REPORT ON AN ENQUIRY INTO PROVINCIAL AND LOCAL FINANCES

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MADRAS
PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRESS
1937

REPORT ON AN ENQUIRY INTO PROVINCIAL AND LOCAL FINANCES.

The constitutional changes embodied in the Government of India Act do not alter materially the financial settlement as between the Centre and the Provinces. The sources of revenues allocated to Provincial Governments under the Government of India Act, 1919, and the Devolution Rules are continued almost without change. The following new sources of revenue are, however, provided for in the Government of India Act, 1935 :—

(a) Certain duties and taxes which may be levied and collected by the Federation, but the net proceeds of which if levied will be distributed among the Provinces, e.g., duties in respect of succession to property other than agricultural land, terminal taxes, taxes on railway fares and freights and certain stamp duties which are at present credited to Provincial.

(b) A prescribed percentage of taxes on income other than agricultural income to be distributed among Provinces and Federated States.

The Federation may, however, retain out of moneys assigned to Provinces—

(i) in each year for a prescribed period such sum as may be prescribed;

(ii) in each year of a further period a sum less than that retained in the preceding year by an amount, being the same amount in each year, so calculated that the sum to be retained in the last year of the period will be equal to the amount of each such annual reduction.

(c) Sums equivalent to the whole or any part of the net proceeds of duties on salt, Federal duties of excise and export duties, to such extent and on such basis of distribution as may be prescribed by an Act of the Federal Legislature.

The Provinces in which jute is grown are to get one-half, or such greater proportion as His Majesty in Council may determine, of the net proceeds in each year of the export duty on jute or jute products. Certain Provinces are also to get subventions from the Central Government.

2. To determine the various percentages, periods, etc., to be prescribed by Order in Council, Sir Otto Niemeyer was appointed to conduct an enquiry. His recommendations were briefly :—

(1) *Taxes on income.*—(a) Fifty per cent of taxes on income should be assigned ultimately to Provinces and Federated States.

(b) During the first five years, the Federation may retain the whole of the 50 per cent assigned to Provinces or such sum as is necessary to bring the proceeds of 50 per cent accruing to the Centre plus General Budget receipts from Railways up to Rs. 13 crores, whichever is less.

(c) The 50 per cent should be assigned to Provinces by equal steps during a further period of five years.

(d) Madras should get 15 per cent of the share assigned to the Provinces in each year.

(2) *Export duty on jute.*—The jute-producing Provinces should get 62½ per cent of the net proceeds of the export duty on jute and jute products. (Madras gets no benefit out of this.)

(3) *Subventions.*—The following Provinces should be given grants-in-aid from the Centre :—

	LAKHS.
United Provinces	25 for 5 years.
Assam	30 (annual).
North-West Frontier Province	100 („).
Orissa	40 („) but 47 lakhs in 1st year and 43 lakhs in 2nd to 5th years).
Sind	105 („) (110 lakhs in 1st year).

In addition, Sir Otto Niemeyer accepted a proposal of the Government of India to consolidate as on the 31st March 1937 all debts of Provincial Governments taken from the Provincial Loans Fund of the Government of India before the 1st April 1936. Certain deposit and remittance heads, such as Provident Fund deposits, deposits of local bodies and Universities, Revenue and Civil and Criminal Court deposits, etc., which are now Central will be treated as Provincial from the 1st April 1937 and Provincial Governments will assume the net liabilities connected with them. The net liabilities as on the 1st April 1937 will be deducted from the consolidated debt. As part of this scheme, Bengal, Bihar, Assam, North-West Frontier Province and Orissa will have all their debts incurred prior to the 1st April 1936 cancelled and the Central Provinces will have its deficit debt on the 31st March 1936 and two crores of pre-Reform debt cancelled.

3. Sir Otto Niemeyer's report has been accepted by His Majesty's Government *in toto*. Madras receives neither a subvention nor any real benefit out of the consolidation scheme. No assignment of income-tax can be expected during the first five years of provincial autonomy in view of the financial condition of the railways, while the prospect of receiving such assignment during the next five years would seem to be slight in view of the burden thrown on the Central Government by the large subventions and debt cancellations to certain Provinces and the provision for postponement made in the second proviso to clause (2) of section 138 of the Government of India Act, 1935. The chance of any of the Federal excises or salt duties or export duties being passed on to provinces will be even more remote for many years to come.

4. It will be clear that Madras is thus thrown back on its own resources for meeting the additional expenditure involved in the new constitution, such as the Second Chamber, the enlargement of the Lower Chamber on a wider franchise and the sums required to maintain a progressive policy in regard to nation-building activities. It has been estimated that the additional expenditure consequent on the Reforms will be about Rs. 20 lakhs non-recurring and Rs. 6 lakhs recurring. In connexion with the Niemeyer Enquiry, an exhaustive review was made of the financial position of the Province for the five years 1936–37 to 1940–41 and also of the needs of the Province with reference to reasonable immediate requirements during those years. The figures of Revenue and Expenditure as then forecasted were :—

	1936–37.	1937–38.	1938–39.	1939–40.	1940–41.
	LAKHS.	LAKHS.	LAKHS.	LAKHS.	LAKHS.
Revenue	1,555	1,546	1,556	1,570	1,582
Expenditure	1,555	1,568	1,585	1,604	1,622
Surplus (+) or Deficit (—) ..	Nil.	— 22	— 29	— 34	— 40

The figures of Revenue include the amount expected to accrue in the areas transferred to Orissa; but the expenditure figures take into account the net effect of the transfer (i.e., relief of a deficit of Rs. 20 lakhs).

The expenditure figures further assume a provision of about Rs. 33 lakhs for new schemes.

