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


Bombay Government Gazette

EXTRAORDINARY.

Published by Authority.

WEDNESDAY, 13TH OCTOBER 1869.

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

PART I.

Notification.

FINANCIAL DEPARTMENT.

Bombay Castle, 12th October 1869.

The following Notifications by the Government of India are republished for general information:—

“GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

NOTIFICATION.

ACCOUNTS.

The following documents are published for general information:—

From the Government of India, to the Secretary of State for India,—No. 240, dated Simla, the 20th September 1869.

Referring to our financial despatches Nos. 63 and 65, dated 15th and 16th March, and to your Grace's despatch in reply, No. 252, dated 29th July, we have the honour to submit to you the accompanying Abstract (A.) of the approximate accounts of the ordinary revenues and charges of the year 1868-69, compared with the estimates of the year, and with the accounts of the year 1867-68.

2. It is unusual for us to submit our accounts at this season of the year; and we are not yet able to vouch for the minute detailed accuracy of all the figures that we present; but of their substantial correctness we are well assured. The result which they show is so serious that we deem it imperative thus, at the earliest moment, to lay them, in all possible detail, before your Grace.

3. Your Grace will remember that the Budget Estimate of 1868-69, after re-arrangement in accordance with the principle now finally adopted in respect to the charges for Public Works Extraordinary, showed an expected surplus of £243,550, and that the Regular Estimate showed an expected deficit of £970,471. The actual result is the enormous deficit of £2,273,362; being worse than the Budget Estimate by £2,516,912, and than the Regular Estimate by £1,302,891.

4. As compared with the Budget Estimate, the actual net receipts are £483,342 better; but the charges are £3,000,254 worse; producing the net deterioration as compared with the estimate, above stated, of £2,516,912. As compared with the Regular Estimate, the revenue is worse by £218,458, and the charges are worse by £1,084,433; aggregating, as just said, a gross falling-off of £1,302,891. The responsibility for this result is thus divided among the great departments of revenue and charge,—

ABSTRACT comparison of the Estimates with the Actual Accounts of 1868-869.

DEPARTMENTS.	ACTUALS COMPARED WITH THE BUDGET ESTIMATE.					ACTUALS COMPARED WITH THE REGULAR ESTIMATE.					
	REVENUES AND RECEIPTS.	CHARGES.		NET RESULT.		REVENUE.		CHARGES.		NET RESULT.	
	Better.	Better.	Worse.	Better.	Worse.	Better.	Worse.	Better.	Worse.	Better.	Worse.
	£	£	£	£	£	£	£	£	£	£	£
Civil in India	41,188	..	752,805	..	711,617	..	358,912	..	357,485	..	716,397
Army in India	409,103	..	84,846	324,257	..	272,103	..	..	186,346	85,757	..
Public Works Ordinary in India (excluding Railways) ..	24,803	..	841,434	..	816,631	..	126,697	..	492,004	..	618,701
Railways.—(Note.—Including land, supervision, loss by exchange, interest, and profit and loss on Calcutta and South-Eastern Line)	8,248	..	464,893	..	456,645	..	4,952	8,487	..	3,535	..
Home charges (net) .....	..	..	856,276	..	856,276	..	..	..	57,085	..	57,085
Total . . .	483,342	..	3,000,254	..	2,516,912	..	218,458	..	1,084,433	..	1,302,£91

NOTE.—It is to be borne in mind that, for the purposes of this Table, and in the abstracts which accompany this despatch, the Budget of 1868-69 is re-arranged so as to eliminate the otherwise disturbing effect of the change, introduced after Mr. Massey's statement was made, in the system of paying for large non-productive public works. No part of the failure of the estimates can be attributed to that change, or accounted for by it.

5. It will be observed, at the outset, that the Army is not chargeable with any part of the failure of the estimates. On the contrary, the net out-turn of the Army account is very much better than the Budget Estimate, and decidedly better than the Regular Estimate.

6. The net Civil charges in India have exceeded both estimates by somewhat over £700,000. The net Public Works expenditure (not including Railways) in India, has exceeded the Budget Estimate by £816,631, and the Regular Estimate by £618,701. The net Home charges have exceeded the Budget Estimate by £356,276, and the Regular Estimate by £57,085. And the net charge on account of Railways has exceeded the Budget by £456,645, but is better than the Regular Estimate by £3,535.

7. We proceed to notice in detail the more prominent variations from the estimates.

RECEIPTS, 1868-69.

8. *Land Revenue*.—The decrease from the Budget Estimate of £538,630 is due to the cause assigned in paragraph 30 of our despatch forwarding the Regular Estimate, *viz.*, adversity of season in Northern India and Madras, in which Provinces the chief failure has occurred. In Bengal Proper, there is an increase of £80,000 due to the re-settlement of Assam. In our Regular Estimate we failed to appreciate the extent of the calamity that had visited the country.

9. *Excise*.—The small increase over estimate is satisfactory.

10. *Assessed Taxes*.—The Regular Estimate was nearly realised. In the Budget we did not provide sufficiently for the effect of releasing from assessment all incomes not amounting to £50 a year. The tax of 1867-68 included incomes of £20.

11. *Customs*.—The out-turn, showing an excess over estimate of £251,155, is very satisfactory.

12. *Salt*.—As already explained in paragraph 34 of our Regular Estimate Despatch, the failure of the estimate by more than £400,000 is due to its having been overlooked that, in Bengal the stock of Government salt was exhausted, and that a large tract of country formerly supplied from Madras would, in consequence of the extension of the Railway from Bombay, draw its supplies thence. It is not yet known why the Bombay revenue did not expand to the same extent that the Madras revenue contracted, the rate of duty levied being, in effect, the same in both Presidencies.

13. *Opium*.—The failure of the Regular Estimate is due to a mistake, which ought not to have been made, in the estimate of revenue from Malwa Opium. The decrease is entirely in the Malwa duty.

14. *Stamps*.—It was not possible very accurately to estimate the effect of Act XXVI. of 1867. That there should be a variation from the estimate of £65,829 is not surprising.

15. *Mint*.—Nor is it possible ever to know beforehand, with any precise accuracy, the receipts from this head.

16. *Law and Justice*.—The failure of both estimates is due, in large part, to the balances of some of the Process Funds not having been carried to credit as was expected; the measure of which these expected credits was one part, not having been everywhere completed. In Bombay alone the fund remaining to be thus transferred is £91,000.

17. *Marine and Miscellaneous*.—The large unexpected receipts under these heads are, to a great extent, nominal; for surplus stores of the Abyssinian Expedition; rebel securities now cancelled and brought to account; unclaimed deposits credited; Military Funds adjusted; and such like. There are considerable *per contra* nominal charges of a like character, under these two heads, on the debit side.

18. *Army*.—The large increase in receipts here also is nominal, for surplus stores of the Abyssinian Expedition.

19. *Public Works*.—The receipts were erroneously estimated in the Regular Estimate, to the extent of £100,000; and Orissa, which was estimated to give £10,000, has yielded only £441.

CHARGES, 1868-69.

20. *Interest*.—The increase, as compared with both estimates, is due, *first*, to the usual amount of dividends not being left unclaimed; and *secondly*, to much larger payments being made on the 31st March, on account of the dividend which falls due on that day, than were provided for. As to the first error, it may be remarked that, while £100,000, which was allowed for unclaimed dividends in 1867-68, did not prove too much, £50,000, which was deducted in the Budget of 1868-69, exceeded the actual amount unclaimed by £40,000.

21. *Interest on Service Funds and other Accounts*.—The increase is due to about £51,000 paid to the Banks of Bengal and Bombay for short loans and on deficient balances, and to considerably larger amounts being paid as interest on Savings Banks' deposits and Service Funds (especially the Bengal Civil Fund) than was expected.

