr. STEPHEN thought it should, to the discussion of the changes proposed to be made in the Act of last year, it could perfectly well dispose of them in a week. The changes proposed were all mentioned by the Honourable Sir Richard Temple. They were eleven in number. The question which His Honour wished us to discuss were questions of a very different kind. His Honour's conversation with the American gentlemen to whom he had referred, had suggested to him that it would be a good plan to take an account of the whole value of the property of every man taxed under the Bill. Then you would estimate the permanent income that would probably accrue to him therefrom. Then you would put on one anna for one thing, and another anna for another till at last you brought his income under a satisfactory assessment. After you had performed that operation, you would have to proceed to an inquiry as to the sources of his income, and when that was ascertained, you would be in a position to decide what proportion of his income was to be regarded as property and what as income. This process would open out a wide field of discussion, especially when it was applied to a country under our rule containing a population of 150 millions. This, however, was only the beginning of troubles. The next question would be how the principle of the distinction between property and income was to be adjusted to the circumstances of the different classes of the community. For instance in the cases of a barrister, a merchant, and a civilian, how much of the income of each was to be regarded as property and how much as income, special reference being had to the fact that some portion of the covenanted officer's salary was in the nature of compensation for coming out to this country. If, having entered into all that, we were to go on to inquire from what point of view our Native fellow-subjects regarded the large incomes paid to officials in this country, and how far they thought it just to regard part of them as property and part as income, there was, no doubt, room for a great deal of inquiry, for which one week would be far too short a time. But over and above all this, an abstract principle had been laid down, which amounted to this—that no tax was just which did not impose equal sacrifices on those who paid it. That was a principle to which he (Mr. STEPHEN) did not assent, and its discussion might take some time and end in a difference of opinion. Supposing it to be established, when you came to apply it practically, how were you to discover what was an equal sacrifice? How far could you say that a man, who paid five per cent. out of £5,000 a year, made the same sacrifice, as a man who paid five per cent. on £100 a year? How would you draw a comparison between an English barrister, an Indian ryot and a small zamindár? These questions were as hopeless as those of free-will and foreknowledge, and yet these were the questions on which His Honour suggested that the Committee should inquire and take evidence. Mr. STEPHEN

earnestly trusted that, amongst the duties he discharged in this country, he might never be called upon to preside at a Committee to inquire into such questions. He took a humbler view of the functions which this Council had to perform, and which were at present before them. The Bill contained eleven slight alterations of the existing law, which must be thoroughly discussed. With these questions it was quite possible to deal; but if we went into general principles, and the application of these principles to the circumstances in which we stood, we should be going very far out of our depth. Even if you confined the area of discussion to the project of adapting the English Income Tax Act to India, the difficulty would be enormous. It would be necessary to adapt to India schedules A, B, C, and D of the English Income Tax Act, together with endless questions about exemptions, deductions, qualifications, returns, and other things, and the result would be that it would become absolutely necessary to inflict upon the whole community a most elaborate body of law and forms of the most intricate description. He could only say that the little finger of an Act of that kind would be thicker than the somewhat attenuated loins of the present Bill.

But passing from that, he came to the consideration of several other observations. The first of these fell from the Honourable Mr. Chapman. He criticised at length the expenditure on account of certain salaries paid to the officers of Government, and he asked a variety of questions, which Mr. STEPHEN did not feel himself called upon in any way to answer, because they referred to branches of the revenue of which he had no particular knowledge. But he did allude to two or three matters to which Mr. STEPHEN considered it his duty to refer. Mr. Chapman had observed, for one thing, that he considered his own services as an Additional Member of the Legislative Council to be not worth his salary. Speaking with some considerable knowledge of the subject, Mr. STEPHEN would say that Mr. Chapman was by no means the best judge on that subject. He (Mr. STEPHEN) had had the pleasure of being associated with the Honourable Member in this Council for many months past, and he was sure that the assistance which he had rendered in the improvement of the laws was of very great importance, and fully justified his presence in this Council. Mr. STEPHEN thought it quite a mistake to suppose, as some Indian officers appeared to him to suppose, that, unless a man was kept very hard at work from early in the morning till late in the evening, he was not earning his salary. He would altogether deny the truth of such criticisms. It was absolutely necessary, in order that good laws should be made, that ample experience and advice should be provided for the assistance of those who were charged with the duty of making laws. His honourable friend and his colleagues might find during their presence at Calcutta that they were not kept quite as hard at work as they usually were. It appeared to him (Mr. STEPHEN) that many Indian officials had a morbid appetite for hard work. He himself had not led an altogether idle life, but he thought it a mistake to consider that the time spent in advising on and preparing legislation was not adequately and properly employed, even if the legislators were not actually at work for the whole of every day.

With reference to Mr. Chapman's remark that to have in each department a Member of Council and a Secretary was a superfluous expense, Mr. STEPHEN would only say that he felt some delicacy in answering such a criticism. Whether the Members of the Executive Council did their work properly or otherwise was a question on which he could give no opinion for obvious reasons; but he could not understand how it could be seriously questioned that there was plenty of work for them to do. It appeared to him that no talents and no energy could be too great to discharge the duties of a Member of Council as they should be discharged. He would be the last man to depreciate the value of the services of the Secretaries to Government, whether in his own or in other departments; but there was ample work both for them and for the Members of Council who presided over the departments to which they were attached. Speaking for his own department, he felt perfectly certain that neither Mr. Stokes nor he would be able to undertake the duties of the other, in addition to his own, nor did he believe that any one man could discharge them all.

But there was one further remark to which he must refer more particularly. The Honourable Mr. Chapman spoke of the High Court Judges, and referred to the difference of the salaries which those officers received in the Presidencies of Bengal, Madras, and Bombay respectively. The way in which this difference was accounted for was, that the expense of living in Calcutta was greater than at the other presidency towns. Whether that was a fact, and whether it was so with regard to Bombay in particular, were questions upon which he could form no opinion. But this he could say with very considerable confidence, and from a long knowledge of English barristers, and the prospects held out by the judicial service at home, that he did not believe that you could get the class of men you would wish to get as High Court Judges at lower salaries than those now paid to them. He believed that, at the

present time, there were few men in England who would accept a High Court Judgeship, who would not remain in England for £1,500 a year. He said this from personal knowledge and experience in such matters; and this fact bore on the expense of the judicial service in this country. If you wanted a man who had more or less an independent position to leave home in middle life, you would have to pay him about three times as high a salary as he would take at home. This consideration bore strongly on the question of the employment of Native Judges. He thought it would be reasonable that a Native Judge of equal standing, rank, and ability ought to be contented with a salary much lower than that which was paid to the European Judge, except, of course, in the case of a class of practitioners whose professional income reached the European standard. A large part of the salaries paid to Europeans in this country, and in particular to European Judges, was in the nature of compensation for coming to an unhealthy climate, breaking off home associations and family connexions, and keeping up at very great expense relations with England. It was absurd to pay a Native of the country for what he did not lose. It was like paying for Native goods the price which you had to pay for goods imported from Europe. The European article might be, and he believed that in the present case it was, worth the price paid for it, but to make its price the standard for an article produced on the spot appeared to him altogether absurd. He was not, of course, prepared to say what specific inference was to be drawn from these considerations; but the matter was not irrelevant to the budget.

In conclusion, he thought that it might interest the Honourable Messrs. Robinson, Inglis and Chapman to hear how some of the observations which they made regarding the income-tax struck persons who looked upon the subject without a special knowledge of India. We had heard a great deal about dissatisfaction; we had heard a great deal about unpopularity; we had heard a great deal about the hostility of the Press at Calcutta; we had heard a great deal about change, and the people not knowing what they would have to pay. The principal point which struck him was that what the people really disliked was to pay money. They did not like to pay, and it was very natural that they should not; he never heard of any human being who did, and he could well believe that the people specially disliked paying at 3½ per cent. of their incomes. That they would dislike paying 1¼ per cent. appeared to him beyond a doubt, but that they would dislike it to the same degree appeared to him extremely improbable. For ten years they had actually paid this tax under different shapes, without any particular complaint, and as they complained when the rate was raised, he (MR. STEPHEN) believed that what they objected to was, not the tax, but the amount of it—the payment, and not the change of which Mr. Chapman had said so much.

[The Honourable Mr. CHAPMAN said that his remarks were made with reference to local taxation. The Honourable Mr. STEPHEN continued.]

He had no doubt that they disliked even that. Whether they paid under a local law passed by the Local Government, or under an imperial law passed by the Supreme Government, they had to pay, and that was what they disliked. He would fully understand that this was a tax extremely unpleasant to collect and equally unpleasant to pay. He could fully appreciate the difficulties which every person had experienced who had anything to do with the tax. But he could not conceal from himself the fact, that we were in a position in which it was absolutely impossible to take any step in any direction or to stand still without incurring great difficulties and considerable risk. If you said that change was so bad that you would have no change, you would come to a state of things in which you would feel the necessity of a change. If you said that you would remedy that state of things, then you would experience the inconvenience of changes. If you put on an income-tax, the collector would point out the difficulty of working it. If you put on some other tax, he would say the same thing. The main object to be aimed at was the general improvement of the government of the country, and he might be permitted to say that the Civil Service appeared to have devoted themselves to this object with a degree of zeal, industry and success which called forth his admiration whenever he thought of it. The undertaking, to which they had devoted their lives was one of the utmost difficulty, and the general result, brought about by arduous labour, continued now for upwards of a century, was one of which every Englishman should be proud. But that result was of necessity brought about by a continual series of delicate and dangerous experiments. This state of things was inseparable from the position of the British empire in India. The policy of the Government was not condemned by showing that it involved difficulty or even danger, for to suppose that the Government of this country would ever be free from difficulty or danger, was to suppose an impossibility. It was probably more obvious to a new comer than to an Englishman who had lived long in India that we were engaged in carrying out one of the most gigantic, one of the most delicate, and hitherto one of the most gloriously successful, enterprises that was ever undertaken in

this world; and this should never be forgotten when any particular measure was criticized on the ground of the difficulties or dangers connected with its adoption.

The Honourable Mr. STRACHEY said that, notwithstanding the length to which the debate had proceeded and the lateness of the hour, he was unwilling to give a silent vote on the Bill before the Council. There was only one point on which he desired to make a few observations. Regarding the general questions that were at issue, he thought it unnecessary to say anything. His honourable friend Mr. Inglis, in particular, had spoken in terms which, with all deference to his honourable friend, he must characterize as most extreme as regards the extortion and corruption which had been committed in the North-Western Provinces in the assessment and collection of the income-tax. He did not think that His Honour the Lieutenant Governor of the North-Western Provinces would thank his honourable friend for that testimony. Speaking of India in general, Mr. Inglis said that he believed that, for every two millions which the people paid rightly to the tax, they were made to pay two millions more by bribery and corruption and oppression. Mr. STRACHEY totally declined to believe anything of the sort. He disbelieved anything so extremely discreditably to the Local Governments, and he considered that he was entitled, from his personal knowledge of facts, to give to any such statement an absolute and unqualified contradiction. He did not for a moment intend to assert that no abuses had occurred. His honourable friend had spoken as if all our experience of the income-tax had been gained during the last year. But he would remind the Council, as had been already said, that in one shape or other, we had had an income-tax in this country for the last ten years; for the so-called license-tax and certificate-tax had been nothing but income-taxes, with this difference, that they did not apply to all classes of the community, and were levied at a lower rate. He happened to know, personally, a good deal about Mr. Wilson's Income Tax Act, which was imposed ten years ago, and which had been specially referred to by an Honourable Member. That tax, when it was first imposed, was levied at a rate of four per cent., instead of, as in the past year, at something over three per cent., and the limit of incomes liable to assessment was Rs. 200 a year, instead of Rs. 500. He would invite anybody to look at the reports regarding the working of the Income Tax Act of that time and its results. They were full of complaints of every kind as to the unsuitability of many of the provisions of the law; complaints, for example, of the complicated returns, which no human being (he could answer for himself) could understand, and of which, when filled up, ninety per cent. were absolutely worthless. But speaking generally, he could say, from his own knowledge and recollection of the facts, that the highest and best authorities on the subject, almost from one end of India to another, had declared their conviction that, however unsuitable an income-tax might be to India, and however great the defects of that particular law might have been, at any rate this was proved that the income-tax had been levied without any serious oppression, without serious dissatisfaction, and without any political danger. In those days, he was himself a Collector a Magistrate in one of the largest districts in the North-Western Provinces, and had personally had the duty of superintending, in all its details, the assessment and collection of the income-tax. Independently of what he saw and did himself, he was in a position in which, he could safely say, no man had better opportunities of seeing and hearing all that went on in the North-Western Provinces, in regard to the management of the tax. He might add, he believed with truth, that probably no man ever used stronger language than he had himself used regarding the faults of that tax. But this he would assert very positively, from his own personal knowledge and experience, that if, in any district, the people were harassed and oppressed, and if extortion was practised upon them, it could only result from gross mal-administration. He entirely denied that, if the local officers did their duty, these malpractices of which we heard so much could have occurred. He could not imagine that the administration in this country, and in the North-Western Provinces in particular, had so very lamentably degenerated of late years. He did not for a moment deny that abuses, and great abuses, might occur, and had occurred, in particular cases, in the administration of this law. What he denied was that these abuses had been the general rule. The difficulty, no doubt, of making assessments, had been great in some parts of India; in Bengal, in particular, the difficulty had been extreme. But he would repeat that, so far as Northern India was concerned, if any Collector or Commissioner told him that these abominations of which we had been told were going on as a common and universal practice, he had given the most complete evidence of his utter incapacity for performing his duties. It seemed to him that we had had ample and complete experience during the last ten years in regard to the operations of the Income Tax Act in India. The result of that experience was (as the Honourable Mr. Stephen had said) that when the rate of the tax was high, there was discontent; but when it was low, no difficulties occurred and no opposition was experienced. So long as the tax was low, we heard little or

nothing of oppression or extortion or corruption. The truth was that, up to the present time, from the time when Mr. Wilson's tax was first imposed, no serious attempt had ever been made to bring into proper order the machinery for working this tax. We had always been dealing with it in a spasmodic kind of way; one year the limit had been at one rate, and one year at another. If our object had been to make the tax unpopular, we could not have gone to work in a better way. Judging from the experience of the last ten years, if the tax was kept at such a rate as now proposed and small incomes were left untouched, and if we took anything like the same pains in making our arrangements for the assessment and collection of the tax that we took for the assessment and collection of other branches of our revenue, he saw no reason whatever, considering what he might call the infinitesimal number of the people that this measure would affect, why it should not work well. He believed that, without any serious amount of trouble or unpopularity, this one per cent. tax with good administration, would soon give us three quarters of a million or more a year, and that it would place in the hands of the Government, against a time of great emergency, a most valuable resource. He might add that what was now proposed was virtually almost the same proposal as that originally made by Mr. Wilson in 1860. He proposed to impose a heavy income tax for a term of years, but to retain one per cent. permanently: one difference between the proposal then made and the proposal of the Government now, was that it was then proposed to assign the one per cent. to the Local Governments for works of public improvement.