The needs of the Province with reference to immediate reasonable requirements were worked out to be Rs. 450 lakhs recurring and over Rs. 12 crores non-recurring as shown below :—

Head of account.	Particulars of expenditure.	Total ultimate cost. Recurring.	Total ultimate cost. Non-recurring (buildings and equipment).
(1)	(2)	(3)	(4)
		RS. LAKHS.	RS. LAKHS.
Education	Introduction of free compulsory elementary education for boys within a period of ten years. [*Note*.—This excludes charges on medical inspection estimated to cost ultimately Rs. 2 lakhs recurring.]	360	470
Medical relief	Opening of additional medical institutions, strengthening of existing staff and better equipment (so as to provide efficient treatment and reach the standard of the average of seventeen in-patients for each bed in a year).	12	

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Head of account.	Particulars of expenditure.	Total ultimate cost. Recurring.	Total ultimate cost. Non-recurring (buildings and equipment).
(1)	(2)	(3)	(4)
		RS. LAKHS.	RS. LAKHS.
Public Health—Mufassal municipal water-supply and rural water-supply.	Introduction of protected water-supply in all municipalities and rural areas (grants-in-aid to be spread over ten years).	..	550
Civil Works—Communications.	Increased cost of maintenance of roads allowing for reasonable development (latest estimate).	14	..
Agriculture, Veterinary and Co-operation.	Development of these departments (creation of additional circles, increase of staff, etc., to reach the standard recommended by the Royal Commission on Agriculture).	58	..
Industries	Development of industrial activities based on the highest standard in India, viz., that of the Punjab.	2	..
Irrigation	Repairs to minor irrigation works ..	4	..
Civil Works—Buildings ..	Remodelling or reconstruction on up-to-date lines of hospitals at district headquarters (72 lakhs), housing of the police (94 lakhs) and Parliament house (17 lakhs).	..	1,83
	Total ..	4,50	12,11

A reasonable distribution of expenditure over the next five years would be—

(1)	1937–38. (2)	1938–39. (3)	1939–40. (4)	1940 41. (5)	1941–42. (6)
	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.
Additional expenditure to meet the needs of the province with reference to reasonable immediate requirements—					
Education	1,10	1,43	1,76	2,09	2,42
Medical relief	4	6	8	9	12
Public Health— Mufassal municipal water-supply .. Rural water-supply	55	55	55	55	55
Civil Works—Communications ..	14	14	14	14	14
Agriculture, Veterinary and Co-operation.	22	34	46	58	58
Industries	1	1	1	2	2
Irrigation	4	4	4	4	4
Civil Works—Buildings	7	9	11	14	14
Total ..	2,17	2,66	3,15	3,65	4,01

5. It was in these circumstances that the Government embarked on a comprehensive survey of both provincial and local taxation to see what more could be done in the way of economy or adjustment of taxation. That such a survey would be undertaken was announced in the Legislative Council by the Hon'ble the Finance Member in February 1936. A note was sent to departments of the Secretariat on the 24th April 1936 asking them to undertake an examination of—

(*a*) the existing objects and methods of taxation and the assessment and collection of the various items of non-tax revenue; of the adequacy of fees levied for services rendered and of school and college fees; and of the possibility of raising additional revenue whether from taxation, fines and penalties, business undertakings or services rendered; and

(*b*) the expenditure on the various services, not merely from the point of view of securing small economies by cutting out a clerk here or a peon there (although retrenchment of this kind should receive due attention) but, by a thorough examination of the existing methods of administration, to see whether they cannot be changed so as to secure economies.

A copy of the note is printed as **Annexure A.** The question was later discussed with heads of departments at the Collectors' Conference held at Ootacamund in May 1936 and a further note was circulated to departments on the 4th June 1936 (printed as **Annexure B).**

6. The proposals received from departments of the Secretariat have not yet all been examined and decisions arrived at. They have been listed (printed as **Annexure C)** in four categories, viz. :—

I. Those which have been dropped;

II. those which have been given effect to in the course of the years 1935–36 and 1936–37;

III. those which have been left over for the consideration of the new Government; and

IV. those which are still under consideration.

7. It may be pointed out here that the actual financial position for the current year is practically the same as that forecasted in connexion with the Niemeyer enquiry. The Budget Estimate for 1937–38 has now been framed, and without taking into account Part II schemes (i.e., schemes of new expenditure), a surplus of Rs. 24 lakhs is expected. The previous forecast assumed an expenditure of Rs. 33 lakhs on new schemes and, if the same amount is allowed for Part II Schemes, the surplus of Rs. 24 lakhs in 1937–38 will be converted into a deficit of Rs. 9 lakhs against the deficit of Rs. 22 lakhs according to previous forecasts. Actually this provision of Rs. 33 lakhs for Part II Schemes falls far short of the demands from departments which involve an expenditure in 1937–38 of Rs. 6 lakhs recurring and Rs. 43 lakhs non-recurring and an ultimate commitment of Rs. 22 lakhs recurring and Rs. 208 lakhs non-recurring. Further, the so-called new schemes include expenditure for which provision is regularly made every year in the budget for grants to local and other bodies for new water-supply and drainage schemes, for new roads and bridges, for new educational and medical buildings and for rural water-supply and communications. The average annual provision made for these objects during the three years ending 1936–37 was Rs. 18 lakhs. Assuming that the provision for Part II Schemes will be restricted to Rs. 33 lakhs as in the previous forecasts, the financial position during the next five years will be—

Year.	Revenue.	Expenditure.			Surplus (+) or deficit (—) column 2—column 5.
		Part I.	Part II.	Total.	
(1)	(2)	(3)	(4)	(5)	(6)
	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS, RS,
1937–38	15,42	15,18	33	15,51	— 9
1938–39	15,53	15,37	33	15,70	— 17
1939–40	15,64	15,52	33	15,85	— 21
1940-41	15,71	15,67	33	16,00	— 29
1941–42	15,84	15,88	33	16,21	— 37

Annexure D shows how the figures have been worked out. The main assumptions underlying these forecasts are—

(1) No additional income is expected under Taxes on Income with reference to section 138 of the Government of India Act, 1935.

(2) Enhancements of revenue on account of resettlements which have fallen due since 1935–36 or will fall due in later years have not been taken into account.

(3) Land revenue concessions have been allowed for on the scale recently sanctioned for the current fasli.

(4) Cedit has not been taken for additional revenue from the Cauvery-Mettur project on account of increase in water rates.

(5) The present excise policy will be continued.

(6) As part of the new constitutional arrangements, certain debt, deposit and remittance heads, such as Provident Fund deposits and deposits of local authorities, Revenue and Judicial deposits which were hitherto Central will, as already pointed out in paragraph 2, be Provincial from the 1st April 1937 and the net balance as on the closing of the accounts on the 31st March 1937 will be transferred to Provincial—not in cash but in reduction of the outstanding debt of the Province.