22. *Allowances, Refunds, &c.*—£200,000 of the increase is the Berar surplus paid to the Nizam, as explained in paragraph 45 of the Regular Estimate Despatch. The rest is owing to no provision having been made for refunds of assessed taxes, under the erroneous impression that the revenue had been estimated net; and to insufficient provision having been made for refunds, and drawbacks generally.

23. *Land Revenue*.—The increase as compared with both estimates is due, apparently, to the improvement in the pay of Ministerial Officers, and in the acting allowances of the Civil Service having proved more costly than was expected.

24. *Excise on Spirits and Drugs*.—The excess is due to the increased demand for opium for Home consumption, the increased revenue from which appears on the credit side.

25. *Salt*.—The decrease is much less than was anticipated in the Regular Estimate, and is due to the cause stated in paragraph 47 of our Regular Estimate Despatch, *viz.*, smaller purchases in Madras.

26. *Opium*.—The decrease, which is also much less than was expected in the Regular Estimate, is due to the cause stated in paragraph 48 of the same Despatch, *viz.*, the shortness of the crop of 1867-68.

27. *Telegraph*.—The decrease is due to the non-execution of works provided for in the estimate.

28. *Allowances to District and Village Officers*.—The decrease has occurred in the Bombay Presidency; and, judging from past years' figures is, probably, formal only.

29. *Administration and Public Departments and Law and Justice*.—The increase must be attributed to the causes stated, in paragraph 23, under *Land Revenue*.

30. *Police*.—The full savings expected in the Regular Estimate were not realised.

31. *Marine*.—As stated on the revenue side, the excess shown here is largely nominal, and is balanced by excess receipts of the same character. Stores were purchased for the Abyssinian Expedition, and re-sold, and *vice versa*.

32. *Education*.—The decrease is not particularly accounted for: it is generally distributed.

33. *Medical Services*.—The increase is due to the operation of the new Medical Warrant.

34. *Stationery and Printing*.—We refer to this increase only to say that it has attracted our attention. There is much room for economy under this head.

35. *Political Agencies and other Foreign Services*.—The increase is on account of half the subsidy to the Amir of Afghanistan (£60,000) and to the portion of the expenses of his reception which was paid in this year.

36. *Allowances and Assignments under Treaties and Engagements*.—The decrease is chiefly owing to the £150,000 provided for the payment of Prince Azim Jah's debts at Madras not having been taken up during the year.

37. *Miscellaneous*.—£151,330 of the excess is loss by exchange on transactions with England; £20,333 is on account of the charge of two-thirds freight on stores from England now, for the first time, charged under this head. The rest is owing to sundry causes which are not important enough to particularise.

38. *Superannation Allowances, &c.*—The increase, as explained in paragraph 54 of the Regular Estimate Despatch, is due partly to adjustments of certain Military Fund accounts, which are, to some extent, balanced by receipts under XVIII., Miscellaneous; and partly to a payment of £90,338 in excess of the estimated donation to the Bengal Civil Service Annuity Fund.

39. *The Army*.—The slight increase over the estimates is due to the Hazara Campaign, which cost about £80,000. On the whole, the army contributes a large saving to the account.

40. *Public Works*.—The enormous increase of £841,434 is covered, to the extent of £510,130, by grants made subsequently to the Budget. No less a sum than £331,304 (net) has been spent without authority from us. This unauthorised departure from Budget limits has been very general in this Department, and will receive our immediate and most serious attention. There is reason to believe that a large portion of it will be found to be expenditure for the relief of famine. The Post-Budget grants of £510,130 were partly explained in paragraph 56 of the Regular Estimate Despatch, and may be recapitulated, exactly, as follows:—

	£
Military Works (additional grant)	250,000
Madras Jails	50,000
Famine Relief	101,200
Agra Bank Building in Calcutta	45,000
Improvement of Port of Calcutta	30,000
Cyclone repairs	2,000
Other items	39,430
	<hr/>
	TOTAL .. 517,630
	Deduct grants withdrawn .. 7,500
	<hr/>
Remains	510,130

41. *Net Expenditure in England*.—It is needless for us to make any remarks under this head, the causes of the very large increase on the Budget of £356,276 having been already, for the most part, recounted by your Grace in paragraph 22 of your despatch No. 252, or appearing in the account that we have just received.

42. *Interest on Railway Capital, less net traffic receipts.*—This head contributes £497,470 to our deficit from estimate, to which must be added a loss of £21,709 in working the Calcutta and South-Eastern Railway. The amount is reduced to £456,643 by improvements in the other two heads—“Land and Supervision” and “Exchange.” There is some reason to believe that the real result is rather more favourable than that exhibited in the accounts, which are based upon the actual cash paid into, and out from, our Treasuries, and not upon the earnings of the two half-years as calculated by the Railway Companies, and which form the basis of our contracts with them. We are considering the expediency of altering the account, so as to show, in future years, the proper figures; but any such alteration cannot be applied to the past year’s accounts at present. Probably a complete adjustment of the entire account from beginning to end will be indispensable. The general causes of the unexpected decrease of Railway receipts are known by your Grace, and need not be repeated here.

43. Upon the whole account we have to remark that, disastrous as the result appears, we feel some relief in the consideration that so large a portion of the deficit is due to public works, the expenditure in which Department is, undoubtedly, very largely, within our control.

44. The Civil deficit in India is £711,617, and may be attributed, prominently, to the failure of the Land and Salt estimates, and to the payment of £200,000 to the Nizam. These causes of the unfavourable outturn are not, we hope, permanent. Nor need we anticipate that the depression of Railway traffic will continue; although it is probable that the charge for interest on the capital expended in the construction of new Railways must, for a long time to come, grow at least as fast as the traffic receipts. The formidable increase of the Home charges will, doubtless, receive your Grace’s attention. There are, no doubt, some extraordinary items among them; but, on the whole, there appears little reason to hope that, unless stringent measures of economy be adopted, the Home charges in 1869-70 will be much less than those of 1868-69.

REVISED ESTIMATE, 1869-70.

45. We have now to invite your Grace to consider, with us, the position of our finances at the present moment.

46. The extremely unfavourable result of the actual account of 1868-69, coupled with the knowledge of many circumstances which have, in fact, already invalidated our estimates for the current year, has induced us to take the very unusual course of revising the estimates at once, in order to ascertain, if we may, our true financial condition.

47. The extent to which we think it absolutely necessary to alter the estimates made in March, is shown in the accompanying Abstract (B.), which brings out an expected deficit in the current year of £1,727,402, instead of a surplus of £52,650, as brought out in the original estimates.

48. We proceed to explain the grounds upon which, in each instance, we think an amendment of the estimates required.

RECEIPTS, 1869-70.

49. *Land Revenue.*—We reduce this head by £183,100, leaving our estimate still £344,763 in excess of the highest revenue ever obtained from this source. The justification for the higher estimate first made was the progress of the settlements in Oudh and elsewhere; and this is our only ground for maintaining our revised estimate at so high a figure. At the same time we cannot but observe that the figures for past years do not favour the expectation of so large a revenue; and, were we now making the estimate for the first time, we should certainly assess our anticipation lower. The unfavourable character of the season till quite recently, makes it almost certain that the recovery, in many parts of the country, of this great branch of our revenue from the late, we may even say present, prostration, must be gradual. We much fear that the reduction which we have made is only too moderate.

50. *Forest.*—We make the small reduction shown in deference to the decided opinion of the Inspector General of Forests.

51. *Excise on Spirits and Drugs.*—The actual figures of 1868-69, and a comparison of the figures for past years, justify our somewhat raising our expectation.