A good deal had been said as to making this tax permanent. Now, he was not aware that anybody had said anything of the sort, or that the Government had declared any intention whatever of making this tax permanent. All that was really said was, that the Government had come to the conclusion that it was desirable that the Act should continue in force until the legislature thought it desirable to repeal it. Nothing more in regard to this point was proposed by this Bill than was done by any of the dozens of Acts which were passed with no limitation of time as to their continuance. In spite of what he had said, he should be very glad if the time came when no such tax would be necessary. What the Government now virtually said was this, that so far as we could now foresee, we could not anticipate that, within another year or so, we should be able to dispense with this tax, and that, under ordinary circumstances, the tax should not exceed one per cent. It appeared to him that, by inserting no term at all, a better security was really given to the public against the increase of the rate hereafter, than if we were now to say that this tax of one per cent. was to hold good for the present year only. For, in its present form, the Bill was to some extent an assurance, that the Government had come to the conclusion that nothing but a really serious emergency could justify the imposition of an income-tax at a higher rate than one per cent. But it seemed to him that if we were to insert a term of one year, it would be as much as to say that we only wanted one per cent. this year; but that, at the end of the year, it would be a matter for consideration how much we should want the next year. It appeared to him visionary to suppose that we should be able to dispense with this tax at the end of this year. If our financial position should improve, he agreed with what had been said by other honourable members, that if we should be able to get rid of three quarters of a million of taxation, this wretched income-tax was not the thing we ought first to dispense with. He entirely agreed with the remarks which fell from the Honourable Mr. Bullen Smith regarding some of our Customs duties. He thought that it was nothing short of a disgrace to a civilized Government that such duties as our export-duties on rice and other staples should continue to exist. Nothing but extreme financial difficulty could justify their maintenance at all. He also entirely agreed with what had been said regarding the sugar duties. He had no hesitation in saying they were a standing discredit to our Government. We were not only levying a heavy tax, amounting to some ten per cent. *ad valorem*, on one of the greatest sources of our agricultural wealth in Northern India, but we were actually levying a duty on our own people for the benefit of the sugar-planters of the Mauritius, for those planters actually paid a smaller duty on the import of their sugar, when sent to this country, than our own people paid when they sent their sugar across our Inland Customs line. If we could afford a sacrifice of half a million, or three quarters of a million, we could abolish all export-duties and all inland-duties on sugar, and we could reform our import tariff also. He thought that, by good administration, all the more serious objections to the income-tax might be got rid of, and that, politically, the tax might be made a source, not of weakness, but of strength. He could not conceive how any one could doubt that the continuance of a light income-tax was a smaller evil than the continuance of such taxes as those of which he had been speaking.

His Excellency THE COMMANDER-IN-CHIEF said he should be sorry, by a silent vote on this question, to give the impression that he voted for this Bill merely because he was a member of the Government. He was formerly a member of the Government of India, when

an income-tax was maintained ; and he now voted for its continuance at the moderate rate to which it had been reduced, and was prepared to continue so to vote until some other tax was devised which would reach the rich Native mercantile class without leaving the European community untaxed. It was well known that the richer portion of the Native mercantile community escaped taxation.

Formerly, the European paid no taxes, except the import-duties on the articles for his use and consumption. When the Government were asked for money for the convenience or benefit of Europeans, the reply used to be,—“ You come here for your own purposes ! You receive your wages ! You have no right to expect to have your wants supplied from the money which belongs to the people of India ! ” Afterwards, when Europeans paid income-tax, he was often glad to be able to claim for them the protection of the State—equally with our Native fellow-subjects—for the poorer Europeans, education for their children and places of worship. He was sure he only did justice to the European community in believing that they had no desire to avoid bearing a fair share of the burthens of the State. He believed their objection to the income-tax proceeded from the belief that it hit them hard, as their incomes were more accessible, while the Native mercantile class escaped more easily, as their incomes were not so completely assessed.

With regard to the reductions in the Army, to which the Honourable Mr. Chapman alluded, it was true that the late Commander-in-Chief recommended extensive reductions, which had not all been carried out ; yet, at the same time, he gave a solemn warning against reducing the Military force of the country by another European soldier.

It was not permitted to him to enter into details of what the proposals for reduction were, but they went very far beyond what the Honourable Member indicated. It was vain to say that the addition of a portion of men to each of the remaining batteries was any sufficient compensation for the loss of complete batteries.

In the case of the reduction which had been carried out, the loss of thirty guns was a very serious loss of power ; and as regards the men, though it was intended to divide a portion of them among the remaining batteries, they themselves did not consent to it, but went home bodily with their batteries.

It was only justice to the Government of India to say that he had protested, in the strongest manner against any further reduction. It had been his duty to say that he considered reduction to have been carried to the verge of safety, and this opinion had been confirmed by his observations during his recent tour of inspection.

With reference to the question of barracks, a few words were due in behalf of the British soldier. Last year, the subject of barracks was much discussed in this Council. The term “ palatial barracks ” was invented, and he feared the British soldier got into the bad graces of the tax-payer as the pampered dweller in palaces.

Now, what was the fact. The Government of India, after the mutiny, found that they had a largely increased European army almost unhoused, and it came to the determination to borrow the money necessary to house it properly, and to give the reasonable comforts and amusements necessary to render the soldier's life in India desirable. He believed that few of the members of this Council were in the way of becoming acquainted with the medical statistics of the Army. It was well known that, in places subject to malaria, if you slept at an elevation of eighteen or twenty feet from the ground, you might escape the effects of malaria. In Calcutta, you had a proof of it. The mortality of the European soldiers in Fort William was formerly nine and a half per cent. per annum. By building the Dalhousie Barracks, Lord Dalhousie reduced the mortality by two and a half per cent., or seven per cent.; and if you reckoned for a thousand men, the saving of life was seventy men per annum, or seven hundred men in ten years. The very experienced Inspector General, Dr. Murray, in advocating double-storied barracks, said that it did not much matter where the men slept for nine months in the year ; but in the remaining months of the unhealthy season they were liable to contract, from sleeping near the ground, fevers which rendered them, for the future, practically useless as soldiers.

He considered that the Government had good grounds for the construction of double-storied barracks, and for borrowing the money to build them. But it was decided by an authority which he was bound to respect, that the money spent from loans should be taken from revenue ; and this measure was, he believed, the cause of the inconvenience which ensued.

There might have been room for improvement in the manner of construction, but this was in course of adoption ; and he had no doubt the barracks that might be completed would fully justify the expectations of those who advocated their construction.

Arrangements were under contemplation to place several regiments in the Hills, where their accommodation would be less expensive; and he was content with the resolution to build the double-storied barracks only in such places where climatic influences rendered them necessary.

The Honourable Sir RICHARD TEMPLE said—"MY LORD,—At this late period of the debate I shall not enlarge on the general topic, but shall confine myself to replying to the adverse criticism which has proceeded from several Honourable Members sitting on the President's left.

I begin with the speech of my honourable friend Mr. W. R. Robinson. He says that I have under-estimated the revenue and over-estimated the expenditure in several respects. Had it not been for this, he thinks that the necessity for retaining the income-tax might have been avoided; and what are the instances he adduces? Why the Land Revenue, which he observes is less by a large sum than the sum realized in 1869-70; the Excise; and the Customs, of which the present estimates do not allow sufficiently for the prosperity of the time. Now, as regards the Land Revenue, my honourable friend seems to have overlooked the fact that in 1869-70, there was an extraordinary receipt (duly explained by me to this Council at the time) namely, the accumulated proceeds of the sale of waste lands, which windfall will not recur; therefore the favourable result of that year cannot be estimated for in subsequent years, and the apparent difference is thus fully accounted for. As to Excise, the amount I have now taken is almost as high a figure as has ever been realized in the most prosperous year; and if Burma be excluded (where there has been a special falling off), the figure for British India is actually the highest ever estimated. As to Customs, I have to repeat (what was explained in my general exposition) that we fear that the apparently prosperous figure of the current year may partly arise from over-importation; that the present profits of the trade are less than what might have been justly expected; and that therefore any further prosperity cannot confidently be reckoned on at present. I may add that in our belief the estimates for all these heads of revenue have been taken *full*, quite as full as the estimates received from the local authorities would warrant, and I must decline to accept the irresponsible advice of my honourable friend to take them any higher.

On the expenditure side my honourable friend instances the increases on Land Revenue, in Forest, in Opium, in Salt. Now, does he really mean to say that these charges could be reduced beneficially? Hardly so, when he remembers that I explained in my general exposition that these increases were all needed to produce a direct fiscal return. But he says he has searched in vain for a proof of the increased return on the Revenue side. I cannot understand this, inasmuch as he will find specific increases taken under each of these very heads! The same remark too applies to excise in British India (Burma being excluded). Further, my honourable friend says he cannot understand the increases under Stamps and Stationery and Administration. Why, if he will refer to my exposition he will see that these instances are specifically accounted for by transfers of account.

Here again I must decline to accept advice which really means that I should take the estimates more favourably than they are taken, a course wholly inconsistent with prudence in finance. The estimates are taken prudently, and not at all too unfavourably, and my honourable friend must look the necessity in the face, for I cannot evade it by attempting to improve the estimates.

Mr. Robinson then drew a moving picture of the national demoralization caused by the income-tax in the Madras Presidency, with which he is specially acquainted; and even dwelt on the wide-spread discontent caused thereby among the landholding classes. But what are the facts? Why, in the Madras Presidency, with a population of nearly thirty millions, the income-tax for 1870-71 amounted to £245,000 with 55,000 or 60,000 tax-payers; in 1871-72 it will amount to £69,000 with 27,000 or 30,000 tax-payers. How is it possible that from so small a cause such universal demoralization can arise? Some mischief may, indeed, must arise; but that it extends to all classes in the manner described by my honourable friend, I do not believe. Further, how can it reach the landholding classes in the manner supposed? At the most, it cannot affect more than a very few thousands out of many millions of agriculturists. Moreover, the oft-repeated argument that the tax reaches, from its uncertainty, more than it was meant to reach, cannot apply at all to agriculturists, for they are assessed to this tax on fixed and certain data furnished by the village records. I do not deny that some evils exist; but I do say that my honourable friend's description of them must in some respects be greatly overdrawn.

Again, Mr. Robinson says that by the relief afforded we have only slightly narrowed the field for oppression! Now what have we actually done? We have exempted for

1871-72 just one-half of the total number of those who pay the tax in 1870-71. Surely this is a large measure of relief, and to style it a slight narrowing of the limit, is to give a meagre and inadequate description.

Then Mr. Robinson gave us a long account of the local taxation recently imposed in the Madras Presidency, which he makes out will amount to between $\frac{1}{3}$ and $\frac{1}{2}$ a million annually. But what has all this got to do with the Imperial Budget and with the Income Tax Bill now before this Council? Surely my honourable friend cannot suppose that we, the Government of India, have at all forced the Government of Madras to impose this taxation. In the first place, those local taxes had been devised and placed before the local legislature some time last year, long before the present budget had been thought of. In the second place, the utmost sum which this budget would compel Madras to raise locally amounts to only £55,000. To that extent we are responsible. Whatever the Madras Government may raise beyond that, it will raise in its own discretion,—a discretion which I am sure will be exercised moderately and properly. If then my honourable friend's description of the expansion of local taxation in Madras be meant at all to prejudice the policy of the Imperial Budget, I must remark that it is irrelevant to the question at issue.

I was surprised to hear Mr. Robinson use such words as that the Government of India stands pledged to abolish the income-tax as soon as possible, and that the intention to do this is to be inferred from the action of Government. It were perhaps superfluous to point to the well-known fact that no such pledge has ever been declared or recorded. On the contrary, in our Financial Statements we have always guarded ourselves against giving any such pledge. And as to any such inference being drawn from our past proceedings, I say that our proceedings point to a directly contrary inference; for on the establishment of our existing financial system, the first thing which Government did was to impose an income-tax for five years. When the period had expired, not a year was suffered to elapse before a fresh project for a similar tax was set on foot, and was shortly afterwards carried out; and since that time we have never been without an income-tax in one shape or other.

Lastly, Mr. Robinson regrets that I should have inferred from the fact of the local Government reporting the absence of complaints that no cause of complaint existed. But in reality I drew no such inference. On the contrary, I expressly guarded myself against drawing any such inference. I stated that such cause must doubtless have to some extent arisen, notwithstanding the absence of official reports.

I next advert to the speech of the Honourable Mr. Cowie. He regrets that I *can* suggest nothing save an income-tax. Now, as to whether I *can* suggest, or not, I may observe that to make such suggestions might be easy enough. Instead of a moderate income-tax like that now before the Council, I *could*, if it were deemed fit, suggest many things, but they would all be open to objection; for instance, a marriage-tax, which might touch somewhat too closely the domestic affairs of the people; a tobacco monopoly, which might affect the garden culture of every ryot; an increase of the salt duty in Bengal which would tax still further the highly-taxed luxuries of the poor; additional customs duties, which might unduly affect trade; a succession duty, which would be open to some of the objections of an income-tax without its productiveness. Such things have been proposed, and might have to be carried out in certain emergencies; and as far as possibility goes, I *could* suggest them, but I had rather not do so. I, for one, distinctly prefer the alternative of a light income-tax, such as that now before the Council. Then my honourable friend, objecting to the tax being made permanent, says it is one for an emergency, and not for time of peace. In the first place, we have never said it was to be permanent; we have merely refrained from proposing any limit of duration. But, further it seems to me to be mere assumption when the tax is said to be one, not for time of peace, be only for emergency. I am not aware of any such doctrine; certainly it is not so held in England, where for now a quarter of a century the tax has existed, although for the greater part of that period the country has been at peace, and not in a state of emergency. Most other civilized countries have kept up direct taxation in times of peace. I know no reason, whatever, why India should form an exception to the rule which prevails in so many other countries.

Then my honourable friend objects to our retaining such large cash balances and to our borrowing any additional sums during the coming year. As this subject has been adverted to by other Honourable Members, I will now say what there is to be said hereon. In my exposition it was shown that the cash balances are very high now, not only because we have improved our ordinary finance, but also because less has been spent than was expected on Public Works Extraordinary including State Railways and on guaranteed Railways. It

hence follows that we have in hand much money belonging to the Public Works Department and to the Railway Department, for the payment of which sooner or later we are liable. Well, if the Public Works Department were to expend in the coming year all it proposes to spend on the extraordinary loan works, we should clearly want nearly all the money which has been or is to be raised. Also, if we were obliged to set ourselves square with the Railway capital account, that is if we had to make advances in this country for construction of the lines, fully up to the amount of capital which has been raised in England, we should need all the cash balance that could possibly be spared. Besides these manifest liabilities, any broad view of all the circumstances of our finance would show that we have many contingent liabilities. Again, in the present state of the exchanges, my honourable friend must surely know that the less is drawn from us by the Secretary of State's drafts, the better; inasmuch as the loss by exchange (a direct charge against our revenues) would be thereby kept down. The 2½ millions intended to be raised by loan by the Secretary of State during the coming year might represent so much less of drawings, and this difference might save us expense, more or less, according to circumstances. At present the Secretary of State's cash balance is doubtless no more than what is required. If, as the year wears on, it were to be found to be high, I presume that this could be considered when the loans of the following year come to be determined. The Secretary of State has, of course, the best possible means of judging the times and conditions of raising loans in London. That judgment is exercised in the financial interest of India. Here in India we try to keep our balances at such sums as may fully suffice for all requirements. We have not indeed always been able to do this. Just now we fortunately are so able. The amount is higher indeed than it used to be in former years. But it would not hence follow that this is relatively higher now than it used to be, for our disbursements have of late grown vastly, and are still growing. The matter is one of discretion to a large degree, and on consideration of *all* our requirements and liabilities for the coming year, I beg to assure the Council that the present amount of cash balances is not otherwise than satisfactory.