The remaining debt will be consolidated and made repayable in 45 years. These arrangements result in a net saving of Rs. 35½ lakhs initially, i.e., as compared with the debt charges in 1936–37, but the amount to be paid to the Government of India will continue for 45 years without abatement, while under the arrangements hitherto in force, the debt charges would have been gradually reduced every year. At the same time, the debt charges will in future increase every year on account of fresh borrowings to meet capital expenditure. All provincial borrowings will be made in the open market and it is not sufficient that interest is paid on them. It will be necessary to pay every year into a sinking fund a sum which will with interest accumulate, at the end of the period of the loan, to a sum equal to the principal amount borrowed. A sum of at least 2 per cent of each year's loan will have to be paid into the sinking fund. Expenses of the flotation of loans and the payment to the Reserve Bank for the management of debt (at Rs. 2,000 per annum per crore of debt) have also to be taken into account. Further, the Provincial Government will in future have to make their own arrangements for ways and means operations throughout the year. The Government of India have agreed to meet free of charge in 1937–38 the overdrawals on the bank balance due solely to the excess of expenditure on revenue account over the revenues actually collected; but interest on overdrafts due to capital transactions has still to be met by the Provincial Government. In 1938-39 and subsequent years, the Government will have to take ways and means advances from the Reserve Bank to meet overdrawals for short periods and to issue treasury bills. These operations may add Rs. 3 lakhs every year to the expenditure of the Province.

(7) The forecasts assume that in addition to the schemes now under execution, the following schemes which are now being investigated will be taken up for execution in the next five years :—

(1) Lower Bhavani Project;

(2) Tungabhadra Irrigation Project; and

(3) Papanasam Hydro-Electric Scheme.

8. The forecasts show progressively increasing deficits during the next five years and this, in the absence of augmented revenues, will involve a reduction in future years of the grants to local bodies, etc., for new schemes. Besides, if a progressive policy in regard to the expansion of our various nation-building activities is to be adopted, we shall require very large sums as already shown in paragraph 4 *supra*. It is impossible to meet these needs from our present resources. No improvement that can be foreseen would increase provincial receipts in any way commensurate with requirements. The finances will therefore have to be improved by finding fresh sources of revenue or increasing the existing taxes and fees or by reducing expenditure or by more than one of these methods. During the current year, there has undoubtedly been some improvement in trade conditions and prices of commodities have generally gone up. The forecasts of revenue have been prepared on the assumption that there will be continued, though slow, improvement during the next five years. No large improvement can be confidently forecasted at present. We have therefore to rely on our ability to secure additional revenues and effect economies in expenditure.

9. Turning now to the proposals themselves, the proposals in list I were considered and dropped, either because they were found to be impracticable or undesirable or they were not expected to yield additional revenue or result in saving of expenditure.

Proposals in list II have been given effect to and taken into account in the forecasts for the next five years.

List III which deals with proposals left over for the consideration of the new Government are the most important, and they have been so left over because they involve questions of policy which the present Government did not think it proper to embark upon on the eve of constitutional changes or because they involve legislation which could not be undertaken during the current year. Copies of notes written on those proposals are printed as **Annexures F and G.** They are reviewed briefly in the following paragraphs.

Revenue.

10. The sources of Provincial revenue may be broadly divided into the following categories :—

(1) Direct taxes, such as Land revenue, Stamps and Registration.

(2) Indirect taxes, such as Provincial Excise.

(3) Fees for services rendered, e.g., school and college fees, fees for inspection of boilers, hydro-electric receipts.

(4) Miscellaneous revenues, such as revenue from Government estates (including forests) and fines and penalties.

DIRECT TAXES.

Land Revenue.

11. Land Revenue constitutes the main source of revenue for the Province, the receipts under this head amounting to about $7\frac{1}{2}$ crores out of a total revenue of $15\frac{1}{2}$ crores. This is not altogether surprising, seeing that Madras is mainly an agricultural Province, and is in accordance with the whole of its past history and tradition. About 75 per cent of the land in the Province is under the ryotwari settlement, by which the Government demand on the land is fixed in cash for definite periods at an amount not exceeding half the net produce based on the average of the prices for the twenty non-famine years preceding the year of settlement or resettlement. The theoretical half net is not, however, strictly observed in practice. The practice of leaving a considerable margin to allow for a higher standard of living has been increasingly observed, and during the last 30 years, the enhancement of Land Revenue at resettlements has been far less than would have been warranted by a consideration only of the rise in prices. In the case of dry lands, resettlements take account of food crops only, while the raising of money crops which command comparatively high prices has developed widely. Further in 1924 an undertaking was given that the enhancement of assessment at resettlements would be restricted to a maximum of $18\frac{3}{4}$ per cent however great might be the percentage rise in the value of grains. Percentage remissions have been given every year since 1932–33 in consideration of the fall in the prices of agricultural products resulting from the general economic depression. Owing to complaints in the Legislative Council and elsewhere that the remissions as then given were not based on any logical method, and to the partial recovery in prices which has occurred during the past year or so, the whole question was further considered in 1936, when it was decided that remissions should be given on the following basis :—

(1) Remissions would not be ordinarily necessary in respect of dry lands.

(2) A flat rate should be adopted in districts resettled prior to 1918–19 in respect of wet lands.

(3) In districts resettled after 1918–19, the remission should be equivalent to the percentage enhancement imposed at resettlement subject to a maximum of three annas in the rupee.

A copy of the Press Communiquè issued on the subject is printed as **Annexure E.** These concessions involve a loss of revenue of about 57 lakhs a year, which the Province can ill afford in view of the many demands for essential services which still remain to be met. But as they are given solely on the ground of low prices, it should be possible gradually to reduce and finally to withdraw them when the level of prices rises appreciably.

Resettlement operations are being conducted regularly as and when they fall due; and orders are passed on the scheme reports. But the percentage enhancements so ordered have not been given effect to in cases where the orders were issued after the 12th December 1935; and it has been left to the new Government to decide whether, and if so when, effect should be given to the orders.

12. As regards the Cauvery-Mettur project, a water-rate of Rs. 15 per acre on lands newly irrigated with Cauvery water was found to be necessary to make this great project, which was to be financed from borrowed money, a remunerative one. The rate was accepted by the ryots before the project was sanctioned. Owing however to the economic depression, the Government have decided to levy a concessional rate of Rs. 5 per acre in the current fasli, the charge for a second crop being fixed at half the first-crop assessment or Rs. 5, whichever is greater. These concessional rates will be continued for three faslis from 1346. But, as and when prices rise, there is no reason why the water rates should not be gradually increased correspondingly.