52. *Assessed Taxes.*—Almost every Local Government has remonstrated against our first estimates as impossible. It was, in truth, not easy to find any definite basis for them. The essential difference between the laws of 1867 and 1868 was that, under the former, no income, otherwise assessable, was exempted if it was not less than £20, whereas the minimum income assessable by the law of 1868 was £50. This concession involved, as the accounts for 1868-69 now prove, a sacrifice of £150,000. The tax yielded as nearly as possible the revenue estimated by Mr. Massey in his Budget Speech; though he placed £70,000 more, which has not been realised, in the figured statement which he submitted, at the same time, to the Legislative Council. The essential difference, financially, between the tax of 1868 and the present income tax is, that the latter extends to incomes derived from lands and houses, and, to some extent, to incomes from the interest on Government securities. Our modified estimate assumes that £180,000 will be the measure of the increase which we shall thus obtain to our resources. The great bulk of incomes from the land will escape taxation as below the minimum limit of assessment. In Burma we are assured, though we can scarcely credit it, that there is not one income derived from the land, so high as £50. Under the law, as it stands, we find in practice, as your Grace in your 37th paragraph anticipates, that we shall add but little to our revenue from incomes

derived from interest on Government Securities. And many merchants are being assessed, we are informed, to lower incomes than last year. Without, therefore, attaching too much importance to the fact that, as yet, the amount realised from the tax is very small;—for, probably, but a small proportion of such a tax would always be collected in the early part of the year—we consider that we have sufficient reason for reducing our estimate to the extent shown, and that it would be unsafe to expect any higher revenue. The estimate which we now record is confirmed by the best calculations which we can make upon the basis of the produce of the Income Tax of 1860.

53. *Customs.*—Your Grace is aware that, as part of our financial policy of the year, we were obliged to consent to a revision of the tariff valuation of some of our staple imports. We did not adopt this measure without some hesitation, or until we had convinced ourselves of its urgent necessity. The values of these goods entered in the tariff was proved, to our satisfaction, to be quite obsolete. The result of the revision recommended by a Committee which we convened in the usual way, and accepted by us, was a reduction of the valuations of Cotton Piece Goods and Metals by about 15 per cent. Our expectation was that trade would respond to the concession, and expand so as, to some extent, to reduce the financial sacrifice made; and probably it may do so presently. But, meanwhile, we have ascertained that, in the first four months of the year, there has been a falling off, as compared with the corresponding period of last year, of £217,337. Correcting this, in proportion, for the small increase upon which we had relied in virtue of the natural progress of the country, the loss, in the first four months, is £221,890. The figures for August, received by telegraph, indicate a further falling off of about £15,000, so that we already know a loss of about £237,000. It is, no doubt, possible that this depression may be followed quickly, as we may hope that it will certainly be followed eventually, by a reaction; but the state of the Piece Goods trade at Home, and the impoverished condition of large masses of the people here, alike forbid us to reckon upon this. We find that in the last three years, the Customs revenue collected in the first four months of the year has averaged, as nearly as possible, one-third of the whole. Should this proportion prevail this year, we shall obtain, in the whole year, about £2,200,000 only. We think, however, that we may depend upon some reaction; and we estimate our Custom-revenue now at £2,365,000. This is a considerably lower revenue than we have realised during the last two years; but it is not a low revenue as compared with the four years preceding 1867-68; and, under the circumstances above described, it is, we are sure, as high as we can venture now to expect.

54. *Salt.*—The receipts of the first four months justify the addition of £100,000 to our expectations. Indeed, if the revenue continues to improve as it has done hitherto we may hope for a still larger addition to our estimate; but we do not think it safe to count upon this: we already hear of a falling off in the North-Western Provinces and the Punjab; and it is not improbable that there may be considerable loss in those Provinces.

55. *Opium.*—We have reconsidered the Estimate under this important head with the greatest care. We have before us, now, the actual results of six sales of Bengal opium, and of five months of Malwa duty. As compared with the Budget Estimates, the figures show an actual deficiency to date in Bengal of £125,077 and in Malwa of £93,540. On the other hand, we shall, as your Grace is aware, sell 2,000 chests of Bengal opium more than we expected. The price at the sale on the 9th instant was Rs. 1,231-6-10,† having fallen steadily, month by month, to that figure. The accounts from China are not favourable to our revenue; and all authorities concur in considering the prospects most unpromising. We consider that we shall be fortunate if we obtain at the remainder of the Calcutta sales, an average of Rs. 1,200‡ a chest. At this average, the net deficiency from our estimate for Bengal opium would be £160,000. It is much more difficult to form any opinion of the probable proceeds of Malwa opium during the seven remaining months. The average produce of the Malwa duty for the last five years, during the seven months, has been £1,311,766. If we realise that sum, our entire revenue from Malwa opium will be £2,200,000, being below our estimate (£2,340,000) by only £140,000. The average entire annual revenue from Malwa opium during the last five years has however, been only £2,084,500; so that our revenue during the first five months of the year has, from some cause or other, exceeded the average. But, for the last two months, the trade has been greatly depressed; the market is falling; and, although we believe the stocks to be good, it appears to us quite unsafe to expect nearly the average revenue during the remainder of the year. Upon the whole, we now estimate our Malwa revenue at £2,000,000; being £150,000 in excess of last year's revenue, and only £84,500 below the average revenue of the past five years. The gross opium revenue which we now expect is £667,165 less than that of

* NOTE.—The tax collected to the end of July was only—

						£
In Bengal	..	..	..	..	..	50,878
„ Madras	..	..	..	..	..	15,940
„ Bombay	..	..	..	..	..	58,620
					TOTAL	125,438

The Calcutta receipts to the 6th of September exceed the receipts of the Certificate Tax of last year by only £943. The entire produce of the tax brought to account to date, so far as we have received the figures, is £136,470, being only £4,400 in excess of the receipts from the Certificate Tax for the corresponding period of last year. This is however, after a refund of 1/20th of the tax of 1867-68 (on account of the month of April) to all those who have paid tax this year, and who had paid the Certificate Tax last year.

† NOTE.—We are informed that, but for extraordinary speculation, connected probably with time bargains, the price would have been much lower. Prices in China do not justify the prices paid at this sale.

‡ NOTE, dated 2nd October.—At the October sale the prices realised average only Rs. 1,199-4-0.

1868-69, and £1,137,368 less than that of 1867-68; but it is a higher revenue than that of any preceding year, except 1865-66; and we are convinced that it is the highest safe estimate we can now make. Our estimate of Rs. 1,330 for a Bengal chest, which has proved erroneous, was the average of the three preceding years—a test adopted, after long deliberation. We agree with your Grace in thinking that so high an average should not be again taken.

56. *Stamps.*—A Bill has lately been introduced into our Legislative Council, one effect of which will be to reduce our receipts from Judicial Stamps; and we cannot venture to expect a higher revenue upon the whole head than that actually realised in 1868-69. Indeed, even had no reduction of the duties been contemplated, we should have hesitated to count upon any increase beyond the actual revenue of last year; for we hear of a falling off in some parts of the country.

57. *Education.*—The small reduction is necessary with reference to the actual accounts of 1868-69.

CHARGES, 1869-70.

58. *Interest.*—We are obliged to add £105,230 to this head upon a comparison with the actuals of 1868-69; and because provision has not been made for the interest upon the loans contracted in India this year.

59. *Interest on Service Funds and other Accounts.*—Of the sum added, £59,700 is for interest already actually paid, since the commencement of the year, to the Bank of Bengal, on last year's deficiencies from the contract balance. This sum, and the similar sums paid in 1868-69, we hope to recover, in great part, from Her Majesty's Government; as our liability to pay them arose from our having to advance funds for the Abyssinian Expedition. We are obliged to add other £10,000 for similar interest on deficiencies from the contract balances, which, in some shape or other, we must certainly pay this year.