I next proceed to the speech of the Honourable Mr. Inglis. Adverting to the statistical fact that the income-tax, at the most never touched more than 1 in 300 of the population (it will now touch only 1 in 600 by the Bill before the Council), he says that of the remaining 299, at least one-half are subjected to illegal extortion on account of the tax, and that if 2 millions are collected from all India on account of the tax, at least an equal amount in addition is collected in the shape of bribes. Perhaps my honourable friend hardly bore in memory that half of the 299 would represent half of the 150 millions of population or 75 millions. So my honourable friend seems to make an assertion which, if reduced to figures, would mean that on account of this tax 2 millions of bribes are extorted from 75 millions of people! I cannot persuade myself that my honourable friend really means to adduce any such imaginary statistics. The assertion he makes is one of the most general character, not borne out by even the reports received from that part of India where he has served, and unsupported in its extreme sense by any particle of proof which he adduces. I quite share the belief that in this matter of income-tax, as in every matter of administration where the Natives of India are concerned, the evils which Mr. Inglis justly characterizes as extortion, oppression, and bribery, do unfortunately prevail. The question is really one of degree; and I believe that the assertions hazarded by my honourable friend are instances of the manner in which the general objections incidental to Indian administration are pressed with particular exaggeration against a tax which affecting all classes alike down to a certain limit, is, to that extent, inevitably distasteful to those who have to pay it. But admitting, as I, for one, do admit, that these evils do accompany the tax, to a certain degree, though not to the extreme degree supposed by my honourable friend—what then? What are we to do? Are we, for *that* reason, to give up the measure? I say no. For if these reasons prevail, the state of society in India is, alas, such that we should have to give up many other useful and necessary things. Despite all our efforts, the extortion, oppression, and bribery, described by Mr. Inglis, do to a certain degree (though not to any extreme degree) exist in the land settlement operations, in the canal administration, in the police, in the courts of justice—in many things in short. Are we *therefore* to give up settling the land-revenue, to give up irrigation, to give up administering the law, to give up protecting property, and so on? Of course we are not. But neither are we *therefore* to give up direct taxation.

Further, many of my honourable friend's objections would be applicable to all kinds of direct taxation. Nevertheless he and those who think with him are always bringing forward schemes for taxing in this way by license taxes the very classes who are exempted from the income-tax. Why, the persons who are to be exempted by the Bill now before the Council will be all caught in the net of my honourable friend's license-tax. True the license-tax is rough and easy, divided into three grades; but so was the income-tax rough and easy, for *these*

classes. Remember, I am not objecting to the license-tax at all; I only say that I cannot understand the consistency of those who advocate a license-tax, which for the lower classes is only a little better than our income-tax,—while they denounce our income-tax in unmeasured terms.

My honourable friend concluded by declaring that I might avoid the necessity for imposing the income-tax by transferring the necessary amount from the cash balances, or by deducting the required sum from the assignments made under the new system for the provincial services. I heard this with surprise. What can he mean by suggesting that a portion of the cash balances should be transferred to the coming year's income? Surely he is aware that our imperial accounts show as receipts only the sums received in the year. To so exhibit sums which were *not* received in the year (as the present cash balances would not be) would be to make up our accounts contrary to fact! It would be showing (in order to ensure a certain result) sums as income of the year, which were not the income of the year. Again, what can he mean by suggesting that we deduct from the assignments for provincial services the £600,000 (expected yield of income-tax)? Does he think the various Local Governments could possibly undertake the services after such a deduction? Would not the Local Government of the province where my honourable friend is serving be the foremost in protesting against such a deduction? He must see, on reflection, that to suggest this is simply to suggest what would never be carried out by the local authorities under the existing circumstances of the country.

I must now advert to the speech of the Honourable Mr. Cockerell. He says that an income-tax ought not to be added to the resources of the country at a time of great financial prosperity. In the first place I fail to see the evidence of any such great financial prosperity. On the contrary we have had deficits much too often: and we have difficulty in ensuring a permanent surplus of income over ordinary expenditure. But to put my honourable friend's proposition in a milder form, is there anything in our fiscal condition which would justify us in dispensing with a just and reasonable resource like the income-tax? I say that there is not. On the contrary we sorely need such a resource, not only to help in securing a certain equilibrium, but also to aid us in providing against losses under uncertain heads like Opium, and to give us at least some chance of remedying defects in our fiscal system, like the export duty on Rice, the inland duty on Sugar, the high duty on some kinds of Salt, and so on.

Then my honourable friend reproaches me with poverty of invention, and says that I come before the country with no fresh device. Well, as to that, the scheme of local finance produced this year is a fresh device; at least it is a change and a novelty, and that too of a very considerable description. I can only regret that it does not seem to wear the aspect of freshness in my honourable friend's eyes. But if it is not a fresh device, I do not know what is. As to poverty of invention, I must give my honourable friend the same answer as that which has just been given to Mr. Cowie. I could easily invent plans of reduction of expense, but they could not (as my honourable friend must well know) be carried under the existing circumstances of the country. I could also invent new taxes easily enough; but I prefer to keep out of that line of invention and to avoid that dangerous field for ingenuity. I prefer to tread on the less objectionable ground of a moderate income-tax.

Lastly, my honourable friend says that the introduction of this income-tax measure is a breach of good faith. This is a serious charge to bring against the Government of India. And does he say anything by way of proof? Absolutely not one word. He merely adduces the argument that the public have been under the impression that the tax was to be only temporary. I neither affirm nor deny the impression. But I say that this is a most flimsy and evanescent ground on which to charge a Government with breach of faith. And if this sort of argument were valid, it might equally be urged by any honourable member against any measure he might happen to dislike.

I now turn to the Honourable Mr. F. S. Chapman's speech. Having had to differ so much with the Honourable Members who preceded him, I am glad to acknowledge the support he accords us by remarking that the present reduced income-tax affords all the relief that could reasonably be expected; that it is consistent with sound policy; and that there are other taxes which ought to be remitted before the income-tax, as now modified, ought to be again touched.

But my honourable friend offers other criticism to which I must reply. He objects to the Opium estimates as having been too low. Well, this is a point into which I entered fully in my general exposition; and if what I then said regarding the fluctuations of price, the uncertainties of season, the competition in China, failed to convince my honourable friend as to

the need of the caution we exercised,—why, nothing that I can now say will convince him, so I will not trouble the Council with further remarks hereon.

Mr. Chapman desires explanation on certain points which I am happy to furnish. He asks—How are the payments of £200,000 to the Local Governments for a commencement of the new scheme and the £60,000 to the Trustees of the Indian Museum, to be reconciled with the principle that the charges of each year are to be exhibited in the year, and that the surplus of one year is not to be carried on as an asset of the succeeding year? I must observe that both these payments did pertain to and were made in the year 1870-71, in which they have been charged. The £200,000 has been paid as absolutely to the Local Governments as if they had been paid to a Corporation or to a Company. It was peculiarly just to allow them this amount as they had made the savings on their grants to this amount within the year. It was necessary to pay the sum this year, if it was to be paid at all; inasmuch as we could afford it now, and would not be able to afford it in the coming year 1871-72. The payment to the Trustees of the Museum was made by reason of an obligation imposed by *law*, which fell finally due on the 23rd of March within the year 1870-71. Both these payments then are made in strict accordance with our principles of finance and account.

Then my honourable friend asks, why, if the loan, 2½ millions, to be raised in England be connected with the unfavourable state of the exchanges, the whole of the 9 millions required for the expenditure in England, should not be obtained by borrowing in that country, instead of selling drafts on the Treasury in India? This question is hardly one which admits of a precise answer. Supposing that the state of the exchanges is one of several reasons for the raising of that loan, I must observe that it would not at all follow that the same reason would apply to the larger sum of 9 millions to be borrowed in England according to my honourable friend's idea, instead of being remitted from India. To do that would be to cause great derangement in the exchanges, in the money market, in the value of public securities, and in many other ways.

My honourable friend next observes that the Local Funds of the Bombay Presidency amount to near a million sterling. This must include the income of the Bombay City, inasmuch as the Local Funds proper of the Presidency do not much exceed £600,000. However, let us take the total at a million. Then, with what object does my honourable friend adduce the fact? Apparently to show that the Presidency has too much local taxation. But what proportion does this million bear to the resources of Bombay? Why, it only represents 10 per cent. of the total revenues of the Presidency, 10 millions sterling, with a trade of 50 millions annual value, with a cotton export of 1¼ million of bales annually, with a population on the whole the richest or the best off in all British India.

My honourable friend observes that there is half a million of charges under Marine, and wonders what the country receives for this money. In the first place, we have large receipts under Marine, some of which are really revenue, such as pilotage payments and port dues, amounting in all to close on a quarter of a million. So that the net charge amounts to only one quarter of a million. And for this, the country does receive something; there is a squadron of the Royal Navy guarding the Eastern Seas; there are some vessels of the Marine; there are six ports, some of them large, with pilot services and other establishments (other than those of the Port Trusts); and there are two dockyards.

Then my honourable friend considers that searching inquiry to be ought made into all Civil expenditure. But does he remember that there has often been such inquiry? For instance, the labours of Sir Henry Ricketts, embodied in several large volumes: the records of the Civil Finance Commissions; the revisions made from time to time by every Local Government with or without the instance of the Government of India. Further, he quotes a passage from the speech of Sir W. Mansfield in last year's debate regarding the amalgamation of various separate Departments of Military Administration, and he asks what is being done. I cannot say more than that the matter has not been overlooked, but has been more than once considered by the Government of India.

Lastly, my honourable friend considers that the expenditure in England ought to be controlled by the Government of India, no expenditure being incurred in that country without its sanction. Now, inasmuch as the Secretary of State exercises financial power under an Act of Parliament, there can be no practical use whatever in discussing the question. The extent to which the Government of India is responsible for the English expenditure has been explained in my general exposition.

I must now turn to the speech of the Honourable Mr. Bullen Smith. He objects to my having mentioned that in reply to a Circular the Local Governments for the most part stated that no specific cases of income-tax oppression had been reported. Since I heard his remarks,

I have again referred to those replies, and I find that they bear out my statement. As already said, I expressly guarded against the inference that no such cases had occurred, and I acknowledged that no doubt there were such cases. My honourable friend goes on to say that to ignore the existence of such complaints would be to show want of sympathy with the people. But I did not and do not ignore this. On the contrary, I declared that we had been much impressed with what we had heard on this score. And as a proof of sympathy, far better than any declamation, we have proposed to exempt half the whole number of tax-payers! But as my honourable friend seems rather to press the sympathy argument, I shall retort that the object of our financial policy has been to avoid increasing the burdens of the mass of the people, and to rather adjust the weight to the shoulders of the comparatively well-to-do classes. Whereas our opponents, deprecating our mode of adjustment, rather suggest expedients, such as increased salt tax, a marriage tax, and the like, which would really fall upon the masses. Therefore when my honourable friend urges wide and hearty sympathy with the people, I at once rejoice that our policy fulfils this just and essential condition far more than the policy of our opponents.

My honourable friend adverts to the Rice duties, a subject which he thinks I dismissed too briefly in my exposition. Well, I was obliged to be brief, having so very many topics to deal with. Still I did give what is the real gist of the argument, for I said that we bore the subject in mind; but as the trade was improving, as the yield of the duties was on the increase, and as we could not spare the money, we did not propose a change at present. If I were to dilate now on the argument, still the substance would be what I have just given. I may add that last year, 1869-70, we received some £296,000, this year 1870-71 we are receiving £356,000. If this progress were to be at all sustained, we should soon approach the highest yield which the duty has ever reached in prosperous years, namely, £408,000. I hold here a paper which shows that in the first eight months of the current year 1870-71 the export has amounted to eight millions of cwts.; whereas in the corresponding period of last year it amounted to only five millions. The exportation has not been so much in the direction of China and Japan (as we expected it would be) but rather in the direction of Europe.

My honourable friend,—after justly acknowledging that our export duties, with the one exception of Grain, are but little, Jute (fibres) being exempt, and Indigo being very slightly taxed,—asks on what principle Grain was selected for duty, and remarks that unless we recognise fiscal principles in this matter, he, and those who think with him, will withhold confidence in our finance. Now I say, that—excepting faults and defects from which in one way or other no system will ever be free—our fiscal system *does* follow general principles, and that it is for the sake of these very principles that we have frequently encountered opposition and obloquy. Further, I say all this particularly in regard to the branches regarding which my honourable friend is so well informed. For our import tariff (as was once declared in this Council by my predecessor, Mr. Massey,) will compare favourably with the tariff of any country in the world; and our export duties, excepting Grain, are almost *nil*.

As to the principle on which Rice was selected for duty, the real reason (as has been pointed out to-day by the Lieutenant Governor of Bengal) was that such duty was really favourable to the mass of the people of India, as having a tendency to keep down the price of food. But I, for one, have always refrained from urging this reason, and I do not undertake to justify it.

My honourable friend says, in reference to the income-tax, that it is an acknowledged fiscal principle that we should leave all classes relatively in the same position as that in which we found them. Now, if there were any such principle (which I doubt) I do not see how *we* have departed from it, for we found direct taxation in existence for a decade of years, with a very short break. But I must disavow any such principle. Why are we to leave every class in relatively the same position as that in which we found it? On the contrary, if we see some classes too lightly taxed and others too hardly pressed, we are not to leave them in relatively the same position, but we are to endeavour to redress the balance.

My honourable friend, alluding to the loans raised in England, says that these transactions should not be initiated and carried through by the Secretary of State save on the express requisition of the Government of India. May I remind the Council that the Secretary of State, besides the controlling authority which he possesses in all financial matters, is specially authorized by Act of Parliament to contract these loans.

I acknowledge the remark which my Honourable friend is good enough to make that the budget is “pre-eminently framed for safety.” And that the statement is (as he is pleased to say) “admirably drawn up.” I am glad that he admits the rule that *all* ordinary expenditure must be charged against revenue: though I might differ with him as to whether certain items should or should not be considered ordinary.

I must now remark on some points in the speech of His Honour the Lieutenant Governor of Bengal. I understand him to mean that the direct taxes often recommended by local authorities are really rough income-taxes; and that sometimes such authorities even recommend the levy of a regular income-tax for local revenue. If I understand him rightly, I fully concur with him. I believe that the real drift of local recommendations is that just described. And such recommendations involve an inconsistency in principle, in that local authorities sometimes condemn income-tax for imperial purposes, while they recommend it for local purposes; though, of course, it is much the same to the tax-payer whether he pays it for the one or for the other. And this weakens my faith in the principles so often urged against the retention of the income-tax.

But His Honour proceeded to make some general remarks which, to my apprehension, amount to this, that income from trades and professions should be assessed more leniently to income-tax, than income from property. Whether His Honour intended this precise meaning to be attached or not to his remarks, I affirm that if any attempt were made to give practical effect to them, the result must be such as I have described. So the real point is, shall we try to tax trades and professions more lightly than property? I am not prepared now to recommend this. The point would really lead to a revival of a controversy worn threadbare in England, after which it has been definitely settled that no such distinction can practically be drawn. The attempt to make such a distinction would be just as embarrassing in India as in any country; for the immediate tendency would be to favour those kinds of income in which the governing classes in India are concerned, and to press more strictly on property in which the natives of India are concerned; and thus questions would be raised which we had better avoid.

There is one question put by His Honour which I shall answer in a word. He asks, why are our loans raised in England instead of in India? I cannot here enter into the political consideration involved in the matter. But, on the financial consideration, I have to answer that the loans are raised in England because it is found financially more advantageous to raise them there than in India.

I must briefly advert to one or two points in the speech of Colonel the Honourable R. Strachey. The drift of his exposition is, that the Public Works expenditure has not been the main cause of our deficits, but that the real cause has been the increase of purely Civil expenditure, which he makes out to have increased by $5\frac{1}{2}$ millions in the last ten years. Now, I concur with my Honourable friend in not attributing the deficit to the Public Works expenditure alone. But I certainly maintain that among several causes, the Public Works expenditure was one. Also I consider that to say that the Civil expenditure has increased by $5\frac{1}{2}$ millions is apt to convey an exaggerated idea. This is made out, of course, by taking the said expenditure gross, which method leads to erroneous notions; inasmuch as the gross expenditure includes much of nominal increase, which is balanced by corresponding increase on the receipts side. I shall by way of illustration give some figures which show a very different view. The net expenditure on the administrative heads proper was in 1861-62, £6,858,600, and in 1868-69, £8,465,237, being an increase of only £1,606,637—not perhaps an excessive increase when all that was done for the improvement of the administration in those years is remembered. The net expenditure on Public Works Ordinary was in 1861-62 £3,693,208, in 1868-69, £6,092,834, being an increase of £2,399,626. The percentage on the net revenue of the expenditure on Public Works Ordinary was, in 1861-62, 10·86, in 1868-69, 16·81. The percentage of the same expenditure on the net *available* revenue, that is, net revenue minus the first charges for interest and pensions was, in 1861-62, 13·01, in 1868-69, 20·71.