13. The following matters connected with Land Revenue have been left over for the consideration of the new Government :—

(a) *Taxes on agricultural income.*—One possible method of readjusting the land tax is to keep the assessments at the present concessional rates and to impose a graduated tax on agricultural incomes above a prescribed limit. Such a tax will, if levied, be a source of Provincial revenue under item 41 in the Provincial

Legislative list. The Government have considered this question and the detailed noting will be found in **Annexure F-I.** The advantages of imposing a tax on agricultural incomes are—

(1) the incidence of taxation would fall more heavily on the rich than on the poor ryot;

(2) the yield of taxation would to some extent correspond to the yearly level of prices in the case of those who paid income-tax; and

(3) in the case of income-tax payers, commercial crops, especially groundnut and cotton, would indirectly bear their fair share of taxation which they at present escape—a serious defect in our present settlement policy.

There are, on the other hand, serious difficulties about assessment to income-tax in ryotwari areas. As regards zamindari lands, although a considerable increase of revenue can be realized by assessing to income-tax the large income which the zamindars derive from their estates, legal difficulties stand in the way of the future reformed Government doing anything in the matter, as, under sub-section (1) of section 300 of the Government of India Act, 1935, " the executive authority of a Province shall not be exercised, save on an order of the Governor in the exercise of his individual judgment, so as to derogate from any grant or confirmation of title of or to land, or of or to any right or privilege in respect of land or land revenue, being a grant or confirmation made before the 1st day of January 1870 . . . " Attention is also invited in this connexion to paragraph 372 of the Report of the Joint Committee on Indian Constitutional Reforms, Volume I.

(b) *Standard scale of rates of water-cess—Enhancement—(Detailed note in* **Annexure F-II**).—In connexion with the revision of Appendix I-A to Board's Standing Order No. 4, prescribing the standard scale of rates of water-cess on dry lands, the Board of Revenue reported in 1932 that as the rate of Rs. 4 an acre for a first wet crop irrigated from first-class sources had been fixed so far back as 1874, it had examined the question of raising this rate to Rs. 5 an acre. The majority of the Collectors were opposed to any increase owing to the prevailing economic depression. The Board agreed with this view and recommended that the question of increasing the rates might be considered when economic conditions returned to normal. The question of increasing the standard rates of water-cess was accordingly dropped.

In connexion with the present enquiry the Board has reported that the prices of the chief food grains indicate that the economic condition of the ryot has not improved and it has reiterated its recommendation submitted in 1932, that the consideration of the question of increasing the standard rates may be deferred until prices return to normal. The Government have decided to leave the question of the increase of these standard rates to the decision of the Government to be constituted under the Government of India Act, 1935. (Act X of 1945 ... L A Dept.

(c) *Land-cess—(Detailed note in* **Annexure F-III**).—Land-cess is now levied under section 78 of the Madras Local Boards Act, 1920, at a uniform rate of $1\frac{1}{2}$ annas in the rupee in all districts and the proceeds are shared by the district boards and panchayats. In addition, district boards may levy an education-cess under the Madras Elementary Education Act, 1920, at a rate not exceeding 25 per cent of the land-cess. Although land-cess is a source of income for local boards and is not a source of Provincial revenue, local boards depend so much on subsidies from Provincial revenues for carrying out the services entrusted to them that the question of increasing land-cess is almost as important from the point of view of Provincial revenues as it is from the point of view of the finances of local boards.

In 1933, the question was considered whether local boards should be empowered to levy at their discretion an additional land-cess at such rates as they might desire over and above the rate of $1\frac{1}{2}$ annas in the rupee. The proposal was placed before the Advisory Committee for Local and Municipal Administration and was rejected by a majority. The proposal was accordingly then dropped by the Government.

The question of the possibility and expediency of increasing the rate of land-cess as a means of augmenting the resources of this Presidency has been considered again. On the one hand, it is felt that when the Government are granting land revenue concessions and have themselves held in abeyance all resettlement enhancements in view of the conditions affecting agriculture, it is out of the question to consider the question of raising land-cess as it would have to be collected from almost the same persons (except zamindars) as are benefited by the land revenue concessions. On the other hand, with the holding in abeyance of resettlement enhancements, there is little scope for expansion of the income from land-cess and local boards might be unable to increase their revenues to meet their growing needs. The proposal to increase the rate of land-cess would also result in more money being obtained from proprietary estates. It is therefore considered that the enhancement of the rate of land-cess is a fair and legitimate means of raising money for local boards.

(d) *Inclusion-fees—(Detailed note in* **Annexure F-IV)**.—These fees are levied in the areas covered by the Godavari and Kistna deltas for the inclusion of dry lands in the delta wet ayacut, and they are intended to meet the cost of improvements, such as the remodelling of channels and of distributaries, which are required wholly in the interests of the area proposed to be included in the wet ayacut, viz., to secure an adequate supply of water to those lands, and the cost of the special localization establishment employed for the purpose.

Various points were considered in regard to the inclusion fees, such as—

(i) whether the collection of inclusion fees in the Godavari and Kistna Deltas should be discontinued or not;

(ii) whether the system of levying inclusion fees should be extended to the rest of the Province;

(iii) whether the levy should take the form of an "improvement" levy to give the State a share in the unearned increment of the capital value arising from the improvement;

(iv) whether such a levy should be confined to irrigation works or to improvements generally; and

(v) whether any legislation would be necessary on the lines of the Bengal Development Act to render such a levy for improvements legal and enforceable.

It was suggested in the course of the discussions that the extension of the system to the whole Province would be a useful additional source of revenue in return for a definite benefit, that the levy of inclusion-fees might be confined to irrigation works and that such scope as there was for taxing other improvements might be left for exploitation by local bodies, and that it would be preferable to have the approval of the Legislative Council to any such levy.

The Government finally decided to continue, for the present, the levy of inclusion fees in those areas in which they have been levied or in which it has already been decided to levy them, and to leave over for the new Government the question of the future levy of these fees in those areas and its extension to the rest of the Province.

(e) *Resuscitation of the ryotwari and proprietary estates village service-cess—(Detailed note in* **Annexure F-V)**.—The emoluments of village officers in ryotwari villages originally consisted of service inam lands and of fees paid in grain, the latter being deducted from the gross produce under the old settlements before the division of the produce between the State and the ryot. The result was that the State and the ryot both contributed to the remuneration of these officers. When survey and settlement was undertaken in this Presidency, it was the intention of the Government to bear the entire cost of the village service. Consequently, the customary fees due to the village servants were not taken into account in determining the land assessment.