60. *Allowances, Refunds and Drawbacks.*—The provision made is clearly insufficient to the extent shown. The Estimate now made is based upon the percentages refunded, under each head of revenue, last year.

61. *Opium.*—The additional £120,000 is needed to pay for the crop of 1868-69, which was expected to produce only 40,000 chests, but has actually produced nearly 47,000 chests. We shall consequently, as already said, be able to mitigate, to some slight extent, the failure of our opium revenue this year, by selling 2,000 chests more than we expected to sell. Still, upon the whole account, we are obliged to estimate our net opium revenue £620,340 worse than in the Budget.

62. *Mint.*—We take off £4,000 on account of the closure of the Madras Mint. We cannot estimate more closely what our saving will be, on this account, in the current year.

63. *Law and Justice.*—The sum of £30,330 is added on account of arrear payments due to the Straits Government for two years on account of convicts from India at that Settlement. It ought to have been in the Estimate.

64. *Political Agencies and other Foreign Services.*—The sum of £76,500 is added on account of the second half of the subsidy to the Amir of Afghanistan, and of the portion of the expenses for his entertainment payable this year.

65. *Miscellaneous.*—We have £11,000 net to pay for shares in the New Bank of Bombay, for which we were pledged to subscribe.

66. *Net Expenditure in England.*—We have added £45,452 on account of the price of the Monitors estimated for, but not paid for, in 1868-69; we presume that this amount must be paid in 1869-70; also £30,000 to bring the Estimates for Superannuation and Furlough Allowances more nearly up to the actual expenditure of 1868-69; and £40,000 on account of interest on loans contracted in England since the Budget was framed. There are other items in the Home Estimates which we fear may turn out badly; but we refrain from modifying them; feeling confident that your Grace will take measures effectually to prevent every avoidable excess of expenditure over Estimate, and that you will insist upon every practicable economy.

67. The entire deficit now estimated in the current year is £1,727,402. The modifications of our Budget Estimates upon which this result is based, are not, we are confident, due to any over-strained or gloomy view of the situation. There are items, such as Customs, Salt and Opium, which *may possibly* turn out better than we now expect; but there are others, such as Land Revenue and Stamps, of which we can scarcely hope that even our present estimate will be realised. Upon the whole, we shall be gratified if our present revision do not prove to be still too sanguine. And we cannot, in respect to 1869-70, find any relief from the thought that our embarrassment is due, to any considerable extent, to the Public Works expenditure (for which the estimate, as compared with the expenditure of recent years, is not excessive), or to other than ordinary circumstances. It is true that some of the sources of our revenue are much depressed. But it is also true that if the large nominal receipts of 1868-69 be deducted, the gross estimated revenues are very little worse

than the gross revenues of that year. Nor are they very largely worse than those of any recent year. On the other hand, we have provided for no very unusual expenditure; and the charges show no temporary or abnormal excess. On the contrary, although our estimates include a provision for an extraordinary payment of £150,000 on account of Prince Azim Jah's debts, the total estimated Civil expenditure is *less* than the actual expenditure in 1868-69 (excluding the exceptional payment of £200,000 Berar surplus) by £78,125, and in excess of the expenditure in 1867-68 by only £52,601.

68. We have now stated to your Grace, without reserve, the conclusions and anticipations which we have formed regarding the out-turn of our finances in the past and in the present years. We have shown that the past year, 1868-69, instead of closing, as was anticipated in the Budget Estimate, with a surplus of £243,550 or, as was anticipated in the Regular Estimates with a deficit of £970,471, has closed actually with a deficit of £2,273,362. We have shown that the present year 1869-70, which, according to the Budget Estimate laid before the Legislative Council in March last, was to close with a surplus of £52,650, will probably close with an actual deficit of more than £1,700,000.

	Deficit.
	£
* 1866-67	2,517,491
1867-68	1,007,695
1868-69	2,273,362
Total deficit for three years	5,798,548
Annual average deficit	1,932,883

69. During the last three years, there has been a constant deficit, the average amount of which has exceeded £1,900,000,* and this, although there have been, in these three years, no circumstances calculated to affect our finances adversely, to any unusual or extraordinary extent.

70. We do not think it necessary to refer, in detail, to the financial results obtained in years previous to 1866-67; but there is little encouragement to be drawn from them. In only two years since the commencement of the present budget system in 1860 has there been anything more than a nominal surplus of income over expenditure. In 1862-63, there was a surplus of £1,827,000; but £1,755,000 of this amount was due to an extraordinary and unforeseen increase in the single item of Opium. In 1865-66, there was a surplus of £2,766,000; but, as stated by Mr. Massey in his Financial Statement for 1868-69, the greater portion of this surplus was due to transactions apart from the ordinary receipts and expenditure of the revenues of the year.

71. While the accumulated deficits of the three years ending with 1868-69 have amounted to 5½ millions, the cash balances in our Indian Treasuries have fallen from £13,770,000 at the close of 1865-66 to £10,036,000 at the close of 1868-69, and, notwithstanding our recent loans of £2,400,000 (or, deducting discount £2,279,610), are, at this moment, lower than they have been, at this season, for many years. During the same period, our debt has been increased by 6½ millions, of which not more than 3 millions have been spent on reproductive works.

72. It is this fact,—that we have now to deal with a constantly recurring, and not with a temporary, difficulty,—which renders our present situation so especially serious.

73. Your Grace has reminded us, in your 52nd paragraph, that successive Secretaries of State have engaged us so to frame our estimates as to show a probable surplus of from half a million to a million sterling. We entirely agree with your Grace in acknowledging the soundness of this policy. We have no doubt that, excluding charges for extraordinary works provided for by loan, our expenditure in time of peace ought to be so adjusted to our income as leave an annual estimated surplus or margin of not less than one million.

74. The necessary conclusion to which we are thus led is, that nothing short of a permanent improvement in the balance now subsisting between our annual income and expenditure of at least three millions sterling will suffice to place our finances in a really satisfactory condition. How, by reducing our expenditure, and increasing our income, we can best obtain such a result is the problem that we have now to solve.

75. We are satisfied that there is only one course which we can properly follow. We must no longer continue to make good the deficit of each succeeding year by adding to the public debt. And we must determine, whatever be the difficulty of the task, that there shall, henceforth, be no room for doubt that, in time of peace, our income will always be in excess of our ordinary expenditure.

76. This, which, under all circumstances, would be the duty of our Government, is at the present time a duty of great and unusual urgency. Our ordinary debt is now more than ninety millions. Our revenues are already liable for meeting the guaranteed interest on a Railway capital of nearly one hundred millions.* We are embarking on a system of borrowing for the construction of Irrigation Works and Railways, under the direct management of the Government, which will add, every year, very large sums to our liabilities. We confidently expect that this system, by means of which we hope to cover India with a net-work of railways and canals, will add immensely to the national wealth, and, ultimately, to the resources of the Government. But whatever precautions we may take to secure economy of construction and the good management of these works, and to ensure the early development of the revenues which they will yield, a long time must necessarily elapse during which the payment of the interest on the loans contracted for these great undertakings, will form a heavy, and probably, an increasing, burden on the resources of the State.

* NOTE.—Including the capital not yet paid up.

77. Under such circumstances, nothing could be more injurious to our credit in the money markets of the world, than that we should borrow money to supply our ordinary expenditure in time of peace.

78. We think it therefore most necessary that the public, in learning that we have discovered our financial position to be greatly less favourable than we had supposed, shall learn also, by action that cannot be mistaken, that we have not lost a moment in adopting measures of so vigorous and unmistakeable a nature that no room shall remain for doubting that our finances have been placed on a thoroughly, and permanently, sound basis. Nor could anything short of an unreserved statement of the truth justify the stringent and unwelcome measures of economy and of increased taxation, which we shall be forced to take.