I concur so much with what has fallen from my honourable colleagues, General Norman, Mr. Stephen, Mr. Strachey, and His Lordship the Commander-in-Chief, that I need not advert further to their speeches.

Before concluding, however, I shall touch on a memorial from the British Indian Association, which has just been put into my hands. The memorial contains many things on which I cannot now stop to enter. But there are two points in it which I cannot pass over. The Association recommends that we should appropriate a part (two millions) of our cash balances of 1870-71 as receipts or income for 1871-72, and by this accession of resource, stave off the necessity of imposing an income-tax! This is to my apprehension the real meaning reduced to plain words. I must say that to do this would be to do that which would be contrary to fact, opposed to financial principle, impossible under the system of national account, and subversive of public credit. There would be all these objections even if the cash balances were all our own. But are they all our own? Hardly so. For they consist partly of depo-

sits belonging to various parties and interests, such as the Local Funds, the Civil and Military Funds, the Judicial and Administrative Departments, the Railway Department, and others.

The other point is this. The Association say in effect, as I understand them, that in this Budget we remit income-tax with the one hand while we impose local taxation with the other—a process which will not much benefit the people of India. I cannot acknowledge the justness of any such view. What are the facts? We remit on the one hand upwards of £1,475,000 of income-tax. We cause the Local Governments to impose local taxation at the very outside to an amount of £330,000, which will probably dwindle down actually to £130,000. In the one case the balance in favour of the people would be £1,120,000, in the other case £1,320,000. In the face of this, it cannot be correctly said that the Budget fails to benefit largely the people of India.

And now, my Lord, I must conclude what is perhaps a very controversial speech. If my rejoinders have been made with some degree of stringency, I hope that Honourable Members will be good enough to forgive me, remembering that I have been replying to strictures made from the opposite side, and that the questions at issue are urgent.”

HIS EXCELLENCY THE PRESIDENT said—“ It was my intention to express my views on this very important matter which has been discussed to-day, and out of respect to my colleagues to have offered some observations to the Council on the debate that has taken place; but I am sure the Council will see that, after the discussion has lasted seven hours, it would be unfair to myself, and equally unfair to my wearied colleagues, if I proceeded to say what I am most desirous of saying with regard to the general financial condition of the country, and of the proposals of the Government.

I therefore hope that I may be permitted to postpone to a future stage of the Bill the remarks I have to make.

With regard to the request made by my honourable friend, Mr. Cowie, that I should authorise some suspension of the Rule which would enable him to move two amendments in the clauses of this Bill, I have to say that I would be glad to comply with the Honourable Member's wishes; but there is no rule which I could suspend that would enable him to effect his object.

The proceeding which we are engaged in to-day, is the discussion of a measure on its principle, and, as a whole, in fact, it partakes of the nature of a discussion on the second reading of a Bill in Parliament.

It is therefore quite impossible for me to suspend any Rule which would enable an Honourable Member, consistently with the general course of business in this Council, to move an amendment on a particular clause such as my honourable friend, Mr. Cowie, proposes.

The clear intention of the Rules which govern our procedure in these cases is, that we should discuss fully the principles of the measure at this stage, and that we should not consider or attempt to amend its details until the Bill has been thoroughly discussed in committee.

There is only one remark which I wish to make, because it may influence votes, and that is, with regard to what Mr. Bullen Smith said in reference to the term and the permanency of this measure.

The question, whether or not it would be desirable to put any term to the operation of the Bill, was very carefully considered.

We decided that it was better not to limit its operation to any particular term; but, in doing so, we wished it distinctly to be understood that that did not prejudge or indicate any foregone opinion on our part as to the permanency of the measure.

Last year, we proposed the income-tax at a high rate, for a specific but temporary purpose.

The country was in great financial difficulty, and we considered that the course we took was the only means at our disposal for extricating the Empire from those difficulties. We distinctly stated that the income-tax of last year was therefore to be considered as a temporary measure, adopted for a special purpose. It has done its work, and the circumstances of the case are now wholly changed.

We do not propose an income-tax this year as a relief for any immediate or passing financial difficulty, but, on the other hand, we do not offer any opinion as to whether it ought or ought not to be continued as a permanent part of our fiscal system.

All I can say is, that I think the Government and this Council ought to have an opportunity of fully considering the claims for relief of those other interests which must be considered as competing with the income-tax in regard to the reduction of burden.

If happily, next year, the financial position of the country enables us to consider a further reduction of taxation, it will then be our duty to consider calmly and fairly those interests which have been referred to to-day, and it will be for us to decide whether we shall recommend the continuance of the income-tax, or the reduction of other burdens, for instance, the export-duties, or the transport-duty on sugar which is levied on our own Customs line.

All we have done is to leave the matter perfectly open, to be dealt with next year as circumstances may require.

I have made these remarks, because, from what has fallen from my honourable friend, Mr. Bullen Smith, it may be conceived that the Government entertain a fixed opinion that, under any circumstances, the income-tax should be retained as a permanent portion of our fiscal system."

The following Select Committees were named :—

On the Bill to provide for the survey of steam vessels in the Port of Rangoon—The Honourable Messrs. Stephen and Cockerell, and the Mover.

On the Bill for imposing duties on income—The Honourable Messrs. Stephen, Chapman, Bullen Smith, Cockerell, Inglis, Cowie, and Robinson, and the Mover.

The Council adjourned to Saturday, the 18th March 1871.

WHITLEY STOKES,

Secretary to the Government of India.

CALCUTTA,

The 17th March 1871.

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 Saturday, the 18th March 1871.

PRESENT:

His Excellency the VICEROY and GOVERNOR GENERAL OF INDIA, K.P., G.M.S.I., *presiding*.
 His Honour the LIEUTENANT GOVERNOR OF BENGAL.
 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.
 Colonel the Honourable R. STRACHEY, C.S.I.
 The Honourable F. S. CHAPMAN.
 The Honourable J. R. BULLEN SMITH.
 The Honourable F. R. COCKERELL.
 The Honourable J. F. D. INGLIS.
 The Honourable D. COWIE.
 The Honourable W. ROBINSON, C.S.I.

LOCAL RATES (OUDH) BILL.

His Excellency THE PRESIDENT said:—"Before we proceed I wish to make a statement with regard to the progress of business in this Council, because there seems to be a little misapprehension on the part of the public as to the time and period at which the various objections to the Bill now under consideration must be taken.

I wish, in the first instance, to repeat a statement made by my Honourable colleague, Mr. Stephen, when leave was asked to introduce an Income Tax Bill. The Honourable gentleman then said that the Bill would be introduced into the Council on the 17th and would, on that day, be referred to a Select Committee.

The only deviation from the ordinary practice has been that, in order to place the public at the earliest possible moment in possession of the details of the measure, the Bill was printed at once, and has been published for some days.

My Honourable friend further stated that the Committee would probably present their Report on the 24th. The Council will then be in a position to take the Report into consideration and pass the Bill on the 31st.

I make this statement in order to show that, on this occasion, we have thought it desirable to assign a longer time than is usual for the passing of a Tax Bill by this Legislative Council.

The result will be, that the proposals of the Government and the actual details and features of the Bill will have been in the hands of the public for nearly a month from the time of its introduction.

With regard to the other Bills which affect the great question of local taxation, I propose that we should pass the Bill relating to the levy of rates on land in Oudh during our stay in Calcutta.

It appears that the principle of that Bill has been fully discussed in the Province to which it refers. We have had the advantage of a personal conference with the Chief Commissioner on the subject, and he, before he came to Calcutta, had ascertained that the leading Proprietors and Taluqdars in Oudh were, on the whole, favourable to the Bill. I therefore think it would be most to the public advantage that that Bill should be proceeded with and passed during our stay in Calcutta—the last stage of the Bill being probably taken up about the 31st of this month. With regard to the next two Bills, namely, for imposing a duty on certain trades and dealings in the North-West Provinces and Oudh, and also as to the levying of rates on land in the North-West Provinces, called the 'North-West Provinces Local Rates Bill,' I wish to state that, on consideration, I think the most convenient course with regard to the Bill would be to take, as is proposed, a stage to-day, refer it to a Select Commit-

tee, receive the Report of the Select Committee while we are here, and to hold, for the purpose of further discussion and for the passing of the last stage of the Bill, a meeting of this Council at Allahabad about the middle of the ensuing month. I think this will give time for the fullest consideration of the important question involved. The principles of the Bill will thus be discussed and determined on in the capital of the Province to which it relates; the Lieutenant Governor of the Province, in his official capacity, will be a Member of the Legislative Council meeting at Allahabad; the public and the officers of the Province will have more time and fuller opportunities of considering in detail all its important provisions. On the whole, the result will be more satisfactory than if we took the last stage at Calcutta, and I think that any observations or criticisms will be best made, and any assistance we may hope to derive from local knowledge and local experience will be best afforded, by holding a meeting of the Legislative Council within the limits of the Province to which this Bill applies.

With regard to the Punjab Bill, I have only to state that no further proceedings will be taken with reference to that measure until the Legislative Council meets within that Province, and I hope that we shall have at Simla, as in the case of the North-Western Provinces, the advantage of the presence of the Lieutenant Governor in Council during the discussion upon a Bill which so materially affects the interests of the Panjáb."

The Honourable Mr. STRACHEY introduced the Bill to provide for the levy of rates on land in Oudh, and moved that it be referred to a Select Committee with instructions to report in a week. He had very little to add to what had been already stated as to the reasons for the introduction of the measure. When he had asked leave to introduce it, he endeavoured to state the reasons which rendered it necessary to give to the Local Government in Oudh power to raise a moderate sum by local taxation with the object of supplementing the imperial grants for provincial purposes and of providing funds for carrying out the necessary local improvements which were stopped for want of the necessary funds. The sum required to be raised in Oudh, as he before stated, was £30,000. He had already endeavoured to explain the reasons which had led the Local Government and the Government of India to the conclusion that there was no way so easy and so unobjectionable for raising this money as by imposing a light rate on land. It would be identical in its nature with the cesses which had been levied for similar purposes for many years past for roads, schools, &c.

The measure was first prepared, as the Council would see from the published correspondence, and proposed, by Mr. Davies, when he was Chief Commissioner of Oudh, and before he went to the Panjáb as Lieutenant Governor.

It was prepared by him in conjunction with General Barrow, who was then Financial Commissioner and who had since become Chief Commissioner of the Province.

Besides, as His Excellency had just stated, having had the advantage of discussing the matter personally with the new Chief Commissioner in Calcutta, Mr. Davies, had also before he left Oudh, taken the opportunity of considering the whole question with the principal representatives of the Taluqdárs and proprietors of the Province, and he was happy to say they had given the measure their entire approval.

Thus the Bill came before the Council recommended by an amount of local authority which he thought could hardly be stronger, and with the authority and consent, not only of the Local Government and its officers, but of the very people themselves who would be most affected by the measure.

It was true that the rate to be imposed on the landholders was certainly small, but nevertheless, the Taluqdárs of Oudh had not the less given a very creditable example of their public spirit and enlightenment; and he thought that this action on their part was the more valuable for this reason, that no one had accused them of any subserviency to the officers of Government, or any want of independence in looking after their interests.

Mr. STRACHEY had stated on a former occasion all that it was necessary to state with regard to the reasons for raising this money from the land which could so well afford to pay it, and in a manner consonant with the feelings of the people, in preference to raising it by any other means.

It was proposed also to take power, if it should be found necessary, to supplement these funds hereafter, by extending to Oudh the license-tax on certain sections of the non-agricultural community, the Bill for the imposition of which his honourable friend Mr. Inglis would introduce. This Bill had been before the Council and the public for some time now, and the whole correspondence which had taken place with the Local Government on the subject had been published. The Bill was a very simple one. It proposed—to quote the Statement of Objects and Reasons—

“ to impose a rate not exceeding one and a quarter per cent. on the annual value of the land. The rate will be payable by the landlord, but where there are co-sharers, under-proprietors, or tenants with rights of occupancy, who intercept a portion of the annual value of the land, he will be entitled to recover from such persons a share in the rate, bearing the same proportion to the whole rate as the landlord's share in the profits of the land bears to the share of the subordinate holder.

Section nine of the Bill provided that not less than seventy-five per cent. of the total amount of the rates levied in any district should be expended in that district on works of public utility. The purposes for which this seventy-five per cent. of the rates might be expended, were clearly defined in section nine of the Bill: they were, the construction and maintenance of roads, the construction and repair of hospitals, dispensaries, lunatic asylums, markets, wells and tanks, and other local works of public utility.

Section eleven of the Bill had for its object to provide that the most complete publicity—which, after all, was the greatest security against any abuse occurring—should be given to the accounts, which should show exactly the way in which the whole of the money was expended and the benefits that had been derived from such expenditure. The object of this provision was that every possible security should be given for ensuring that the proceeds of the rate should be really expended for the benefit of the people who paid the rate. He thought he need not make any more observations until after we had had the advantage of having the Bill thoroughly examined by a Select Committee.

Section twelve of the Bill provided for the appointment, in every district, of local committees to assist in the supervision and control of the expenditure of the rates levied under the Act. It was provided that not less than one-half of the members of the committee should be persons not in the service of Government.

His Honour the LIEUTENANT GOVERNOR had not been able to find time to study the provisions of this Bill, and he would therefore reserve for the Bill relating to the North-Western Provinces, which he had read, some general remarks which he might have occasion to make on certain points in which that Bill corresponded with the Bill now before the Council. With respect to this Bill, he trusted he might be allowed to make one remark for the consideration of the Committee to which the Bill would be referred, respecting a very small proportion of the money which was so to be levied under the Bill, but which would, nevertheless, affect the majority of the rate-payers. He alluded to the provision which would enable the zamíndár to recover from the occupancy-ryots one and a quarter per cent. upon the profit margin of their rentals. He was quite ready to admit that this provision was strictly just; but he would ask the Council to consider whether it would be worth while to impose a rate on so large a number of the people for such a trifling sum as the rate on these ryots would amount to. The occupancy-ryots in Oudh were a limited class, who on certain accounts, had certain privileges conferred upon them; and certainly a very moderate reduction had been made in their favour from the regular rent, to put them in a favourable position. Now, by this Bill, the zamíndárs would have a right to levy one and a quarter per cent. on the occupancy-ryot's profit of twelve and a half per cent. His Honour had always thought that our English education was very defective in the matter of arithmetic, and he very much doubted whether any Honourable Member could make out what one and a quarter per cent. of twelve and a half per cent. would amount to; but at any rate, it would be a very small fraction indeed. Therefore, as the amount which the zamíndárs would be entitled to deduct from their occupancy-ryots' profit would be so very small, he thought that it would not be worth while to permit such a deduction to be made.