Subsequently the idea of the Government bearing the entire cost of the village service was abandoned and an Act was passed authorizing the Government to levy a commuted money value from the ryots towards the cost, in addition to land assessment. Accordingly, a village service fund was established. The fund consisted of a cess at a certain percentage on the assessment collected from each ryot and a contribution from the Government of an equal amount. When the service inam lands were enfranchised, the quit-rents which accrued therefrom were also credited to the fund.

A fund called the Proprietary Estates Village Service Fund was also constituted for the payment of salaries of the village establishments in proprietary estates. The fund was made up of quit-rents on enfranchised village service inam lands, a cess on the annual value of occupied lands and a provincial contribution equal to the cess levied each year.

As the Government of India held that no local cesses should be imposed on the land supplemental to the land revenue proper except such as was levied by or on behalf of the local authorities for expenditure by them on genuine local objects,

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the Government abolished the ryotwari village service cess and the proprietary estates village service cess from the 1st April 1906 and the 1st April 1912, respectively. Early in 1922, when the question of the revision of salaries was under consideration, the Government introduced two Bills for the revival of the village service cesses with the object of raising funds for the express purpose of meeting the additional cost of village officers. The additional revenue expected from this source was Rs. 22·50 lakhs in proprietary areas and Rs. 42·04 lakhs in ryotwari areas. The Bills were however rejected by the Legislative Council. The revival of the cesses by legislation might be considered as a possible source of additional revenue which would help to meet the huge cost of the village establishments in the province.

(f) *Ground-rent on town-sites outside ~~the~~ Madras City (Detailed note in* **Annexure F-VI)**.—In 1922, the Government decided that that portion of the land revenue which represented the difference between the ordinary agricultural assessment and the approximate annual value as town-site represented by the ground-rent should be credited to the municipal councils. The assumed agricultural assessment for this purpose was also fixed at Rs. 6–4–0 an acre throughout the Presidency. On the 8th March 1927, it was decided that when lands outside the Madras City were sold subject to ground-rent, they should be sold in auction subject to the payment of the assumed agricultural assessment as ground-rent due to Government and that this ground-rent would be liable to revision at the resettlement of each district in accordance with the principles governing the revision of assessment on agricultural lands. In December 1927, the Government laid down that, in respect of sites assigned prior to the 8th March 1927 also, that portion of the ground-rent which represented the assumed agricultural assessment should be revised at resettlement. In making the revision, it was considered that the rate should be increased only with reference to the average rise in the prices of the food-grains which form the basis of all settlement rates; but, that the percentage of enhancement should not be limited to 18¾ per cent as in the case of agricultural assessments.

In November 1935, the Board of Revenue made the following criticisms:—

(i) that ground-rent should be the highest dry rate in the town, that all future assignments should be made on this basis; and that in the case of assignments made prior to or after 1927, when orders were issued regarding the levy and revision of ground-rent, the ground-rent should be revised accordingly at the next resettlement of the district;

(ii) that the limit of enhancement for the assessment of agricultural land (18¾ per cent) should also apply to the revision of ground-rent; and

(iii) that it was illogical to raise at resettlement the rate of Rs. 6–4–0 fixed so recently as 1922, on the basis of the rise in the price of food-grains at the time of the resettlement over those prevailing at the time of the old settlement which took place long before the rate of Rs. 6–4–0 was fixed.

The Board's proposals, if accepted, would not result in any increase in revenue but would have the effect of reducing it. At present, ground-rent is enhanced at resettlement irrespective of the limit of 18¾ per cent applied to assessment on agricultural lands. In March 1936, the Board of Revenue was informed that in cases in which orders might be passed in future on proposals for the revision of ground-rent at resettlement, the Government would not actually collect any percentage enhancement decided upon on a consideration of a rise in prices and that it would be left to the new Government to decide whether such enhancements should be collected or not. The question whether these orders should be altered was again considered and it was decided that these orders should stand for the present. The new Government might consider whether or not the general rules governing the initial levy and revision of ground-rent should be revised.

14. This is next in importance to land revenue, so far as direct taxes are concerned. The revenue is derived from two sources, viz., non-judicial stamps and judicial stamps. Under *non-judicial* stamps, duties on certain transactions, viz., bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, proxies and receipts will be Federal under the Government of India Act, but the net proceeds should, under section 137, be distributed among the provinces. It has been strongly urged on the Government of India that the abolition of the duty on cheques in 1926 has not brought about any large expansion in the use of cheques, but has resulted in loss of Provincial revenue of about three-fourths of a lakh and that the duty should be reimposed as soon as possible. It has also been suggested that the duties on other transactions referred to above except promissory notes and receipts should be raised. **Stamps.**

15. As regards the transactions on which stamp duties will be Provincial under the new constitution, the duties were raised by about 50 per cent in 1922–23 and these rates still continue in force. Since then, there have been persistent demands in the Legislative Council in connexion with the budget debates for a reduction of the stamp duties and the restoration of the rates to the old level which obtained before 1922.

16. In consultation with the Collectors of all districts, the Board of Revenue has made suggestions for raising the rates of duties on certain instruments specified in Schedule I-A to the Stamp Act and for withdrawing the existing exemptions in certain cases. The Board's proposals are printed in **Annexure F-VII.** The Board has been asked to submit a rough estimate of the additional revenue anticipated from its proposals and its reply is awaited. It is however clear that considerable additional revenue can be obtained by raising the stamp duties as proposed by the Board. The proposals involve legislation and, if they are accepted, a Bill to amend the Indian Stamp Act, 1899, will have to be introduced in the Legislature.

17. The Government have remitted in full the stamp duty with which instruments executed by or on behalf of a registered co-operative society, or by an officer or member and relating to the business of such society, or any class of such instruments or decisions, awards or orders of the Registrar or arbitrators are respectively chargeable. Co-operative societies have been enjoying this concession from the very inception of the movement in this Presidency. The Registrar of Co-operative Societies recently proposed that the concession should be extended to contribution orders passed by liquidators and to sale certificates issued in favour of co-operative societies when they purchase defaulters' properties for want of bidders or other reasons. It has been decided that the Act should be amended so as to exempt contribution orders of liquidators from payment of stamp duty. As regards sale certificates, the Government have agreed to grant a direct subsidy to societies working at a loss, subject to the condition that the amount of subsidy should not exceed the actual loss. The economic depression has hit agricultural borrowers as a class, and a number of concessions, such as reduction of rates of interest and waiver of penal interest in its entirety, have been allowed to ease their position. The co-operative movement is slowly recovering from the after-effects of the depression and the withdrawal of the concession regarding exemption from payment of stamp duty at this stage might give it a set back. The question of the withdrawal of this concession also has therefore been left over for consideration by the new Government. The detailed note on the subject will be found in **Annexure F-VIII.**

18. *Judicial stamps or court-fees.*—Court-fees were also raised in 1922 and the additional income was expected to be about Rs. 30 lakhs. On account of the economic depression and the grant of loans by Government through special loan officers, the revenue from this source has gone down, and the establishment of Debt Conciliation Boards is likely to reduce the receipts still further. It has been suggested that the incidence of court-fees is not uniform in that a suit which is disposed of in a single sitting bears the same fee as a strongly contested suit which drags on for months, and that to remedy this inequality, fees should be levied in instalments, e.g., a fee on the filing of the suit, another fee before issues are framed, a further fee before hearing and so on. The suggestion is under the consideration of the High Court.