79. We have, therefore, resolved to deal with the case in a complete and uncompromising manner; and we are confident that your Grace will give to our Government the fullest support and encouragement in carrying out the difficult task which we have undertaken. We shall report, without delay to your Grace, the measures which we have already adopted, or which we propose for the future. At present it is sufficient to say that we shall consider that our work has been incompletely performed, unless, by reduction of our expenditure, and increase of our income, we obtain, in the ensuing year, a substantial and permanent surplus of income over our expenditure.

80. In regard to the current year, we have had to choose between an immediate reduction of expenditure to the greatest possible extent that may still be practicable, and an acquiescence in the necessity of meeting the anticipated deficit by borrowing towards the close of the year.

81. As your Grace will readily understand after what we have said, we are extremely unwilling to adopt the latter alternative. We have accordingly determined to lose no time in initiating the stringent measures of economy which we propose to adopt. We are sanguine that, even in the present year, they will produce considerable effect.

82. The still more serious and difficult question of the propriety of imposing additional taxation in the course of the current year is also engaging our attention.

83. That, with your Grace's assistance, we shall be successful in the task that we have undertaken, we have no misgivings. We are confident that very large reductions are feasible in our present expenditure, in many of the chief branches of the administration; and that, if our proposals are acted upon, no long period of time will elapse before our finances are restored to a really healthy state. But we must remind your Grace that there is one essential condition of success which it is beyond our power to command. It is possible that serious opposition may be offered to some of the great measures of economy which it will be our duty to propose, and especially to those measures which will affect the Military expenditure of the Government. Your Grace has strongly urged upon us in your Financial Despatch No. 52, dated 26th January 1869, the necessity of reducing the present enormous charges for the Army. We are fully alive to that necessity, and we are confident that measures may be adopted which, while they lead to an immense saving of money, will not, in the least, diminish our real military strength. Such measures are, however, to a great extent, beyond our control; and, unless we receive the most complete and prompt and vigorous support from Her Majesty's Government in dealing with this part of the questions now at issue, we fear that our efforts to restore the equilibrium of our finances will be ineffectual; or at all events that the difficulties which we have to meet will be enormously increased. Under these circumstances, we earnestly request that we may receive all the assistance which it is in your Grace's power to give to us. We venture to express the confident expectation that, if we receive this assistance, we shall not fail in the serious duty which we have before us.

84. We have described to your Grace the dangers and difficulties which, in our opinion, surround our present position. We must, however, in conclusion, assure your Grace that, notwithstanding the somewhat gloomy picture which we have been obliged to draw, the general aspect of affairs inspires us with the fullest confidence in the future prosperity of India.

85. We entertain no apprehension of foreign invasion or domestic disturbance. For all purposes of defence, and for the preservation of peace, our Military and Police organisations are strong and efficient.

The splendid revenue of the Empire is contributed by a population which, compared with that of other countries, is lightly taxed. As was proved by the success of our late loan, the credit of India never stood higher.

The enriching and civilising effects of the great Railway and Irrigation Works which have, within the last twenty years, been constructed, are beginning to be felt throughout the length and breadth of the land.

By the blessing of Providence, with the seasonable and plentiful rainfall of the last few weeks, all danger of famine and of the continuance of the late severe distress, has passed away.

The steady rise which has taken place in the value of labour must, ere long, materially increase the wealth and contentment of the people.

86. With us then it rests, by careful administration and by a strict adherence to those simple rules of prudence and economy which in the conduct of the affairs alike of nations and individuals are indispensable to the attainment of safety and success, to use to the utmost extent, for the benefit of the people, the mighty resources of this great empire.

It is because we believe that a healthy and permanent system of finance lies at the very foundation of real national progress and even safety, that we commend to the most favourable consideration of your Grace the measures which we shall deem it our duty immediately to propose for the speedy attainment of the objects we have described."

"The 20th September 1869.

No. 3809.

Read—

Financial Despatch to Her Majesty's Secretary of State for India, No. 240, dated 20th September 1869, reviewing the present financial position of the Empire on the basis of a Revised Estimate of Revenue and Charge for 1869-70.

ORDER.—Ordered, that a copy of this Despatch be referred to the Home, Foreign, Military, and Public Works Departments, with instructions to consider what reductions and economies are practicable in each Department of the Administration. Whilst every possible economy must be enforced in the Civil and Military Departments, it is essential that in the Public Works Department large savings should be effected immediately."

"The 2nd October 1869.

No. 3852.

Read again—

Financial Despatch to Her Majesty's Secretary of State for India, No. 240, dated 20th September 1869.

Read also—

The following correspondence regarding an immediate increase of the duty on salt in the Madras and Bombay Presidencies:—

Telegrams—From Government of Madras, dated 14th September 1869.

To	"	"	"	16th	"	"
From	"	"	"	18th	"	"
To	"	"	"	26th	"	"
"	"	"	"	26th	"	"
From Governor of Bombay	"	"	"	29th	"	"
To Her Majesty's Secretary of State for India,	dated 30th September 1869.					

Letters—From Government of Madras, No. 2592, dated 17th September 1869.

To Government of Bombay " 3335, " 30th " "

In these papers is recorded the consent of the Governments of Madras and Bombay to the addition of five annas to the duty levied in those Presidencies on salt, as one efficient means of assisting in the restoration of an equilibrium between the Revenues and Charges of the Empire.

The Governor General in Council being well assured that this additional taxation is needful under the financial condition of the country described in the despatch to the Secretary of State, No. 240, dated 20th September 1869, is pleased to direct that the papers read above for the first and the second time be referred to the Legislative Department, with instructions to that Department to prepare, for the approval of His Excellency the Viceroy, an Ordinance under Section 23 of the Indian Councils Act of 1861, for the imposition of an additional duty of five annas upon salt in the Presidencies of Madras and Bombay (excepting Sind) until, upon the re-assembly of the Legislative Council, the matter can be submitted regularly for its consideration.

His Excellency in Council is also pleased to order that the Legislative Department be instructed to prepare in communication with the Financial Department, for submission to the Legislative Council on its re-assembly, a Bill for the levy of an additional one per cent. Income Tax for the second half of the current year, making the tax one and a half per centum for the entire financial year ending the 31st March 1869-70.

(Signed) R. B. CHAPMAN,

Officiating Secretary to the Government of India."

"GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

Account.

CIRCULAR No. 82, PUBLIC WORKS.

Simla, 2nd October 1869.

Reduction of the Grants for Public Works Expenditure.

Resolution by the Right Honourable the Governor General of India in Council.

WITH reference to the determination arrived at by the Government of India, in the Financial Department, to effect such reductions in the public expenditure as are necessary for meeting the expected deficiency of income for the current financial year, the Governor General in Council now desires to notify to the different Governments and Administrations the share in those reductions which has to be carried out in the Public Works Department.

2. As regards, in the first place, the general questions of Public Works expenditure, a detailed examination into the facts of the case has satisfied the Government of India that it may be possible to effect a permanent and very large diminution in the annual expenditure for this branch of the administration, without causing that permanent interruption in the progress of improvement, which would be greatly to be deprecated, while the urgency of the case demands that the reduction of this class of outlay should be commenced upon at once.

3. In considering the measures which are thus imposed upon the Government of India by paramount reasons of public economy, it is at the outset necessary to review the general incidence of the Public Works expenditure, so that the grant for the coming and subsequent years may be fixed on a scale which shall be duly proportioned to the Public services to be provided for, and at the same time within the limits which a prudent administration of the finances dictates. The estimated expenditure for the current year on ordinary Public Works, excluding all charges for Railways and Irrigation Works, with which it is not proposed to interfere, was £5,064,000. The Governor General in Council is of opinion that it will be practicable to reduce this outlay by about one-fourth, so that the total ordinary grant in future years may be brought to about 3¼ millions sterling. The ordinary grant from the revenues for Irrigation and Railways would be in addition to this sum.