The Honourable Mr. ELLIS said that, after the detailed exposition of the objects of this Bill that had been given by the Honourable Mr. Strachey, he need do little more than express his entire concurrence in all that had fallen from his honourable friend. But he would say a few words on what he considered to be the main principles of the Bill, or on what he should wish to consider the main features of every Bill for local taxation. These two main features were, the assistance to be derived from the co-operation of local committees, and the restriction of the expenditure of the proceeds of the rate to the district from which the tax was raised. He considered that, if we were to render local taxation anything more than a mere empty name; if we were to carry with us the people, who were naturally reluctant, as all people were, to make payments of any kind and in any form; if we were to carry with us, he would not say their active sympathy, but such a spirit of contentment as we all desired, we must carefully bear in mind these two principles of local taxation. He was glad, therefore, that it had been provided in this Bill, that at least seventy-five per cent. of the amount raised from a district should be expended in works of local improvement in that district. He did

not desire to hamper the Executive Government by limiting the area within which the funds raised should be expended; but still, if we looked to the size of the provinces for which we legislated, and more especially to the extent of the North-Western Provinces, for which a similar Bill was about to be introduced, he considered that it would be most mischievous if we were not to place some limit on the area within which the proceeds of the rate should be expended. It would be impossible for the tax-payer at Benares to understand why the taxation was called local, when the funds raised at Benares were expended in the distant district of Agra. It therefore seemed to him that it should be an essential feature in all the Bills, that there should be a limit of area for the expenditure of the amounts which it was proposed to raise. He questioned whether we should not even place greater restrictions than the Bill proposed—whether more than seventy-five per cent. ought not to be expended on works of local improvement within the district; but that was a question of detail, which might be considered in Committee. If we considered that a very large amount of revenue had been placed at the disposal of each Provincial Government for expenditure in their respective Provinces, we might assume that the additional funds which it would be necessary to raise by local taxation would in each case bear a small proportion to the whole Fund, so that all the proceeds of the local taxes might well be expended in the districts wherein they were raised. It would not, he conceived, be fettering the action of the Local Governments if we were to say to them—‘as you have ample funds at your disposal for every object entrusted to your administration, and as you are empowered to expend those funds in any district or in any manner you think fit, you must see that, in each district and in each year, not less than the amount raised in a district is expended in that district.’ And when we looked at the wide scope of objects included in the ninth section of the Bill, he thought we might be sure that the Local Governments would suffer no inconvenience in being compelled to expend in each district, if a reasonable area were fixed, the funds raised from that district.

Then, as to the other principle which he considered an essential feature of this and the other Bills of a similar nature that were before the Council. He was not one of those who despised the assistance to be derived from the co-operation of the inhabitants. He might affirm this belief notwithstanding what had been said by some district officers. He believed that there was not a district in India in which you might not find some men who were competent to afford valuable assistance to district officers as to the best mode of administering these local funds. The material for the formation of local committees might, in some districts, be better, and in others worse; still, on careful inquiry, he believed that there was hardly a district in which you could not secure the assistance of a certain number of Native gentlemen who were fully competent to give aid, and by whose co-operation the administration of these funds might be rendered more efficient.

The Honourable Mr. STEPHEN had only one word to say in reference to what had fallen from His Honour the Lieutenant Governor. As he read this Bill, he did not understand that anything which could not otherwise be got from under-tenants could be obtained under the operation of this Bill. As to the difficulty of numerical adjustment which was referred to, he thought that the man who was going to recover would take the trouble to work out the sum.

His Excellency THE PRESIDENT said,—“As this is the first opportunity I have had of offering any opinion in public on the most important subject which is comprised in this Bill, I wish first to express my great satisfaction that it has fallen to my lot to preside over a Government which has been able to carry into effect a principle that has for some years been adopted and recommended by many of the wisest and most experienced of Indian Statesmen. I feel convinced that, when the principle involved in this Bill—which is identical with that laid down in the Financial Resolution of the 14th December last—becomes more fully understood, it will become more widely appreciated; and I firmly believe that, of all the changes that have lately been made in the financial or administrative branches of our Government, the change which is now proposed by these Bills in regard to the Provinces of Oudh and the North-West is perhaps the most important, and will have as many good and practical results as any measure that this Legislative Council has passed since it first came into existence.

“If the Council will recollect the great principles which are involved in these Bills, namely, that we, the members of the Supreme Government, endeavour thereby to associate with ourselves the responsibility and assistance of the men who, throughout India, may be supposed to possess the best information and the greatest experience on the affairs with which they deal—if we also recollect that, involved in the measures is an attempt further to develop, gradually and more fully, those numerous efforts that have been made to establish Municipal institutions throughout the land—if we recollect that the fiscal object of the measure is to import into our imperial finance a greater amount of certainty than has hitherto prevailed—

if we recollect that, if the scheme works as well as we believe it will work, those future charges that must, at no very distant time, fall upon the country, will be borne and administered by those who are the best judges of their suitability, necessity, and propriety—when we recollect all these considerations, and when we find, on further reflection, that these principles are to a great extent new in Indian Administration, then I think we may come to the conclusion that the object is good, that the change will be great, and that it will not be the fault of this Council and the Executive Government if complete success is not attained.

“The evils with which we propose to deal were well described in the first paragraph of the Financial Resolution of December 14th.

“We said that, so far as effective supervision and control over certain heads of our expenditure is concerned, the Supreme Government had, for some time, felt itself to be in an unsatisfactory position. Control, and severe control, was exercised, but it was exercised frequently in doubt, and almost always in uncertainty.

“Now, it may be said that such a confession as this, coming from the head of a Government, is a confession of weakness. It may be so to some extent, but the system was unavoidable in the earlier days of our Rule, and though this control has been exercised under the disadvantages to which I have referred, I am not prepared to say that, on the whole, any very great evil or public scandal has often occurred. But still it was a blot in our system, and the time is come to remedy it. Every change and every proposed change is to a certain extent a confession of former weakness, because if a system is perfect and strong, it would be folly to change it. The taunts, therefore, which have been thrown out as to this confession of administrative weakness on the part of the Government of India, would apply to any change that has ever been made or attempted by any administration, as much as it does to the present.

“I do not propose now to discuss the various modes in which it has been proposed to carry out these principles. They are many and various. If our plan does not go to the full extent that some may have desired it to go, it is because we have been obliged not only to consider what it was right to do, but also what it was possible to do; and if, perhaps, our measure does not attain the larger dimensions of many of those that have been suggested, it has at all events this recommendation, that it is practicable and safe, and that it has been accepted, if not with enthusiasm, at all events with general approval, by the Governments which it most concerns. However, I think I ought to state my opinion that I am not favourable to some of the very large proposals, the adoption of which would lead to the entire disarrangement of that system of administration which has long been pursued by the Government of India with signal success, and that I am not in favour of admitting other authorities than that of the Supreme Government to share in the administration of imperial revenue and expenditure.

“I think it safer to affirm that, as hitherto, imperial revenue must be managed by the supreme authority. At some future time it may be thought desirable to apportion certain heads of revenue to local authority, reducing proportionately their grants; but I do firmly believe that, if on the present occasion we had suggested anything of the kind, the result would have been failure, and it is certain that Her Majesty's Government would very properly have required a much longer time than they have taken to consider a change of so extensive and fundamental a nature.

“It would be wasting the time of the Council were I to discuss the various objections that exist to the larger measures to which I have referred; suffice it to say that it can be shown that, for the present, all the main objects that have been generally desired will be attained by the present measure, and that, without any dangerous interference with our general financial system, without weakening or straining our national credit, without imperiling a single important branch of imperial revenue, or rendering it less difficult than it was before to fulfil all our national engagements of finance, defence, and administration, we shall be able to attain to almost all the desired ends, and achieve everything that is really beneficial. We selected then, at once, for our operations those heads of expenditure the local character of which cannot be doubted—those heads concerning which so much has been said, namely, Civil Buildings, Roads, Education, Jails, Police, Registration, Medical Services, and Printing. I am not prepared to say that there may not be other branches of administration which it might be judicious hereafter to deal with in the same way. I give no opinion on the subject. There are considerable and weighty objections with regard to some; but for all practical purposes—that is to say, if our intention and desire is to give to the Local Governments substantial power over the administration of the matters which in the highest degree

affect the particular interests of their Governments and of their people—we have done all that for the present is necessary.

“Our expenditure may be divided practically into three great heads. There is the expenditure which may be taken in the way of fixed charges, over the amount of which neither the Governor General in Council nor the Secretary of State has any control; those permanent charges in the payment of which the faith, honour and credit of the country are involved, such as the discharge of interest, guaranteed or otherwise; the payments of allowances under treaties and obligations; the greater portion of our superannuation charges; a considerable portion of the charges which are paid in England, over which the Secretary of State has really no control; and other imperative payments. I will not trouble the Council with figures, but this may be considered as one head, and a very large head. Then there are other heads, with which the imperial authority (that is, the authority of the Supreme Government and of the Governor General in Council) can only satisfactorily deal. These charges may be put down as the Army; the vast expenditure which is going on on Railways; Irrigation; Military works the administration of the Post Office; Telegraphs; a portion of the cost of Law and Justice; and, probably, the expenditure connected with the collection of revenue under its various heads.

“These are the principal branches of expenditure that the Supreme Government will always find it most to the advantage of the empire to keep almost entirely in its own hands. There may be some other heads of expenditure, such as a portion of ‘Law and Justice,’ concerning which there may be some doubt as to whether they may properly be localized.

“It may then be always borne in mind that there are three great heads of expenditure, namely, Fixed, Imperial, and Local. In the future consideration of this question, it will much tend to a right conclusion if these three great distinctions are kept constantly in view.

“Then, under the *eight* heads, it is proposed to entrust administration under a few general conditions to Provincial Governments, and that a fixed contribution will be made from imperial revenue every year. I shall have something to say hereafter as to the amount of that contribution. It is intended by the Supreme Government (and I think that there should be no doubt on this point) that that sum should for some time at all events, be a fixed sum. It is impossible to prophesy or say at present what can be done in the far future; but I should be misleading the Local Governments if I were not to say that it is our opinion that these sums are now fixed at an amount which cannot be exceeded for at least a number of years. I think it desirable that this should be perfectly understood, because one of our objects is the attainment of as great an amount of financial certainty as is possible. We believe that, in justice to other public claims which are certain hereafter to be made on imperial revenue, in view of increased charges for the payment of interest and other objects, we cannot without recourse to large additional imperial taxation increase this sum as now fixed to any very considerable amount. We know that, if it is necessary, the sums which have been hitherto allotted for this purpose can be increased by local taxation in a manner much less burdensome and much less offensive to the people than they could be by imperial taxation. If it is necessary or desirable to spend money, that money must come from some source. It is possible that the wants of the Local Governments may increase, and I dare say they will; but if they do, we believe, after the most mature consideration, that these wants can better be supplied within the limits of the provinces themselves, than they can be by adding to the imperial taxation of the empire and the general burdens of the people.

“But in addition to the increased power of administration which it is proposed to give to the Local Governments, an administrative change will take place, which, I think, they will be able to exercise with advantage. They will have a large sum to devote to local objects, the power of allotment will be left absolutely to them, and they will be able to vary their grants for Roads, Civil Buildings, Education, and other heads, from year to year, as they may think most desirable. In some provinces it may be desirable in one year to spend a larger sum on Roads; in others, it may be desirable to fill up some shortcomings with regard to Education or other objects: the Local Governments will thus be able to exercise that power of allotment with much greater satisfaction to themselves and the public than they did under the old system, when they were obliged to consult the Supreme Government, not only as to the allotments that were made in the beginning of the year, but also with regard to any appropriations that were thought desirable within the year, provided those appropriations exceeded a certain amount.

“But there is also another considerable advantage that this change will bring, and that is with regard to the savings from one year to another.

"It has always seemed to me rather hard, particularly in the case of public works, that because, either from accidents, the weather or any other cause, a Local Government did not spend the whole of its allotment during the year, this sum was returned into the Imperial Treasury, and it then became a matter of further consideration how far this sum ought to form a portion of the allotment for the ensuing year.

"It is not surprising, therefore, that this system led to extravagance. I have observed, notably in the Department of Public Works, that there has been a marked tendency to rapid expenditure towards the end of the financial year, and I greatly suspect that it was frequently occasioned by a desire to expend in a hurried manner rather than not spend at all. This was an evil, and has led to waste of money. I believe that the Local Governments will find that in this matter of their savings, they will be glad to have it in their power leisurely and properly to consider the precise time in which the money can best be expended, and by this means to exercise considerable economy in almost all branches of their expenditure.

"I have heard it stated that, by the proposals which we make, there may arise a separation of interests as between the Local and Supreme Governments. I fail to perceive any strength whatever in this assertion. I believe that, so far from there being a separation of interests, the increased feeling of responsibility and the feeling of confidence which is reposed in them will unite and bind together the Supreme and Local Governments to a greater extent than before.

"I cannot think that, because we say to them, 'We entrust you with greater power, we give you greater influence, we refuse to meddle with you as hitherto,' therefore their interests can be in any way separated from ours.

"We really do nothing more than effect a re-adjustment of labour and a more equal division of responsibility, and I cannot think that a body of men who associate with themselves another body of men belonging to the same race, having the same interests, and united for the same objects, can be separated by increased co-operation and more equal responsibility. I have often observed that the same result is obtained whenever these experiments have been tried, and that, though it may be wise in the earlier periods of an administration to centralise responsibility, still, the more you extend its basis when you find people are willing to take it, the more you strengthen the Government, and the more you contribute to success and economy in administration.

"The same principles, which guide the conduct of both Supreme and Local Governments will still operate, namely, care, economy, expedition in work, energy, and incorruptibility; and in addition to these, which have always been the leading features of English administration in India, we supply the strongest of all motives, namely, the motive of self-interest; and by recommending the adoption of a budget-system and public discussion, we create checks against extravagance and encouragement to care which have never existed before.

"I know that some have expressed a want of confidence in the Local Governments as to the exercise of this power by them, and that it has been said that provincial administration will become more uncertain and that expenditure may perchance be regulated more by the personal feelings and idiosyncracies of one or two members of each Government, than by fixed and certain principles.

"I own that I have no sympathy with such gloomy anticipations. I cannot see why the heads of a Local Government, having precisely the same objects in view, should not have exactly the same inducements to carry them out under the new system as they had under the old. Of course, the circumstances of Presidencies and Provinces will change, and the mode of administration therein will, probably to a great extent, change also. But I do believe that we shall see, in place of greater uncertainty greater certainty; we shall see works and objects carried out with more vigour, enthusiasm, and with less hesitation, when these works and these objects are effected under the immediate responsibility of those who are most interested in them.

"It has also been said that, by this system, the Supreme Government sacrifice some useful control—control which it might be found necessary to exercise hereafter, in order to prevent the occurrence of evils.

"Now, I say that, if at any future time in any province or in any part of India, great public evils are found to exist; if scandals, if waste of public money, if extravagance, if misappropriation, are discovered, I maintain that the control of the Supreme Government, and Her Majesty's Government, the Secretary of State, is quite as powerful to remove the causes

of any great public evils of that kind as it has been and is at this moment. I do not for a moment anticipate the possibility of such misfortunes. They have been hitherto unknown. I see nothing in this plan which renders their occurrence more possible than before.

“So much, then, for the general features of this measure, which I hope will commend itself to the general approval of the Council and the public.

“I wish, however, to say a very few words upon an important point, which has been a good deal discussed in this Council.

“It has been broadly asserted, with as much audacity as inaccuracy, that the whole object of the Supreme Government in proposing these measures has been the increase of taxation.

“Now, I think that the figures that were given, and the statements that were made, by my Honourable friend, Mr. Ellis, yesterday, will go far to refute that assertion.

“The truth is that the whole policy and the whole object of this Government, ever since I have been connected with it, has been the speedy *decrease*, and not the *increase*, of taxation. Temporary burdens were imposed in 1869-70 for a temporary purpose, and at the earliest possible moment they have been removed. I have no hesitation in saying that I should look with the greatest apprehension on any general and sudden addition to the burdens of the people of this country, and therefore, when it is said that the policy of this Government has been merely to increase taxation for the purpose of more lavish and more extravagant expenditure, a statement is made which is as far removed from the truth, and from the facts and events that have occurred, as any statement that ever was made since public discussion came into existence.

“Take this particular matter—what has been the immediate effect of the measures of the Government with regard to taxation ?