Registration.

19. *Increase of registration fees.*—The fees for the registration of documents were raised in 1922 and an increase of revenue of about Rs. 7½ lakhs per annum was expected. In 1928, however, when the Provincial contributions had been remitted, the fees were lowered again to the rates in force prior to 1922. The present scale of fees in this Province is much lower than in Bombay or Bengal, while the facilities for registration are the highest in India. The public are generally averse to the lowering of these facilities by abolition of sub-registry offices. On the other hand, there is an insistent demand for the opening of more offices. In view of the protection afforded to the public by the registration of documents and the very great facilities afforded to them for registration, it is but proper that adequate fees should be demanded. The question of enhancement of registration fees has been left over for the new Government. Detailed note is printed as **Annexure F-IX.**

20. *Widening the scope of compulsory registration of documents, etc.*—At present, there are a number of documents which are not compulsorily registrable. It has been suggested that certain classes of these might be made compulsorily registrable, but the suggestion involves an amendment of the Indian Registration Act and this can be undertaken only by the new Government. Detailed note is printed as **Annexure F-X.**

21. *Withdrawal of half-fee concession from Co-operative Societies.*—Co-operative societies were not paying till 1931 any fees for the registration of documents under the

law of registration or for obtaining encumbrance certificates. On the recommendation of the Retrenchment Committee, the Government approved the levy of half-fees from October 1931. The position was reviewed in 1933 and it was decided that the levy of half-fees might be continued. The question was again examined by the Public Accounts Committee for 1935–36 and the Committee considered that the concession should be allowed to continue. In the case of land mortgage banks, the fees have, however, been remitted in full, and the question of continuing the concession will be considered before the present period of exemption expires in April 1937. The Registrar of Co-operative Societies has reported that the general financial position of co-operative societies does not warrant any enhancement of the registration fees payable by them at present and that if the concession is withdrawn now, a very definite blow will be struck at the co-operative movement. The question of the withdrawal of the concession has been left over for the consideration of the new Government. The detailed notes will be found printed as **Annexure F-XI.**

Betting tax.

22. The Madras Betting Tax Act was passed in 1935, by which taxes can be levied on all moneys paid by way of stakes or bets into a totalizator and on all moneys paid or agreed to be paid by book-makers to backers on winning bets. The Act has been applied only to the Guindy races and the rate now levied is 1½ per cent in each case. The Government have, however, decided to increase the rates to 2½ per cent in each case from 1937–38.

Fees for registration of co-operative societies, etc., under the Madras Co-operative Societies Act.

23. Registration of co-operative societies under section 10 and of amendments to by-laws under section 12 of the Madras Co-operative Societies Act, 1932, is now done free of charge. It has been proposed that a fee of Rs. 10 per society for its registration under the Act and a small fee of 8 annas for registration of each amendment or batch of amendments to by-laws proposed at any one time, may be levied. Under the Indian Companies Act, 1913, such fees are levied and it has been suggested that co-operative societies should fall into line with joint stock companies. It has to be remembered, however, that whereas the object of a joint stock company is solely private profit, in a co-operative society profit is merely incidental and is frequently not realized at all. The question has been left over for the new Government to decide. Detailed notes will be found in **Annexure F-XII.**

Provincial Excise.

24. The only example of indirect provincial taxation is the Provincial Excise. The income is derived partly from duty collected at the distillery or wholesale depot, or in the case of toddy on each tree tapped, and partly from licence fees for shops which in most cases are auctioned out. In 1926, the Legislative Council passed a resolution recommending that it should be the declared policy of the Government that total prohibition of drink was the ultimate goal to be obtained within a period of 20 years and that the Finance Committee of the Council should be requested to explore and report to the Council the possibilities of making up the loss of excise revenue involved in the policy of total prohibition. The question was very carefully considered by the Government and it was found that the loss involved would be not only the revenue from excise which then stood at about Rs. 5 crores, but a further expenditure of over a crore of rupees for the necessary staff to prevent illicit distillation and tapping and other abkari crimes. The Finance Committee which was asked to suggest alternative sources of revenue could make no suggestion. Meanwhile, certain experiments were started in places which were thought to be most favourable for making them dry. The measures adopted were—

(*a*) to close certain arrack and toddy shops in Tiruchengode, Namakkal and Rasipuram taluks in the Salem district to assist social reformers in the neighbourhood;

(*b*) to close arrack shops in the toddy-drinking areas in certain taluks of the southern districts;

(*c*) to prohibit the sale of liquor to members of the hill tribes in the Nilgiris except on a medical certificate;

(*d*) to ration drink in the municipalities of Vizagapatam, Vizianagram and Bimlipatam and in the rural areas surrounding them; and

(*e*) to close liquor and drug shops on Sundays, public holidays and election days.

These measures have mostly been abandoned as failures, the only experiments now continued being the closure of arrack shops in the toddy-drinking areas of the Shiyali and Tiruturaipundi taluks in the Tanjore district and in the Tiruvadanai and Paramagudi taluks in the Ramnad district, and the prohibition of sale of drink to hill tribes in the Nilgiris.

25. As a result of the experiments and of the economic depression, it was found that recourse was being had to a very considerable extent to illicit liquor which is comparatively cheap. The Government therefore decided in 1935 to reduce the duty on arrack by 25 per cent throughout the Presidency. This has had some effect in keeping down illicit

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distillation. Any attempt to introduce prohibition will involve such a great loss of revenue as cannot possibly be recouped, and the additional burden of a huge preventive establishment to enforce abstinence from drinking.