4. It does not appear practicable to look for any diminution of that part of the expenditure under the heads of Railway and Irrigation, which is charged against the revenues of the year, and is classed as ordinary. With the extraordinary outlay, or that which is met from funds raised by loan, there is no intention of interfering at all. The ordinary Railway expenditure is occasioned by the provision of land for the Guaranteed Companies, by the salaries of the supervising staff of the Consulting Engineer's Department, and by the loss by exchange, none of which items are susceptible of present or arbitrary diminution. The ordinary expenditure under Irrigation is for the maintenance of existing Irrigation Works, and the construction of the works of the class that cannot properly be carried out from borrowed funds. From this head also deduction cannot be made. On the contrary, the charge shown in the Public accounts for these purposes must increase as new Irrigation Works are brought into operation, or extensions are made, though at the same time more than equivalent set-off may be looked for from the increase of the revenue obtained by the spread of Irrigation.

5. The first head under which the expenditure is capable of being reduced is that on Military works and buildings, with which is classed the outlay on Government Dock-yards. The estimate for 1869-70 was £1,800,000. It is proposed for the future to fix the grant for all Military purposes at 1½ millions. The experience of the last few years shows that the necessary outlay on repairs for this class of work is about one-fourth of a million, so that there will remain about one million for carrying out new works. The reduction in the estimate of 1870-71 on the grant of the current year will be £550,000.

6. It is therefore the intention of the Government of India to fix the Military grant for the present at the sum above-named, and to let it be understood that this may be regarded as the normal expenditure, which the Government of India will sanction year by year until the great works of construction now in hand are completed.

7. Further, the Government of India entertain hopes that it may yet be found possible, by certain modifications of the designs and arrangements of the barrack and other Military buildings, which have been adopted for general use, to secure in the future increased economy of construction, without sacrificing any substantial advantage. If this expectation be realized, the result will be not only a saving of expense, but even the earlier completion of the work which still has to be executed to place the barrack accommodation of the British force quartered in India on a thoroughly satisfactory basis.

8. The Governor General in Council has no intention of permitting any diminution of the care required for meeting all really important sanitary conditions, or any reduction of the extent of accommodation that experience shows to be necessary for the true comfort and health of the soldier. But in the light of the knowledge that has now been obtained of the new style of construction, both as regards its financial consequences and its sanitary results, His Excellency in Council has little difficulty in adopting the conclusion, that some costly superfluities may be rejected in the future without any loss of comfort to the soldier, and that by more closely limiting the accommodation to what is really necessary, much economy could be effected, and real convenience in no way sacrificed.

9. Having these opinions the Government of India are not without hopes that it may be found that the reduced grant which is proposed for this class of work will in actual efficiency not greatly fall short of the larger sums that have been laid out in past years, and that the final result may be to expedite, and not to delay, the complete housing of the British force in India.

10. The next main head of expenditure to be dealt with is that of communications and roads. The grant for the present year is £1,236,000. The Governor General in Council considers that henceforth the sum allowed may be reduced to one million, and that eventually a still greater reduction may be found possible.

11. In determining to enforce economy in this direction, so far as regards the charges to be borne by the Imperial finances, the Government of India have been in no small degree influenced by the conviction that the time has come when a first step must be taken towards transferring a part of the charge for the construction and maintenance of roads in all parts of India from the general revenues to funds

Extract from Resolution by the Government of India, dated 31st July 1862, para. 38.

The gradual growth of roads over the British Provinces, leading as it must do of necessity to the application of a constantly increasing sum for their maintenance, will soon demand from the Government of India some arrangement, under which the allotment of the funds available for such purposes may be made in a more systematic manner than at present, and so as to ensure a distribution of the limited sum available from Imperial funds, in a way that shall be equitable to the several Provinces, and at the same time as beneficial as possible to the community at large. The subject is one which will demand mature consideration, but the general direction in which the Government of India is disposed to move has been indicated in the statement made on the publication of the Budget of India for 1862-63, viz., that the Imperial Government should gradually divest itself of the function of supplying either the money or management for the mass of the roads of the country, and that some means of local taxation and administration should be created to supplement, and perhaps eventually to supersede, the present more centralized system.

locally raised. The Government of India have for some years been satisfied that to attempt to provide and maintain all the roads required for the inter-communications of so vast a territory from the ordinary revenues, would be to enter on an altogether impracticable task. The matter has been before this Government on

* Extract from a Despatch from the Secretary of State, No. 49, dated 16th December 1862, para. 3.

One question of more than ordinary moment raised in the Resolution, is that which relates to the relinquishment by Government of the function of supplying either the money or the management for the principal roads of the country, and to the creation of some plan of local taxation and administration which might be substituted for the present more centralized system. This plan will evidently require careful consideration, but if successfully carried out, it could not fail to be productive of immense advantage, both direct and indirect.

control that what is needed can be accomplished, and towards the establishment of such a system the policy of the Government of India will continue to be directed.

12. The duty of the Central Government in respect to the extension of roads must be distinctly understood to be limited by its means to supply funds from the ordinary revenues, and beyond the amount that can thus be furnished, no claims can be entertained. If the money is not forthcoming, it cannot be granted. In fixing for the present one million as a suitable allowance for these purposes, the Governor General in Council has of course had to consider the demands upon the revenues for other objects, and His Excellency in Council is of opinion that no larger grant can possibly be made. It must be borne in mind that in fact the sum paid as interest on the guaranteed Railway capital, amounting to not less than $1\frac{1}{2}$ millions yearly, is a contribution from the general revenues for the provision of the best possible means of communication, railroads, so that in truth the total annual charge for works of this class will amount, even when diminished as now proposed, to the very large sum of $2\frac{1}{2}$ millions.

13. The determination that has been come to that Railways shall be extended as rapidly as the finances will admit, and that the prosecution of irrigation canals shall be pushed on in like manner, will lead to the continued addition of new lines of land and water communication, and as the capital for the construction of these works will be applied by borrowed money, a heavy charge on account of interest must temporarily fall on the general revenues. Due regard must be had to this fact in reckoning the extent of the assistance which the Government of India is affording to the improvement of the facilities of internal transport. There is of course a natural limit to the power of any Government to develop and stimulate the construction of useful works, and when all the efforts that are now being made for the improvement and extension of railways, roads, navigable canals and rivers, are duly considered, the necessary conclusion must be that the Government of India has not in any way under-valued the importance of such works, or failed to take all measures that could be taken for their being carried out.

14. The Governor General in Council feels satisfaction in being able to add that the principle of local assessments to provide for road construction and maintenance has already been fully accepted in almost all Provinces of India. In Madras a road cess has been established for some years, and now yields a large income. In Bombay a similar local rate has more recently been generally introduced. The Government of Bengal has just declared its readiness to adopt a like course, and to introduce into its Legislature a Bill for raising a local rate for roads. In the Provinces of Upper India a road cess has long been levied, though its amount is small, and no doubt inadequate to the wants of the country. The Government of India are satisfied that it will be found possible to give such an expansion to the road cess in these Provinces also as will admit of its providing fairly for all the real wants of the country in excess of what can be met from the grants from the general revenues.

15. On the whole, the Government of India anticipate that, notwithstanding the proposed present reduction of the Imperial grant for roads the aggregate outlay for these works will in a very short time not only not be diminished, but be actually increased; and it may reasonably be hoped that progress in its satisfactory form—that namely, which depends on local effort and local direction will be stimulated by the course contemplated, and a great and permanent step made towards placing the extension and maintenance of the provincial and district roads of India on a sound basis.