“I find, in reference to the past history of the income-tax, concerning which so much has been said, that the figures stand thus : In 1868-69, we levied £508,700 ; in 1869-70 we levied £1,110,224 ; in 1870-71, the regular estimate shows that we shall levy £2,180,000 ; while, in 1871-72, we shall only levy £600,000. This is a reduction of taxation over last year of nearly *one million and a half*, and over the preceding year, of more than *half a million*, under one item alone.

“Since 1861, assessed taxes—that is, income-tax and other cognate burdens—have been levied, during *nine* years, and the amount we propose to take in 1871-72 is the lowest that during that period has ever been raised under this head, except in the year 1868-69, when it amounted to £508,000 ; so that, if any one will take the trouble of going over the years during which assessed taxes have been levied in India, they will find that the amount we propose to raise during the ensuing year is far below the rates which have been levied in all former years, excepting one.

“I wish further to point out how the particular proposals of the Government with regard to local taxation will really affect the Local Governments during the ensuing year, and how fallacious and inaccurate is the statement that the measures of the Government have the tendency to lay largely increased burdens on the people.

“I have requested the Financial Department to furnish me with the sum which each Government will have to make up during the present year, counting the additional grant of £200,000 ; and I find that this bugbear which has been raised as to increased taxation caused by the action of the Supreme Government, has really no existence whatever. I beg the Council's attention to these few facts, which will show exactly how much taxation has really been levied.

“In Oudh, the income-tax which has been remitted amounts to £42,700, and the sum to be made up to supply provincial services in the ensuing year is £6,158.

“In the Central Provinces, the income-tax which has been remitted is £44,900, and the sum to be made up is £7,559.

“In Bengal, the income-tax which has been remitted amounts to £487,800, and the sum to be provided in the ensuing year is £34,912.

“In the North-West, the income-tax which has been remitted is £235,000, and the sum to be made up is £18,507.

“In the Panjáb, the income-tax remitted is £106,800, and the sum we ask in the ensuing year is £16,410.

“ In Madras, the amount of income-tax remitted is £176,000, and the sum required to be made up in the ensuing year is £21,927.

“ In Bombay, the amount of income-tax remitted is £298,000, or nearly £300,000, and the sum asked to be made up is £26,265.

“ So that, so far as the action of the Supreme Government goes, the public of India will be relieved of income-tax during the ensuing year to the extent of £1,500,000, and the sum they will be asked to contribute as provincial revenue in consequence will only be £131,000. This disposes, in a few words, of the extraordinary allegations that have been made, that the policy of this Government is to increase the burdens of the people for the purpose of launching the country into an era of extravagance and waste.

“ With regard to this particular Bill, which affects only the Province of Oudh, I have heard with the greatest possible satisfaction, not only from official reports, but also by personal communication with the Chief Commissioner, that when this proposal was first made to the large body of extensive land proprietors which exists in that province, they were inclined to consider it favourably, and that, as far as the Chief Commissioner could judge, the feeling of the whole body of Taluqdars in Oudh was not in the least degree hostile to the measure. It was explained to them that this additional burden which they are called upon to bear could not be expended in any other way than for the improvement of their estates, and to increase their own revenues.

“ To the high estimation in which they hold the Chief Commissioner, the affection with which they regard him, and the influence which he exercises over them, is due the readiness with which they at once accepted his statement without question, and the willingness with which they adopted his suggestion. I can only hope that such confidence on the part of a large Native proprietary in India will, at no very distant date, be amply repaid, and that they will, before many years have passed away, see for themselves that this expenditure, to which they have signified their assent, will be laid out in no other manner than that which will contribute to the improvement and the value of their estates, the welfare of their people, and the general prosperity of their province. In this matter, the Oudh Taluqdars have set an example to the influential classes of this country which ought not to be forgotten. They have willingly undertaken this charge; they know that it will be levied for their good, and their good alone; and I can only say that if the many other equally influential classes throughout this country would follow in the same course, it would contribute very much to the success of those measures which are only designed for their improvement, and bring about results which must largely contribute to the welfare and prosperity of India.

“ There are in this Bill two clauses to which I wish particularly to refer, because they furnish the most substantial evidence of the desires which actuate the Government in proposing those measures. The ninth clause of the Bill points out the objects to which, and to which alone, these funds will be assigned.

“ They will be assigned only to those objects and to those purposes which the country most requires, and which every other province in this empire is largely in need of. These purposes are—

1. The construction, repair and maintenance of roads and communications;
2. The construction and repair of school-houses, the maintenance and inspection of schools, and the training of teachers;
3. The construction and repair of hospitals, dispensaries, lunatic asylums, markets, wells and tanks; the payment of all charges connected with the purposes for which such buildings or works have been constructed, and any other local works and undertakings of public utility likely to promote the public health, comfort or convenience.

“ The clause further goes on to say that the assignment for these purposes shall not be less, and may be more, than seventy-five per cent. on the whole of the new charge that is to be levied.

“ Now, I think that if people will consider these few words that are embodied in this clause, they will find at once a clue to the objects and desires of the Government in the proposals that we make. We seek to relieve ourselves of no responsibility at the expense of the country; we only endeavour to give the provinces the power to supply their own wants, and to contribute to objects indispensable to the welfare of their country.

“ But there is another clause in this Bill which contains an important principle. It is that which renders it imperative upon the Local Governments to appoint, in every district in this empire, local committees for the purpose of carrying out the objects of this Bill.

“I am not prepared to say what may be the result of these committees. I am no optimist in the matter; but I know that there are large and important districts, numerous and rich, from one end of this country to another, from the most southern part of Madras to the gates of Peshawur, wherein there are men of sufficient ability and intelligence who are willing to assist their rulers in carrying out these objects.

“I would rather appoint a committee that never met, than have no committee at all. It will meet and act some day. What we want is to recognise the principle that we wish to associate with ourselves, wherever it is possible, the Natives of the country for these excellent objects, and I believe the recognition of this principle in an Act of the Legislative Council will be found to act in a manner conducive to that end.

“Many district officers of all ranks have told me that they have had little or no difficulty in dealing with the local committees with which they were connected. Others have informed me that they have derived from them the greatest possible advantage.

“Now, I believe that, if the necessity for these committees is recognised throughout the country; if our officers will associate themselves with the Natives in the cause of improvement, it will be found that this course will be attended with a success which few can possibly at this moment anticipate. Much has already been done, and these local bodies are already in existence in many parts of India.

“I had the pleasure, in a short address which it was my happiness to deliver at the dinner which was given to Sir Donald McLeod on his retirement from the Lieutenant Governorship of the Panjáb, of being able to state that, during his tenure of office, he had been able to establish within the Province of the Panjáb nearly one hundred municipal committees. Considering that the Panjáb is one of the youngest of our Indian provinces, I think that that is a fact which must be most gratifying to all those who take an interest in the matter; and I believe that the success which attended Sir Donald McLeod’s efforts in establishing these committees will also attend the efforts of every officer who endeavours to give effect to the provisions of the twelfth clause of this Bill.

“There are other matters connected with this measure with which I shall not at present take up the time of the Council. I will conclude by repeating the opinion with which I began, namely, that though this is a change, a very great alteration in the system of Government which has prevailed in India, I have no apprehension or no fear for its perfect and complete success. I know it will be worked throughout the length and breadth of this land by as able and as zealous a body of men as serve any Government in the world.

“I know from personal observation that the principles involved in this measure are in accordance with the feelings and wishes of the great majority of the services; and that the working of the system will be entrusted to a body comprising much talent, energy, experience, and perfect and complete incorruptibility. I cannot therefore but feel sure that no result will attend it other than complete success.

“To sum up, then, the objects of these measures in a few words.

“Administratively, the Government desire by them to relieve itself of a large portion of unnecessary work, and of duties which can be better otherwise discharged; it hopes to make over to the Local Governments the determination as to the mode in which the wants of the people, in respect to the protection of life and property, of education, the construction of necessary communications, and health, can be best provided for; we think that it must in the end tend to the thorough development of municipal institutions and of local self-government; and we further think that a great improvement in the relations of the Supreme and Local Governments will be effected. So far for administration.

“Financially, we think that the national credit will be strengthened by fixing imperial liability with regard to the most variable and uncertain charges of our expenditure. We trust that, for the present at all events, the burdens of the people will be but very slightly increased, for we know that the sums which will be available for provincial services in the ensuing year will be scarcely less than what has been granted on an average during the last few years. We consider that the danger of a recurrence to the unsatisfactory state of our finances which existed two years ago will be very much diminished, and that, by enlisting on the side of economy, the motive of self-interest and the check of publicity, much money will be saved.

“All this will be done, while the power and authority of the Supreme Government to meet danger or disaster, which may be occasioned by famine, war, or mal-administration, will in no wise be diminished.

"I commend this scheme with the greatest confidence to the consideration of this Council, of my own countrymen, and to the Natives of India; and I believe firmly that, if it is carried out, it will redound, not only to the welfare of the land, but also to the credit of those who have long advocated its adoption, and who have contributed so largely to the preparation of the measures which we now intend to carry into effect."

The Motion was put and agreed to.

LICENSE (N. W. PROVINCES AND OUDH) BILL.

The Honourable Mr. INGLIS introduced the Bill for imposing a duty on certain trades and dealings in the North-Western Provinces and Oudh, and moved that it be referred to a Select Committee with instructions to report in a week. He had explained fully last week, when he asked leave to introduce this Bill, the reasons which had led the Government of the North-Western Provinces and Oudh to propose the levy of a tax on certain trades and dealings carried on in the territories subject to them, and the purposes to which the sum realized by the tax was to be applied.

It would be observed that a license-tax was proposed on certain specified trades and dealings only; it was not intended to extend it to all. The trades and dealings to be taxed had been selected after very careful inquiry and consideration, and it was believed that those trades and dealings only had been included in the schedule, of which it might be safely assumed that the whole of the persons carrying them on could without difficulty pay the small tax proposed. All trades and dealings about which there seemed any doubt whether the least competent of the persons carrying them on could pay the tax, had been altogether omitted.

As, however, it was not impossible—though it was not probable—that further inquiry would show that some trades and dealings had been entered in the schedule which ought to have been omitted, or that some trades or dealings had been classed too highly, power was given in the Bill to the Lieutenant Governor to amend or alter the schedule as he might consider necessary.

For the purposes of the Act, trades and dealings had been divided into three classes, charged respectively with a license-tax not to exceed six, four, and two rupees a year.

The grand principle underlying the proposed Bill was, that there should be none of that inquisition into a man's profits, or uncertainty as to the amount he ought to pay, which had made the income-tax so deservedly unpopular throughout India.

Lists showing the trades and dealings to be taxed and the sum charged on each, would be stuck up and published in all places where the Act was enforced. So that every man carrying on any trade or dealing would know whether he was liable to pay the tax, and, if so, how much he had to pay.

It was proposed to leave to municipalities the power of determining the manner in which they would provide the amount due from them on account of the tax. Lists of all persons carrying on the trades and dealings enumerated in the schedule to the Act in any municipality would be drawn up. The sum shown by this list to be due would be intimated to the municipality, who would be at liberty, either to pay the amount out of their existing income, or to raise the whole or part of it by a license-tax, or by any of the other means allowed them by the Act which constituted them a municipality.

The amount the tax was estimated to yield was between nine and ten lakhs. This estimate, however, was framed on the returns of the last census in the North-West; and subsequent inquiries showed that it was probably rather too high.

His Honour the LIEUTENANT GOVERNOR would wish to say one word in respect to this Bill. It was a very important Bill, insasmuch as it was the first of the measures, properly speaking, for new local taxation, because the rate to be levied under the last Bill had for its object the extension of a system which was well known in the North-Western Provinces, in Oudh, and in other places. But this Bill he should consider a new Bill, introducing new taxation for supplementing the grants made to the Local Governments by the Supreme Government. The Bill raised very important questions of a most difficult character. His own impression was that all Bills of this kind must be considered in a great degree experimental; it might fall to his lot, in another place, to deal with this very difficult question, and therefore he would not commit himself with regard to the principle or details of this measure, beyond what he had attempted in the discussion on the budget-statement, namely, that this tax must be regarded as a law supplementing the income-tax on those classes which the income-tax did not reach. Inasmuch as this Bill was intended to supplement the incomes assigned to the Local

Governments, he would, as representing one of those Governments, venture to refer to one point in regard to the amount of those assignments. He had already, on a former occasion, expressed his willingness and anxiety to carry into effect the system inaugurated by the Government of India, and he would not say anything more on the observations of His Excellency the President, than to express his entire concurrence in almost all that had fallen from His Lordship, and His Honour's readiness to carry out the wishes and expectations which His Lordship had expressed. There was one point, however, in regard to which he desired to take exception, namely, the saving of £200,000 of the present year which had been assigned to the Local Governments subsequently to the permanent distribution of the funds. It seemed to His Honour that the assignment of £200,000 could not fairly be deducted from the £330,000 burden originally thrown on the Local Governments. But taking it as a deduction from the local deficits, it seemed clear that the £200,000 was a grant for a single year only, and inasmuch as the assignment was a permanent assignment, and was meant to be a permanent assignment for a considerable period, and not to be increased, the £200,000 was not a deduction from that permanent assignment. It was thought desirable to make over the management of these charges to the Local Governments who had the best means of checking the growth and the rapid rate of growth of these particular charges; but still he considered it desirable to say that these charges must increase.

But, further, he wished to submit another consideration, that even as regards the current year, that amount could not fairly be deducted from the charges thrown upon us; for it seemed to him that the £200,000 balance of the last year, was merely a working capital which it was absolutely necessary to put in the hands of the Local Governments in order to enable them to carry on their business. These savings were a necessary result which must occur in almost every year. It was a part of the scheme that the heads of the Local Departments must each make a budget; the Local Governments must assign so much for Jails, so much for Education, and so on; and when they made those assignments, they must make it strictly understood by each Department that they must on no account exceed those assignments. That must be an essential part of the system. To avoid the risk of overshooting the mark, it would be necessary that each Department should a little undershoot the mark, and that they should understand that, if they overshoot the mark, they would be subject to the most tremendous penalties which the Government could inflict. Thus, there would ordinarily remain, from year to year, a small balance at the end of each year.

We did not leave in private life our purses totally and absolutely empty at the beginning or end of a year. It was on that ground that he was inclined to urge that the £200,000 could not be fairly considered a reduction from the burden imposed on the Local Governments.

His Excellency THE PRESIDENT explained, that the statement he had made with regard to the sum of £200,000 which had been added to the assignments made to the Local Governments referred to the present year only. He stated that, with regard to Bengal, £487,000 of burden would be remitted, and that the whole amount that it would be necessary to contribute to place the service in the ensuing year on the same footing was £34,000. He merely said that, for the future, if we could not prevent these heads of expenditure from growing, and he believed they would grow, they would have to be supplied and made up from the proceeds of Bills such as they were now discussing, and that they would be administered with the greatest possible advantage by being placed under the authority and control of the Local Governments.

The Honourable Sir RICHARD TEMPLE said he had just one remark to make with reference to what fell from the Honourable Mr. Inglis. He had no objection to offer to the Bill before the Council; but he must on this and on every other occasion distinctly object to any comparison being made between this sort of taxes and an income-tax. Whatever the merits of this tax might be, it must stand by itself, and there was no sort of relation or conceivable comparison whatever between this tax and an income-tax. This tax did not pretend in the smallest degree to aim at anything like equality in its incidence; to anything like an apportionment of the incidence of the tax to the means of the tax-payers. That was a cardinal reason why it could not in any way be compared to an income-tax. If you looked at the schedules, you would find that trades and dealings were put together in a miscellaneous manner. The bankers of Muttra, for instance, were some of the richest men in British India, and there were also bankers of the same status in other stations in the North-Western Provinces. Yet these gentlemen were only charged at six rupees a year. Obviously, as regards these persons, it was a little more than a poll-tax. In the same way, if you were to compare the trades specified in the other classes, you would find many such inequalities. For instance, jewellers were placed under class III., and yet petty dealers were placed in the same class.