26. *Fees for services rendered.*—The Government have taken action as far as possible to increase the fees and a few proposals under this head are still under consideration and will eventually come up for the decision of the new Government. The question of the enhancement of search fees in connexion with applications for copies of documents has, however, been definitely left over for the consideration of the new Government.

Search fees are levied not only for conducting search for the records, copies of which are applied for, but also towards the cost of maintaining the records. The Board of Revenue recommended the enhancement of search fees as indicated below :—

Records of date subsequent to 1858.	Present scale.	Scale proposed by the Board.
	RS. A. P.	RS. A. P.
(*a*) Fee payable for the first document or entry applied for or, if only one document or entry is applied for, then for that document or entry.	0 12 0	*1 0 0
(*b*) Fee payable for every document or entry other than the first included in the same application and connected with the same subject.	0 6 0	*0 8 0
(*c*) When the party does not know to which of two or more years a document or entry belongs, the fee for searching the records of every year other than the first.	0 6 0	0 8 0

* In respect of documents more than ten years old but later than 1858, the Board proposed the levy of a fee of Rs. 2 for the first document and Re. 1 for each of the others.

The Board also recommended that the scale of search fees applicable to the Madras Record Office in respect of documents prior to 1858 might be made applicable to similar records in Collectors' offices.

The High Court has stated that it has no objection to the existing rates of search fees referred to above being doubled. On an examination of the several rates it was suggested that the proposals made by the Board should be preferred to the High Court's proposal which are likely to meet with considerable opposition from the public. It was, however, decided that the proposals should be left to be settled by the new Government. Detailed note is in **Annexure F-XIII.**

27. *Miscellaneous revenues.*—There is very little scope for increasing the revenues under this head.

28. *Fresh sources of revenue.*—The Government have considered the question of possible fresh sources of provincial revenues and the conclusions arrived at in each case are given below :—

(1) *Electricity duties.*—In Bengal, a small duty is levied on the domestic consumption of electricity and it yields a revenue of about Rs. 14 lakhs per annum. The question of the levy of a similar duty in this Presidency was considered, but it was decided to drop the proposal for the following reasons :—

(*a*) In Bengal, electricity is generated by private licensees while in Madras, the Government have undertaken large electricity schemes and any tax levied on consumption of electric energy is likely to affect the receipts of the electricity undertakings.

(*b*) At the present stage, the consumption of electricity for domestic purposes requires to be encouraged rather than discouraged in this Province.

(2) *Tobacco tax (Detiled note in* **Annexure F-XIV**).—No tax is now levied on tobacco in this Presidency. The Taxation Enquiry Committee of 1924–25 observed that the absence of any internal taxation on tobacco was a feature which distinguished the fiscal system of India from that of almost every civilized country in the world and suggested the imposition of taxation on tobacco through an excise duty on local manufactures or an increase in the import duty on unmanufactured tobacco, coupled with a system of granting licences for the sale of country

tobacco. After correspondence with Local Governments and a conference of Provincial representatives held at Delhi in January 1932, the Government of India outlined a scheme for further examination by the Local Governments and finally decided to leave the Local Governments to proceed with their own schemes of taxing retail vend of tobacco by provincial legislation. The Government of India also urged that, particularly in view of the financial difficulties which were then confronting both the Central and Provincial Governments alike, action should be taken as early as possible to develop this promising field of taxation. A draft Bill was prepared in 1933, providing for the grant of a monopoly for the retail sale in defined areas of all forms of tobacco except certain classes of manufactured tobacco and for the grant of licences on payment of fixed fees for the retail sale of the excepted forms of manufactured tobacco. Later on, the Bill was amended so as to permit the adoption, at the discretion of the Government, of either a system of fixed fee licences or the system of monopoly vend already embodied in the Bill. The intention was to institute the fixed fee licence system as soon as the Bill was passed into law, and to render possible without further legislation a subsequent change over to the monopoly vend system. The Bill, with the necessary consequential amendments, was introduced in the Legislative Council on 29th October 1935. Objection was taken in the Legislative Council mainly—

(i) to the inclusion of the provision for the introduction of the monopoly vend system by executive order of the Government at some future date, when it was intended only to levy fixed fees for licences at the commencement of the working of the scheme; and

(ii) to the rates of licence fees being left to the discretion of the Commissioner, acting under the control of the Government, instead of being prescribed and embodied in a schedule to the Act itself.

The Select Committee on the Bill invited written memoranda on the subject from all parties interested. On an examination of the memoranda received, the Government agreed to delete, and the Select Committee accordingly deleted from the Bill, the clauses relating to the grant of a monopoly for the sale of certain classes of tobacco in specified areas as well as the clause providing a penalty for failure to keep accounts. The Committee also included a schedule to the Bill prescribing the maximum rates of licence fees leviable from (1) wholesale vendors, (2) retail vendors, brokers or commission agents and (3) hawkers.

The Board had originally estimated that the revenue would range from Rs. 50 to 100 lakhs from sale of monopoly vend areas ; but when the Bill reached its final shape, the Board estimated the gross revenue at Rs. 5 lakhs and the net revenue at less than Rs. $3\frac{1}{2}$ lakhs.

In view of the constitutional changes, it was decided to keep the Bill for consideration by the new Government. Meanwhile, the Government of India were asked, with reference to certain correspondence forwarded by them regarding the Bengal Tobacco Licence Fees Act, whether this Government could, after the 1st April 1937, introduce legislation to levy vend fees on the sale of tobacco. They have replied that vend fees fall under item 46 in the Provincial Legislative List and that they would not object to the Provincial Governments proceeding with legislation in the matter.

Expenditure.

29. Apart from grants-in-aid and works expenditure relating to irrigation, electricity and buildings, the main item of expenditure is on salaries of officials. **Salaries.**

30. Officials may be broadly classified into—

(*a*) All-India Services,

(*b*) Provincial Services,

(*c*) Subordinate Services, other than Police Subordinates and Village Establishments [items (*d*) and (*e*) below],

(*d*) Police constables and head constables, and

(*e*) Village establishments.