16. The next head of the Public Works expenditure calling for attention is that for Civil buildings, the estimate for which in the current year is £352,000. The sum to be allowed for the future will have to be reduced to about £300,000. The Government of India have lately had under consideration the heavy demands that arise for the provision of additional or improved accommodation, of the various departments of the Civil administration, and fully recognize the multitude of useful objects to be met, and the importance of improving the public buildings of the country, and thus giving additional facilities for improved administration. But the financial necessity of restricting expenditure cannot be set aside, and it becomes unavoidable that the annual expenditure of this description should be limited in amount, and the operation of providing greater or better accommodation for the public establishments spread over a longer period of time.

17. Contingent on the above reductions of expenditure, it will be proper to reckon on some corresponding diminution of charge under the head of Establishments, which from the current year were estimated to cost £1,037,000. The probable reduction under this head may be taken at about £200,000, leaving the future charge at about £800,000.

18. For the remaining heads, Miscellaneous, and Tools and Plant, a small reduction may be enforced, so that the charge may be lowered from £138,000, as it now stands, to say £100,000.

19. The general result of these arrangements will be to fix the Public Works grant for next year as follows:—

Military .. .. .	..	..	..	..	..	..	..	..	1,250,000
Civil Buildings .. .. .	..	..	..	..	..	..	..	..	600,000
Communications .. .. .	..	..	..	..	..	..	..	..	1,000,000
Miscellaneous .. .. .	..	..	..	..	..	..	..	..	} 100,000
Tools and Plant .. .. .	..	..	..	..	..	..	..	..
Establishment .. .. .	..	..	..	..	..	..	..	..	800,000

Total .. 3,750,000

several occasions since 1862, and the view now taken of it has already received in general terms the approval of the Secretary of State.* It is only by a judicious system of local assessment and con-

To this may be added £600,000, as in the current year, for agricultural works, and perhaps £200,000 for Railway charges against the revenues, making in all, say, 4½ millions as the Public Works charge to be borne by the revenues of the year 1870-71, as against 5½ millions for the current year, being, as before mentioned, a diminution of 1½ millions.

20. If to the outlay provided from the revenues, there be added the sums which it is proposed to lay out from borrowed funds upon new Irrigation Works and Railways, which it is estimated will before long amount to about 4 or 5 millions annually, the total amount directly applied by the Government to Public Works will reach more than 8 millions sterling yearly. Nor does this properly complete the statement of the contributions of the Government of India to works of internal improvement. It has already been noticed that the charge for guaranteed Railway interest is virtually incurred for Public Works. This adds at least 1½ millions to the effective expenditure of the year, so that in fact not less than 10 millions will be spent from Imperial sources for these objects, even after the reductions determined upon. The Government of India believe it may be affirmed that such a position has scarcely ever before been assumed by any other country in the world.

21. Having thus explained for general information what is proposed for the coming year, and what may be regarded as the probable future normal outlay on Public Works, the Governor General in Council further desires to announce the reductions which it has been determined to make in the grant of the present year. This reduction is to amount to £792,500, distributed as follows under the main heads of charge before enumerated:—

	£
Military	300,000
Civil Buildings	220,000
Communications	137,000
Miscellaneous	22,500
Repairs	77,500
Establishment	35,000
Total ..	<u>792,500</u>

22. The quota of this aggregate to be surrendered by each Province will be as follows:—

	Lakhs.
Madras	14½
Bombay	12½
Bengal	14½
North-Western Provinces	10
Punjab	9½
Central Provinces	7½
British Burmah	1
Oudh	3½
Hyderabad	1
Rajpootana	1
Central India	3½
Coorg	½
Total ..	79½ lakhs.
or ..	<u>£792,500</u>

23. In notifying this measure, the Governor General in Council desires to express the great regret felt by His Excellency in Council in making so large a reduction in Public Works expenditure during the present year. His Excellency in Council is sensible of the disappointment which may be caused to the different executive administrations, as well as to the zealous officers of the department, by this check to the progress of the different Public Works under their management, and His Excellency in Council is aware that a sudden reduction in the rate of expenditure, to which all the departmental arrangements have been carefully adapted, must need be attended with great inconvenience, and possibly in some cases with a sacrifice of economy in the first instance; and the different Governments and Administrations may be assured that this measure was not determined upon until the Governor General in Council had fully satisfied himself that it was necessary in the interests of the country, and was calculated to create a less degree of embarrassment, than would be brought about eventually by maintaining the present rate of public expenditure. But this determination having been arrived at, the Government of India rely confidently on the thorough and loyal co-operation of the different Governments and Administrations to give effect to the measure. The Governor General in Council requests that each will at once issue the needful orders for carrying out its share of the reduction to be made during the current year, and will take such steps as may be necessary to ensure that those orders shall be promptly and completely acted on by all concerned.

24. The distribution of the total reduction to be made in each Province during the current year over the various heads of service is given in the accompanying Table; but this may be regarded merely as a provisional distribution. It will be for each Local Government to arrange the details of the reduction to the best of its judgment, according to the present state and progress of the work in hand, so that it may be attended with as little loss and inconvenience as possible. Under the very exceptional circumstances of the present time, this re-distribution may, if thought essential, extend to the ordinary agricultural grant, which has not been interfered with in the provisional scheme contained in the Statement, excepting in respect to the embankment works of Bengal.

By order of His Excellency the Governor General of India in Council,

(Signed) R. STRACHEY, Colonel, R.E.,
Officiating Secretary to the Government of India."

Enclosure to Circular No. 82, Public Works.

REDUCTIONS made in the Public Works Grants of the several Provinces of India under the principal Budget heads for the year 1869-70.

PRESIDENCIES AND PROVINCES.	REDUCTIONS.							GRAND TOTAL REDUCTIONS.	GRANT FOR 1869-70.	
	ORIGINAL WORKS.				REPAIRS.	TOTAL WORKS.	ESTABLISHMENT.		Original.	As now reduced.
	Military Works.	Civil Buildings.	Roads.	Miscellaneous.						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Madras	1,50,000	5,00,000	3,00,000	25,000	4,00,000	13,75,000	50,000	14,25,000	80,95,000	66,70,000
Bombay	4,50,000	3,25,000	2,00,000	75,000	1,00,000	11,50,000	75,000	12,25,000	87,00,000	74,75,000
Bengal	3,00,000	6,00,000	2,50,000	1,25,000	1,00,000	13,75,000	75,000	14,50,000	1,00,26,000	85,76,000
N. W. Provinces	4,50,000	4,00,000	50,000	.....	50,000	9,50,000	50,000	10,00,000	76,55,000	66,55,000
Punjab	6,00,000	1,50,000	1,00,000	.....	75,000	9,25,000	50,000	9,75,000	79,00,000	69,25,000
Central Provinces	3,00,000	50,000	3,00,000	.....	50,000	7,00,000	25,000	7,25,000	41,50,000	34,25,000
British Burmah	50,000	50,000	.....	.....	.....	1,00,000	.....	1,00,000	23,75,000	22,75,000
Oudh	2,00,000	1,00,000	75,000	.....	.....	3,75,000	.....	3,75,000	21,25,000	17,50,000
Hydrabad	1,00,000	.....	.....	.....	.....	1,00,000	.....	1,00,000	6,50,000	5,50,000
Rajpootana	1,00,000	.....	.....	.....	.....	1,00,000	.....	1,00,000	12,50,000	11,50,000
Central India	3,00,000	.....	75,000	.....	.....	3,75,000	.....	3,75,000	33,25,000	29,50,000
Coorg ... ..	.....	25,000	25,000	.....	.....	50,000	25,000	75,000	2,00,000	1,25,000
Port Blair ... ..	.....	.....	.....	.....	.....	.....	.....	.....	1,89,000	1,89,000
TOTAL... ..	30,00,000	22,00,000	13,75,000	2,25,000	7,75,000	75,75,000	3,50,000	79,25,000	5,66,40,000	4,87,15,000

"GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

An Ordinance to enhance the duty on Salt in the Presidencies of Madras and Bombay.