In the same way, sellers of pán were placed in the same class as the sellers of many articles of European manufacture; and great shop-keepers came under that class in the same category with sellers of sweetmeats or leather. He merely gave a few instances to show that anything like equality could not be found in the Bill. The Bill was one of the roughest in character and, therefore, no comparison could be made between it and an Income Tax Bill.

The Honourable Mr. STRACHEY wished to make a few remarks because, though perhaps not in this Council, yet outside its walls, there seemed to be considerable misapprehension in regard to the measures of local taxation proposed for the North-Western Provinces, and he thought it just to the Honourable Mr. Inglis and the Government of those provinces that this misapprehension should be removed. He had seen it repeatedly asserted in a prominent manner, that the Government of the North-Western Provinces had made to the Government of India various propositions to impose onerous taxes on the people of those Provinces, and that the Government of India was forced to decline to sanction these proposals. It was due, Mr. STRACHEY thought, to the Honourable Mr. Inglis and the Government of the North-Western Provinces, to say, as anybody might have learned who had taken the trouble to read the correspondence which had been published on the subject, that there was not one atom of foundation for any of those assertions. It was quite true that there was some difference of opinion between the Government of the North-Western Provinces and the Supreme Government as to the exact obligations, in the matter of raising new taxation, which had been laid on the Local Government by the Financial Resolution of December last. But in regard to the propositions actually made by the Government of the North-Western Provinces, there had been no difference of opinion between the two Governments from first to last. The proposals of the Government of the North-Western Provinces were extremely moderate. That Government had published a statement of the estimated charges and receipts of its provincial and local funds during the next year, the amount on each side of the account being about £700,000. It seemed to have been supposed by a great many people that it was proposed to raise this by fresh local taxation. Now, it never entered into any one's head to do anything of the kind. This sum included, not only the imperial grant for provincial services, but the whole of the present and proposed local funds of those provinces. It was difficult to say, beforehand, what the new measures of taxation which the Honourable Mr. Inglis had proposed would really yield. He estimated that this license-tax might yield about nine or ten lákhs of rupees. Mr. STRACHEY confessed, that, as far as he could judge, he thought that a sanguine estimate; and he should not be surprised if both these measures together did not yield much more than £100,000. Considering the vast extent over which the population of the North-Western Provinces was scattered, and the immense number of necessary works of improvement that were required, no one could say that the North-Western Provinces Government had proposed to put an undue burden on the country. Comparing this case with that of Oudh, it would be remarked that the Government of Oudh proposed to impose taxes that were estimated to yield about £30,000; and considering the difference between the two provinces, he was not at all prepared to say that the measures proposed for the North-Western Provinces were not quite as moderate as those which were proposed for Oudh.

There was another point on which he thought it was desirable to guard against misapprehension, for he had seen, in this matter also, signs that the true state of the case had been a good deal misunderstood. He had said on more than one occasion, that the main source from which charges for local purposes ought to be met was the land. Now, he had no doubt that this was quite as true in regard to the North-Western Provinces as it was in regard to Oudh; and it had been really more completely acted upon in the North-Western Provinces than it was even in Oudh. Some people who were ignorant of the real facts of the case seemed to be under the misapprehension that, in the North-Western Provinces, the greater part of the funds required for local purposes would, under the proposals of the Government of the North-Western Provinces, be raised from the non-agricultural, and not from the agricultural, population. There could be no greater mistake. He would compare what was happening in the North-Western Provinces with the case of Oudh. In Oudh, with the additional rates proposed in the Bill he had that day introduced, the total annual charge on land for provincial and local rates would be two and a half per cent. on the rental. In the North-Western Provinces, in all those districts where the settlements had already expired—which, practically, was the whole of the North-Western Provinces, for there were only two or three districts in which the settlements had not expired—the local rates levied for a long time past had been five per cent. on the annual value of the land: and in regard to that matter, as the Honourable Mr. Inglis had before explained, the present Bill really did no more than give the approval of the legislature to a policy that had long been carried out.

The Bill proposed to place no additional burden on the land in the temporarily settled districts ; but still the fact remained that, in the North-Western Provinces five per cent. on the rental was assigned for local purposes, against two and a half per cent. in Oudh. It was true, no doubt, that these percentages were not really comparable one with another ; for this reason, amongst others, that the charge on account of the Rural Police in one case was included, and not in the other. Still, the charge in the North-Western Provinces was higher than what it was in Oudh. He thought it right to say this much, in justice to the Government of the North-Western Provinces, in regard to the measures in charge of his Honourable friend Mr. Inglis.

As to this particular Bill for imposing duties on certain trades and dealings, he must congratulate his Honourable friend and the Government of the North-Western Provinces in having brought forward what appeared to him to be the very best Bill of the kind that had come before the Council. We had of late years over and over again had so-called license-taxes and certificate-taxes which had been imposed on the mercantile classes. But all these Bills, whatever they might have been called, had been in reality income-taxes in disguise. This Bill was nothing of the kind ; and, as the Honourable Sir Richard Temple had just said, it must be judged quite differently from an income-tax ; and this peculiarity of this Bill was in his (Mr. STRACHEY'S) eyes one of its greatest merits. It imposed small duties on certain specified trades and dealings ; but it did not propose to place any duty on traders, and the non-agricultural classes generally. It involved no inquiry into any trader's means, and it afforded no opportunities for extortion. The duties which this Bill imposed on trades were not dissimilar—he might say were identical—in nature to the duties imposed from time immemorial for licenses on brewers and grocers, and dozens of other trades in England. No doubt the inequality of this tax was theoretically an objection to it ; but it was an objection which was counter-balanced by the certainty of the tax. As the Honourable Mr. Inglis had pointed out, every trader who wanted to know what he had to pay, had only to look at the schedule. Mr. STRACHEY thought another merit of the Bill was to be found in those sections to which his Honourable friend had referred, sections twelve to fifteen, which related to the payment of the duties in places where there were municipalities.

In all the principal towns of the North-Western Provinces, there were now municipal bodies. If this Bill became law, there would be no necessity in such towns for paying this particular tax if it was considered that there were better means of providing the funds which were required. If for example, it was ascertained that if the provisions of the Bill were applied to a certain town, it would have to pay ten thousand rupees ; then, supposing, after providing for all its local wants, there remained a surplus of ten thousand rupees derived from octroi duties or anything else, or if it was found that by any modification of its taxes, it could provide that amount, it would be competent to the municipality to pay the ten thousand rupees, and get rid of the obligation imposed upon it by the present Bill. It seemed to him that these were excellent provisions. Our system of taxation, as he had long thought, had been a great deal too much in the nature of Procrustes' bed. This measure had an elasticity which would add a great deal to its value.

The Motion was put and agreed to.

LOCAL RATES (N. W. P.) BILL.

The Honourable Mr. INGLIS also introduced the Bill to provide for the levy on land of rates to be applied to local purposes in the North-Western Provinces, and moved that it be referred to a Select Committee with instructions to report in a week. He said that, in the temporarily-settled districts of the North-West, a cess of five per cent. on the annual value of every estate of which the settlement made under Regulation IX. of 1833 had expired, was now levied under an order of the Executive Government. Section four of the proposed Bill provided that this cess should in future be levied under the authority of a legislative enactment.

Section six of the proposed Bill provided for the levy of a rate not exceeding two annas for each acre of cultivated land in the permanently-settled districts, the cess to be paid by the landlords ; who would receive power to recover one-half the amount levied on the land held by tenants subordinate to them.

The Government of the North-Western Provinces, after full consideration of the subject, had decided that it was better to levy this cess by a rate on land, rather than by a rate on rent paid. The rate was so small that it could be paid with ease on all classes of soil, and though we had a pretty accurate knowledge of the area under cultivation in the permanently-settled

districts, we had no returns showing the various kinds of soil and the prevailing rent paid on each, such as we had for the temporarily-settled districts; consequently, there would be great difficulty in ascertaining the actual rents paid, especially in villages where rents were paid in kind, and for land held as *sir*; but the remarks on this subject made by His Honour the Lieutenant Governor of Bengal last week, would be carefully considered in Committee.

Section fourteen empowered the Local Government to appoint local committees for the management of this fund. We had already, in all the districts of the North-West, local committees composed of the leading Native gentlemen of the district, who were charged with the administration of the existing local funds. These committees had been established for many years, and had been found to be of the greatest assistance to the Collectors of the districts in all matters connected with the expenditure of these funds.

Mr. INGLIS intended to have referred to the curious mistake he had heard stated, that the Lieutenant Governor of the North-West proposed to raise by new taxes no less a sum than £750,000; but this mistake had been so well explained by the Honourable Mr. Strachey, who had done it so much better than he could have done, that he should not go over the same ground.

There was, however, another statement which he had heard made several times, on which he should like to make a few remarks, which was, that the Lieutenant Governor of the North-West had taken advantage of the system introduced by the Resolution of the 14th December last, to raise by new taxes a large sum which would not otherwise have been required.

Now, he thought there was nothing in the letter of January last from the Government of the North-West which could warrant this inference. It was there stated that, during the past three or four years, the grants to the Department of Public Works, on which the permanent assignment had been based, had been from unavoidable circumstances below the actual and pressing requirements of the North-West: and that, had the old system continued in force, Sir William Muir would have felt himself bound to apply to the Supreme Government for an increase to the grants for the maintenance and repairs of existing roads, and for the construction of new ones. Under the old system, it would have rested with the Government of India to decide whether this increased expenditure could be incurred, with reference to the general income and to the wants of other provinces. That was, to decide whether these repairs should be executed, or these new roads should be constructed.

But as under the new system, the responsibility of maintaining this department of the public service in a proper state of efficiency had devolved upon the Lieutenant Governor, he had determined, being convinced of the urgent necessity of these works, to raise the amount required by new taxes.

The construction of three new lines of railway through the North-Western Provinces—the East Indian Railway Line, the Punjab and Delhi line, and the Oudh and Rohilkund Railway—had completely changed the course of traffic throughout the North-West; had made many old roads useless, and had rendered absolutely necessary the construction of many new ones, if the traffic of these railways was to be developed to its full extent, and the trade of the country was to reap the full advantages of these improved means of transit.

The Honourable Mr. CHAPMAN had recently ventured to express his apprehension as to the amount to which we were increasing the burdens of the people. He found that the total deficit in the assignment to provincial services made to the North-Western Provinces was five lakhs of rupees, and to meet these five lakhs three times that amount was proposed to be levied.

His Honour the LIEUTENANT GOVERNOR said that, on looking at the copy of the Bill which had been supplied to him, he read, on the outside, that it was a Bill for the levy on land of rates to be applied to local purposes, and inside, he found that the rate was to be levied for *provincial* local purposes. It appeared to him that the insertion of the word 'provincial' raised a large question. He was not quite sure whether the title inside the Bill was correctly printed, and whether it should not be provincial *and* local purposes. He thought that the question of raising rates for provincial purposes was a very important one: it raised a distinction of the greatest magnitude; a distinction which had been seized by the Committee which sat on this subject in the North-Western Provinces, whose report had been published. It was there pointed out that there was the greatest distinction between provincial and local purposes as applied to the Bill for the levy of rates. Rates levied for the purposes of a great Province could in no ordinary sense of the term be called local; certainly not in the sense

used in the British Isles and other parts of the world. He might take it, then, that the present was a Bill to raise certain revenues, not only in the nature of local rates, but also for provincial purposes, as applied to the whole of the North-Western Provinces.

He was not going to attempt to discuss the details of this Bill; but the consideration which he wished to submit to the Council was that, in the drawing of this Bill, it did appear to him that provincial considerations prevailed to a greater extent than was desirable in the levy of rates of this description. It might be said that this was not so, because you were to devote seventy-five per cent. of the rate to the improvement of the district in which it was raised, and this local fund was to be administered through local committees. But he was inclined to think that a good deal of the objection would lie, for the character of the rate to be levied was somewhat peculiar. It was undoubtedly a very heavy rate, but a very large proportion of it was for the support of the village *chaukidárs*—two-thirds of the whole. Now, we knew that these village *chaukidárs* were necessarily in their character local, and it followed, therefore, that two-thirds of the whole rate would be necessarily expended for a local purpose. The result seemed to be, that the tax now imposed for general purposes by the cess proposed was not so heavy as it at the first sight appeared to be; that it was not in reality very much heavier than the cess which was proposed to be levied in Oudh. But there was this important difference, that in imposing a rate of five per cent., one-quarter of which might be spent for provincial purposes, you got, for provincial purposes, as large a sum as was proposed to be raised altogether in Oudh, where the rate was one and a quarter per cent. You got exactly four times the sum which you got for the same purpose in Oudh.

It appeared to him that the expenditure on account of what he might call obligatory local purposes must first necessarily be deducted, while the money available for what he might call optional and discretionary purposes, was almost entirely in the hands of the Local Government, to spend for almost any purpose. The purposes which the law left to the discretion of the Local Government were very wide: they were not only the construction and repair of roads, schools, hospitals, dispensaries, lunatic asylums, markets, wells and tanks, but any other works likely to promote the "health, comfort or convenience" of the people. He was sure that the Lieutenant Governor of the North-Western Provinces would do all he could to contribute to the health and convenience of the people; but still, almost anything might be brought under those words, and you put in the hands of the Local Government a large margin, which would enable him to do what he liked with the whole of the rates from those Provinces.

He would now say one word with regard to the administration of these funds. His Excellency the President declared, with great force and truth, that great advantage would be derived from the assistance of intelligent residents, Natives and Europeans, in the management of these local funds. But with regard to the nature of the provision made in the Bill for local administration, His Honour thought that the Honourable Mr. Inglis and the Honourable Mr. Strachey, and other Members who had had practical experience of the working of such local Committees, would know pretty well that they had not in all cases been a very great check, and that the Magistrates had sometimes been able to do pretty much as they liked with the local funds. District officers had told His Excellency, the President, that they had found no difficulty in dealing with Native members. He thought that other members had probably found, as His Honour had in days when they were young, that the Magistrate had sometimes no trouble in being able to do pretty much what he liked with the money. He could not suppose that District officers were likely generally to do that sort of thing, and he hoped and believed they would attend to the desires and wishes of their constituents. But at the same time, if we necessarily left it a good deal in the hands of the local officers to appoint to the committees, they were not likely to appoint Native members who would give them trouble. It might be difficult to constitute the committees otherwise; but in respect to the area over which these committees had control, he did think that, in so far as the rate was intended to be a local rate for local purposes, and not a provincial rate for provincial purposes, it would be desirable, not only that the district committees should have something of a popular character, but that there should be local sub-committees of a still more popular character, who might administer the local funds allotted to them for strictly local purposes in which they were really interested. He feared that Indian districts were too large for local rating for all purposes, and that the greatest proportion of the tax-payers did not really look on the thing as a local tax at all. They looked upon the rate as a tax, and the thing was not brought home to their minds by a strictly local expenditure of the money for their own benefit before their own eyes. He hoped we would even come down to the formation of local unions of villages, in which it might be that local obstructions, local roads, local nuisances of all kinds in which the committees of such unions

might be interested, would be improved from the money paid for local purposes, by which means he believed that the people might come to appreciate this tax: they would come to feel that it was for their own benefit, and that, so far as the local rates were concerned, they got something for their money.

HIS HONOUR was gratified to learn from the Honourable Mr. Inglis that, so far as could be done, the observation which HIS HONOUR had made on the subject of the imposition of the rate on area or acreage, would receive attention in Select Committee. He would now only call attention to this, that the Committee which sat in the North-Western Provinces recommended that the rate should be assessed on the rents of the land, and not on the acreage; at least that he understood to be the result of the recommendations.

He had already noticed that two-thirds of the expenditure was not for the purposes for which local cesses were ordinarily levied, but was to be devoted to the maintenance of the village *chaukidárs*. He wished to understand whether this expenditure was to be in addition to, or in substitution for the mode of paying for, their services now obtaining. There had been a good deal of difference of opinion on this point, and he was anxious to secure this village institution to the people of the North-Western Provinces. He was extremely unwilling to see the village *chaukidár* turned into a Government officer, at an expense equal to that for maintaining the Native Army. HIS HONOUR'S view of this question had always been, that it was better to maintain the independence of an indigenous institution like the village constabulary. The village *chaukidár* was a man who served the villagers. He was paid by the people for services rendered to them, and they willingly paid a small contribution without feeling it a burden. But if you imposed a higher rate to pay a local policeman, you imposed a heavier burden on the village community, in respect of which he doubted whether the result and advantage were commensurate to the heaviness of the burden. Therefore, he was anxious to know whether this rate, so far as it applied to the maintenance of the village Police, was in addition to the burden which the village communities had hitherto borne, or whether it was in substitution of that burden, and, if so, how the substitution was to be arranged.

The Honourable Mr. ELLIS need hardly say that he concurred with the greater part of what had fallen from His Honour the Lieutenant Governor, in regard to the distinction between local and provincial taxation. He thought it would be a matter for consideration whether we should not adopt the title printed outside the Bill, instead of the title as it stood inside; whether we should not declare the Bill one for the imposition of local rates, and not one for the imposition of local and provincial rates. The same remarks which he had made with regard to the seventy-five per cent. allotment for Oudh would apply to this Bill, and he should be glad if the Committee which would be appointed to consider this Bill were not only to adopt the suggestion which had been made by His Honour as to the amendment of the title, but accept the proposal Mr. ELLIS would venture to make that, instead of only seventy-five per cent. being appropriated to local purposes, the full hundred per cent. should be so used; and that all sums levied under the Bill should be applied to the improvement of the districts in which they were raised, and not in any other district or for the general purposes of the Government. He thought this distinction was the more important, as under this Bill, it was proposed for the first time to tax, for local purposes, the districts in which a permanent settlement of the revenue prevailed. He thought the tax would be very easily collected if the rate-payers knew that it was for their own local benefit, and was not to be mixed up with revenue raised by the Imperial Government for imperial purposes, and if they saw that the sum raised was expended exclusively in the district in which it was raised. In this case it was much more important than in the case of Oudh to insist on this distinction.

He believed also, that amongst the objects on which the money was to be expended was Police. He presumed that by the term Police was meant the Police of the villages. He fully concurred in all that His Honour the Lieutenant Governor had said on this point, and he trusted that an assurance would be given that it was not intended to impose a heavy tax to provide a stipendiary force in substitution of the old Village Police. If the Bill was applicable to the Village Police only, he thought it should be so stated therein, and that it should not be left to be supposed that we were levying local taxation to pay the district Police; an obligation which had hitherto fallen on imperial funds, and which would be henceforth discharged from the provincial assignments.

With reference to what had fallen from His Honour as to his experience that district officers did pretty much what they liked with local funds, Mr. ELLIS thought there was one class of district officers to which His Honour had not referred, and that this was a large and

valuable class. There were some district officers who had no difficulty in dealing with local committees, not because they carried everything their own way, but because, having consulted their local committee, they found that the very valuable advice and assistance they received from the committee enabled them to work more effectually than they would otherwise have been able to do. He was quite sure that the number of such district officers would increase; therefore he was much more hopeful than His Honour of the increasing usefulness of these local committees.

The Honourable Sir RICHARD TEMPLE said that, as these matters trenched on finance, there was just one topic to which he must take the opportunity of briefly advertizing. He alluded to the allegation made in the letter from the Government of the North-Western Provinces, addressed to this Government in the Financial Department. The passage in question runs thus:—

“The Resolution imposes a portion of the imperial deficit, amounting ostensibly to £48,030, on the North-Western Provinces, while there is actually devolved on these Provinces an expenditure hitherto imperial, which, with the deficit, amounts to £142,079.”

Of course this passage meant that we nominally imposed upon them new taxes in respect of £48,000, but in reality we imposed upon them taxation to the amount of £142,000, or just three times that amount. Perhaps it might be considered unnecessary for him to refute this argument after what had fallen from His Excellency the President and his honourable friend Mr. Strachey; but as this was a matter which related to the Financial Department, he must beg to be allowed to say a few words. The argument really rested on the following passage of the letter to which he had referred:—

“The civil estimates have been retrenched to a point utterly inadequate to the requirements of these Provinces * * * the supplies necessary for the ordinary repair of main lines have been well-nigh stopped: those for the repair of buildings have been cut down, and the construction of new works, even where urgently required, has been for the most part postponed.”

This was a stock argument of every Local Government whenever we attempted to cut down their expenditure—when we told them that there was a need of our cutting our coat according to our cloth. If in any instance we failed to act up to that principle, it was because we listened to arguments of this description. The inference attempted to be drawn was, that the grants for the current year were inadequate or unfair to the North-Western Provinces as compared with other Provinces, and were less than what we should have been compelled to grant in the next year. To any such inference he begged to demur. The grants of 1870-71 were quite just, and as much as we could afford, and we did not intend, and would have refused, to give, one farthing more. That was the plain fact of the case. Well that being the case, the amount of taxation imposed upon the Government of the North-Western Provinces was just £48,000, or, according to the corrected figures, £46,753; and His Excellency the President had already explained to-day that it was certain that, for the next year, the amount would be less than that. The demand for 1871-72 was only £18,000; but even taking it at the full amount of £46,000, that would represent the amount of burden which our present budget really imposed on the North-Western Provinces in future years. But it would never be more. Therefore, he must take this opportunity of denying most explicitly that we imposed anything more than £46,000. From the correspondence that had since ensued, it was possible that the North-Western Provinces Government might not stand by that declaration; but whether they stood by it or not, the correspondence had been published in their local Gazette and had become known to the public. Therefore, he thought it necessary, being a financial point, to take the opportunity of giving this explanation of the matter. As far as there might be a necessity of imposing additional taxation, it was not the Financial Department of the Government of India that imposed that necessity. Even taking the estimates of the Honourable Mr. Inglis, the proposed License Tax Bill and local rating Bill would produce, together, something under £130,000. Then, what Sir RICHARD TEMPLE had to observe was, that if anything like that amount was raised, it was raised on the responsibility of the Local Government and its local advisers. It was not raised from any compulsion on the part of the Government of India. The utmost amount that could be raised on our compulsion was £46,000. Whatever amount was raised beyond that was raised because the local authorities believed that it could be equitably and reasonably raised. They were responsible, and not the Government of India, for every farthing that was raised beyond the £46,000.

He desired to make these observations purely with reference to the tenour of the correspondence which had been published. The really great point he wished to elucidate was this: the action now to be taken was really the action of the responsible Local Government who in their wisdom and justice believed that the amount to be raised was such as could be raised with propriety.

The motion was put and agreed to.

LIMITATION OF SUITS BILL.

The Honourable Mr. STEPHEN presented the report of the Select Committee on the Bill for the Limitation of Suits.

RAILWAY BILL.

Colonel the Honourable R. STRACHEY moved for leave to introduce a Bill to amend the Railway Act. He said that a very few words would suffice to explain the objects of the Bill. The necessity for the amendment of the Railway Act, XVIII. of 1854, had long been admitted. A Bill had been for many years before the Council, intended to bring about that amendment of the law. The Bill went before a Committee, and after having been carefully revised by them, was sent to the Secretary of State. The Secretary of State consulted the Boards of the several Railway Companies in England, and serious objection was taken to the form proposed to be given to the law. The result was that the draft was sent back by the Secretary of State for re-consideration, and it now appeared almost certain that it would be impossible to proceed with the Bill in the form in which it stood. It was difficult to make a law that would satisfy the Government and the Railway Companies, and there could be no question that a considerable length of time must elapse before any law could be passed on the subject; but various points had arisen in the administration of Railways which would require immediate correction, and on these all parties were, he thought, agreed. It was to amend these particular points that the present Bill was proposed.

The first of these points related to the fencing of Railways, and the second related to the trespass of cattle. Another was the definition of "Local Government," the authority under which the powers of the Railway Act were exercised. Then there was an obscurity regarding the definition of the term "Railway" itself, which it was proposed to correct; and, lastly, some alteration seemed desirable in the mode of dealing with the regulations made for the guidance of the servants of the Railway Companies. These, however, were little more than matters of detail, which, though important in their own way, did not call for any discussion of principle, and therefore it would not be necessary for him to say anything more on the subject at this time.

The Motion was put and agreed to.

PENSIONS BILL.

The Honourable Mr. COCKERELL moved that the Honourable Mr. Ellis be added to the Select Committee on the Bill to consolidate and amend the law relating to Pensions.

The Motion was put and agreed to.

FINANCIAL COMMISSIONERSHIP (OUDH) BILL.

The Honourable Mr. STRACHEY said that no notice had been given of the motion he was about to make, but the matter being somewhat urgent, he would apply to the President to suspend the Rules for the Conduct of Business, to enable him to move for leave to introduce a Bill to abolish the office of Financial Commissioner of Oudh.

The President declared the Rules suspended.

The Honourable Mr. STRACHEY then moved for leave to introduce a Bill to abolish the Financial Commissionership of Oudh. Both the present Chief Commissioner of Oudh, and Mr. Davies, late Chief Commissioner, had come to the conclusion that, in consequence of the progress that had been made in the settlement work, and for other reasons, the considerations which formerly made it essential to have a separate Financial Commissioner for Oudh, no longer had any great force; and it was quite possible to abolish the Financial Commissionership and thus save a considerable sum of money every year. But, as the law now stood, the Financial Commissioner virtually possessed, in certain classes of cases, the powers of a High Court, and other duties were imposed on him by law. It was necessary, before the appointment could be abolished, to provide for the disposal of the appellate jurisdiction which was now discharged by the Court of the Financial Commissioner. It was pro-

posed to make over a portion of the work to the Chief Commissioner, a portion to the Judicial Commissioner, and a portion to the Commissioners of Divisions. There were at the present moment a considerable number of cases pending in the Appellate Court of the Financial Commissioner, and it was impossible that the Chief Commissioner, with all his executive duties, could himself dispose of all this business. The Bill being of a very simple character, and delay being injurious, Mr. STRACHEY might, probably, at a future stage of the proceedings, ask His Excellency the President to suspend the Rules to enable the Bill to be proceeded with as quickly as possible.

The Honourable Mr. STEPHEN desired to make an observation or two on this Bill. He had not least doubt that this Bill was necessary, but he regarded it as a necessary evil. The law in relation to the Courts in Oudh was altogether in a most unsatisfactory state. There were at least three Acts on the subject, which it was by no means easy to understand in their relation to each other. There was, in particular, a most extraordinary provision by which the Central Provinces Courts' Act was somehow mixed up with the Oudh Courts' Act, and the result was to produce great confusion. The Bill proposed to be introduced would for a short time make that confusion worse confounded than before, and the notification would add to that worse confounded confusion. He hoped, however, in the course of the summer, to put the whole of the law relating to the Courts in Oudh into one Act of an intelligible character. Much had been said on the subject of judicial reform in the Courts; it was far too wide a subject to say anything about at the present moment. It was, however, an absolutely necessary preliminary to any judicial reform whatever worthy of the character, that the law relating to the actual existing Courts should be got into an intelligible shape. We had Civil Courts' Acts for Bengal and Bombay; we had Acts for the Panjáb; an Act for the Central Provinces, and he hoped that they would very soon have an Act for Oudh. An Act of the same sort with regard to Madras had also been under consideration. He had heard that the Madras Government felt some reluctance to have that Act proceeded with because improvements might be introduced which would make it necessary to have a new Act. He earnestly hoped that the Madras Government would help in passing that Act, and provide the Government of India with the materials necessary to put it into proper shape. Because, until we had the whole law on the subject in an intelligible form, it was impossible to discuss the subject on general grounds, or even to consider any specific or general improvement. He thought it would be extremely desirable to get the whole law on the subject into shape, and although it was necessary to pass the present Bill, he hoped to take the earliest opportunity to consolidate the law relating to the Courts in Oudh.

His HONOUR the LIEUTENANT GOVERNOR wished to say a few words with regard to what had fallen from the Honourable Mr. Stephen. No one could be more in favour than he was of a consolidation of the law in an intelligible form, and no one could appreciate more than he did the immense service that was likely to be done to India by the Honourable Member who had in so energetic and vigorous a manner undertaken those duties. We might expect that, during the time the Council would be absent from Calcutta, a very large amount of work would be done by that gentleman; we could not but appreciate what had been done up to the present, and we must appreciate what might be done in the future. But only this very morning a doubt had been suggested to His Honour, with respect to the consolidation of the law as it would affect the Local Government of Bengal, whose legislative powers might be more or less affected by these measures of consolidation. The result of consolidating all the old laws and bringing them into a new law was to deprive the local legislature of all power of dealing with them in any form, a power which the existing law gave with respect to old laws of the Indian legislature, but not with respect to new laws. To put a case in point. Before the Bengal Civil Courts' Bill was passed, it was competent to the local legislature to deal with the jurisdiction and powers of Munsifs as they thought proper; but, as the law now stood, though it had been put into a more intelligible form, the result had been that the Bengal Legislative Council was totally deprived of the power of entertaining any matter connected with the powers and jurisdiction of Munsifs, even in regard to the most minute particulars. And his opinion was that, if the work of consolidation should be carried on in the same manner with the rest of the existing law, the result would be virtually to deprive the local Council of all Legislative power whatever, because nothing would be left for them to legislate about except in the matter of imposing new taxation, or making laws on subjects on which nobody ever made any laws before. He therefore ventured to suggest whether, in consolidating the law, it would not be possible to make some arrangement for saving the future power of the local legislature to deal with such matters as were within the legislative capacity of that body.

The Honourable Mr. STEPHEN said that he could assure His Honour the Lieutenant Governor that there was not the least danger of the measures of consolidation undertaken by this Council having the effect which he had mentioned. If the Bengal legislature would undertake any work of this kind which it could undertake, the Government of India would be very glad. With regard to the Bengal Civil Courts' Act recently passed, it had been very carefully considered by the late Lieutenant Governor and the local authorities, and the views which had been expressed by the Bengal Government were most carefully considered. With regard to such matters as the jurisdiction of the Courts, there were many points which the local legislatures would be incompetent to deal with, as for instance the relations between the High Courts and the Subordinate Courts. Moreover, by the Acts which had been passed, large powers were reserved to the Local Governments to regulate every matter which they could have a desire to regulate. Surely it was not desirable that these matters should be left in a state of vagueness, because the Local Governments could not deal with them, and because we would not do it for fear of interfering with the legislative powers of the Local Governments. If the Local Governments would favour us with any expression of their views, he was sure that there was no desire on the part of the Government of India to interfere in the smallest degree with their action. With regard to the Bill for Madras, he might mention that it was taken up by the Executive Government at the express desire of the Madras Government, because they had not the power to deal with the subject. If these matters were to be put into shape, the Government of India was the only authority that could do it, because they were subjects which interfered more or less with the functions and jurisdiction of the High Courts.

The Motion was put and agreed to.

The following Select Committees were named:—

On the Bill to provide for the levy of rates on land in Oudh—The Honourable Messrs. Stephen, Ellis, Cockerell, and Inglis, and the Mover.

On the Bill for imposing a duty on certain trades and dealings in the North-Western Provinces and Oudh—The Honourable Messrs. Strachey, Stephen, Ellis, Chapman, Bullen Smith, Cockerell, Cowie, and Robinson, and the Mover.

On the Bill to provide for the levy on land of rates to be applied to local purposes in the North-Western Provinces—The Honourable Messrs. Strachey, Stephen, Ellis, Chapman, Cockerell, and Robinson, and the Mover.

The Council adjourned to Friday, the 24th March 1871.

WHITLEY STOKES,

Secretary to the Government of India.

CALCUTTA,

The 18th March 1871.