WHEREAS the financial condition of British India requires an immediate enhancement of the price of Salt manufactured and sold in the Presidency of Fort St. George and of the duty leviable on Salt manufactured in or imported into the Presidency of Bombay: and whereas, pending the re-assembly in Calcutta of the Council of the Governor General for the purpose of making Laws and Regulations, it is expedient that such enhancement should be effected by an Ordinance under Section 23 of the Indian Councils Act, 1861;

In exercise of the power conferred upon him by the said section, His Excellency the Governor General is pleased to make and promulgate the following Ordinance:—

1. Notwithstanding anything contained in Act No. XIX. of 1866 (to enhance the price of Salt manufactured and sold under the orders of the Government of the Presidency of Fort St. George in Council), Section one, and in Act No. VII. of 1861 (to empower the Governor General in Council to increase the rate of duty leviable on Salt manufactured in or imported into any part of the Presidency of Bombay), section two,

The price to be paid to the local Government for Salt manufactured and sold under the orders of the Governor of the Presidency of Fort St. George in Council for consumption within the territories subordinate to that Presidency shall be two rupees for every three thousand two hundred tolas weight of Salt;

And an Excise duty of one rupee and thirteen annas per maund shall be levied on Salt manufactured in, and a Customs duty of one rupee and thirteen annas per maund shall be levied on Salt imported either by sea or by land into any part of the Presidency of Bombay.

2. Nothing hereinbefore contained shall affect any duty now leviable on Salt in the Province of Sindhi.

3. So far as it relates to the Presidency of Fort St. George, this Ordinance shall be read with and taken as part of Act No. VI. of 1844 (for abolishing the levy of transit or inland customs duties, for revising the duties on imports and exports by sea, and for determining the price at which Salt shall be sold for home consumption within the territories subject to the Government of Fort St. George).

MAYO,

Viceroy and Governor General.

(Signed) WHITLEY STOKES,

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

SIMLA,
Dated 4th October 1869. }

"The following Bill and Statement of Objects and Reasons are published for general information, by order of His Excellency the Governor General, on the 19th of the Rules for the Conduct of Business at Meetings of the Council of the Governor General of India for the purpose of making Laws and Regulations:—

Bill No. 17 of 1869.

A Bill to enhance the duties leviable under the Indian Income Tax Act.

1. This Act shall come into operation on the first day of December 1869, and shall continue in force until the 31st day of March 1870.

2. Section six of the Indian Income Tax Act shall, in respect of salaries, pensions, and annuities payable on or after the first day of December 1869, be construed as if for the words "one per centum" the words "two and a half per centum" were substituted.

3. Nothing in the last preceding section shall authorise the deduction of duty exceeding two per centum on the aggregate amount of any salaries, annuities, or pensions chargeable under part II. of the said Act for the six months commencing on the first day of October 1869.

4. In addition to the sum of one per centum payable or paid under section ten of the said Act, the Treasurer, Secretary, or principal Agent or Manager in India of every Company therein referred to shall on the first day of December 1869 pay to Government one half per centum on the moiety or the whole (as the case may be) of the nett profits of such Company chargeable under the same section.

Every such payment shall be deemed to be a payment required by the said section ten.

5. In addition to the duty leviable or levied on income and profits under Part IV. of the said Act, there shall be levied one moiety of the duty imposed by the said Part on such income or profits, and such moiety shall be payable on the first day of December 1869, and shall be deemed to be duty leviable under the said Part IV.

6. When a notice has been already served under section sixteen of the said Act on a person chargeable with additional duty under the last preceding section a supplementary notice shall be served upon him; and the provisions as to notices and receipts contained in the said Act shall, *mutatis mutandis*, apply respectively to such supplementary notices and to receipts granted for payments in pursuance thereof.

7. No person shall be entitled, in respect only of the additional duty with which he is assessed under this Act to apply by petition under section nineteen of the Indian Income Tax Act.

8. This Act shall be read with and taken as part of the Indian Income Tax Act. This Act to be read with Act IX. of 1869.

STATEMENT OF OBJECTS AND REASONS.

The revision which has lately been made of the Estimates for the current year 1869-70, shows that the financial position of the Government of India is less favourable than was anticipated when the Budget Estimate was framed in March last; and it is clear that, unless remedial measures are at once adopted, the year will close with a serious deficit.

The reasons which have led the Government of India to this conclusion, have been given in detail in the despatch to the Secretary of State, No. 240, dated the 20th September 1869, which is now before the Public; and the Government has declared its determination to take immediate measures for placing the finances of the Empire on a thoroughly sound basis.

With the consent of the Governments of Madras and Bombay, an increase has been ordered in the duties levied on salt in those Presidencies; and it is now proposed to make an increase for the remainder of the year in the rate at which the Income Tax is levied under Act IX. of 1869.

The present Bill proposes to increase the rate of Income Tax, for the second six months of the current financial year, from one two per cent. The payment for the whole year will, therefore, be at the rate of one and a half instead of one per cent.

The alteration in the law can hardly come into full effect before the 1st December next. In the case of salaries, annuities, and pensions assessable under Part II. of the Indian Income Tax Act, it is therefore proposed that the additional amount of duty shall be obtained by declaring that such salaries, annuities, or pensions becoming payable after the 30th November 1869, shall be subject, during the last four months of the current year, to a deduction of two and half per cent. The total payment for the year will thus be raised to one and a half per cent.

Companies assessable under Part III. of the Act will be called on to pay, on the 1st December 1869, an additional sum equal to one half of the duty already assessed or assessable.

In the case of all other incomes assessable under Part IV. of the Act, the additional duty will

be equal to one half the amount assessed or assessable under Schedule A of the Act. No further alterations in the existing system of taxation are contemplated by the Government during the present financial year.

The provisions of the present Bill will only have effect up to the end of the current financial year when the financial position of the Government will necessarily be again brought under consideration.

The measures which have now been announced by the Government are designed solely to meet, as far as may be practicable, the deficit which we must anticipate for the present year.

Having thus stated the objects and reasons of this Bill,—which although of a temporary character, indicates, nevertheless, the determination of the Government to place the finances in a condition which shall preclude the probability of future deficits and the necessity for incurring debt to meet the ordinary charges of the year,—it is proper to notice the fact that much greater efforts must have been made, and more serious burdens must have been imposed on the public, but for the resolute determination of the Government to enforce economy in all departments of the administration.

In the Public Works Department, orders have already been issued, and are now before the public the object of which is to reduce expenditure, during the remainder of the current year, to the extent of nearly £800,000.

In the Civil Departments measures of economy are under consideration, and it is hoped that important reductions of expenditure will be found practicable, without any interference with the discharge of those great duties which we owe to the people of India.

In the Military Department, propositions for largely reducing the present expenditure have been submitted to Her Majesty's Government. It will be evident that questions affecting the organisation of the Army cannot be dealt with by the Government of India alone. It is confidently believed that it will be possible to effect a large reduction of Military expenditure without diminishing the actual numbers of the British Army in India, or in any way impairing our real military strength.

(Signed) JOHN STRACHEY.

SIMLA,
The 2nd October 1869. }

WHITLEY STOKES,

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

By order,

F. S. CHAPMAN,

Chief Secretary to Government.