Their number and annual cost are approximately as shown in the following table :—

	All India Services.		Provincial Services.		Subordinate Services [excluding those in columns (8)—(11).]		Police constables and head constables.		Village establishments.	
	Number.	Cost per annum.	Number.	Cost per annum.	Number.	Cost per annum.	Number.	Cost per annum.	Number.	Cost per annum.
1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		LAKHS.		LAKHS.		LAKHS.		LAKHS.		LAKHS.
Above Rs. 1,000	255	64	34	6	..	..	..	..	..	..
Not exceeding Rs. 1,000 and above Rs. 500.	103	10	429	37	..	..	..	..	..	..
Not exceeding Rs. 500 and above Rs. 300.	28	2	621	31	..	..	..	..	..	..
Not exceeding Rs. 300 and above Rs. 200.	..	..	272	8	895	29	..	..	..	..
Not exceeding Rs. 200 and above Rs. 100.	..	..	..	..	5,147	87	..	..	..	..
Not exceeding Rs. 100 and above Rs. 40.	..	..	..	..	19,235	146	..	..	..	..
Not exceeding Rs. 40	..	..	..	..	39,435	88	25,690	69	1,08,124	115
Total ..	386	76	1,356	82	64,712	350	25,690	69	1,08,124	115

31. Economies can be effected under salaries either by reducing the scales of pay or by reducing the number, i.e., by abolition, of posts. As regards the reduction of pay scales, the constitutional position under the Government of India Act, 1935, is set out in the note in **Annexure G-I.** Briefly, the scales of pay of the All-India Services are fixed by the Secretary of State and he alone can reduce them; but no such reduction can have effect, except by an Act of Parliament, in respect of persons who are members of these services at the time the reduction is made. Members of Provincial Services who hold or have held posts reserved for the members of the All-India Services, are in the same position.

As regards Provincial and Subordinate Services, the Provincial Government can reduce the salaries of posts with regard to persons who may be appointed to the Government service on or after the 1st April 1937. With regard to persons who entered Government service before the 1st April 1937, section 241 (3) (*a*) of the Government of India Act, 1935, gives them a certain degree of protection. No order affecting them adversely in the matter of their conditions of service can be passed except by an authority which would have been competent to make such an order on the 8th March 1926 or by some person empowered by the Secretary of State to give directions in that respect. There is a difference of opinion between the Government of India and the Madras Government in regard to the authority which was competent to make such an order on the 8th March 1926. The Government of India have been requested to obtain from the Secretary of State an authoritative decision on the subject.

According to the views of the Government of India, the Local Governments were not competent to pass such an order as is contemplated in section 241 (3) (*a*) and if this is correct, the pay scales applicable to Provincial and Subordinate Services (except menials) cannot be reduced by the Provincial Government so as to affect adversely any member in service on the 31st March 1937.

The Madras Government's view is that they had power on the 8th March 1926 to pass the order in question. According to this view, the Provincial Government can reduce the pay scales for a Provincial or a Subordinate Service in respect of any person in service on the 31st March 1937: Provided that the pay scale of the post he holds on that date cannot be reduced, if he had been appointed to the Government service—

(*a*) before the 29th September 1922 if he is serving in a Reserved department, and

(*b*) before the 1st April 1921, if he is serving in a Transferred department.

32. In regard to reduction of posts, the cadres of All-India Services will be fixed by the Secretary of State and no post included in any such cadre can be left vacant by a Provincial Government for more than three months. No post included in a Provincial Service can be abolished, if its abolition would adversely affect a person in service on the 31st March 1937, except by the Governor of the Province exercising his individual judgment.

33. The revision of salary scales was taken up by the Government in 1932–33, and the pay or pay scale of practically every Provincial and Subordinate Service and post was reduced. The reduction in the pays of Provincial Services averaged about 21 per cent, while

in the case of Subordinate Services, the percentage reduction generally averaged about 11 per cent. The total ultimate saving due to these reductions in pay has been estimated at Rs. 57 lakhs per annum; but as the revised scales are being applied to new entrants to Government service and not to existing personnel except on promotion to higher posts, the savings will be realized only gradually. Any further reductions in the scales of pay might lead to discontent and consequent inefficiency of the services.

34. The Government have at the same time considered the possibility of effecting economies in expenditure and the following matters have been left over for the consideration of the new Government :—

(1) Time scales of pay for temporary posts.

(2) Reduction of numbers and pay of village establishments.

(3) Closure of the Madras Forest College.

(4) Reduction in the number of sub-registry offices.

(5) Reduction in the number of holidays.

(6) Reduction in the rates of travelling allowances to members of the new Legislature.

(7) Economies in contingent expenditure.

Detailed notes on these points are printed as **Annexure G (II to VIII).** They are briefly discussed in the following paragraphs.

35. *Time-scales of pay for temporary posts.*—(Detailed note in **Annexure G-II.**) A temporary post may be created either for the performance of specific duties of a temporary character, the post being abolished as soon as the temporary duties are over; or to meet increase of work in a department, the post being created and continued on a temporary basis until the need for it disappears or until it is found to be needed permanently and is converted into a permanent post. In either case, the temporary posts are treated as temporary additions to the relevant cadres. In certain departments, such as Survey and Settlement and Public Works, temporary posts are created on a large scale, as the work in these departments varies from time to time, and when work is slack, it is easier to discharge temporary establishments than permanent establishments.

In the beginning of 1935, the Finance Department suggested that time-scales of pay should, as a rule, be sanctioned only for posts created for reasonably long periods, say two years and more, and that for posts created for short periods, the pay should be the minimum of the relevant time-scale. This suggestion was referred to all departments of the Secretariat and they were asked to state the existing practice. It was found that the practice was not uniform, and while some departments were in favour of the suggestion of the Finance Department, others were opposed to it. The Finance Department pointed out that the formula suggested would result in a saving of about Rs. 2½ lakhs per annum on the present cost of temporary establishments and pressed for its adoption, subject to the variation that temporary posts in the Survey and Settlement and Public Works Departments should continue to be on fixed rates of pay irrespective of the length of the period for which they might be created.

When the question was submitted for the orders of the Government, the concensus of opinion was that temporary posts should carry time-scales of pay like permanent posts, as the holders of temporary posts were generally doing the same kind of duties as holders of permanent posts in the same cadre and there was no reason to differentiate between the two. The Hon'ble the Finance Member, while accepting this view, suggested that the first three months of the acting appointment, whether in a permanent post or in a temporary post, should not count for probation or for increments in the time-scale, or at least for increments alone, as during this period the holder of the post is more or less learning work and is therefore not worth its full pay.

It was eventually decided to leave this question over for the future Government; and in the meanwhile, the suggestion of the Hon'ble the Finance Member has been referred to the departments of the Secretariat for examination.

36. *Reduction of numbers and pay of village establishments.*—(Detailed note in **Annexure G-III.**) The following suggestions have been made for effecting economies under village establishments :—

(i) Grouping of light headman's and karnam's charges.

(ii) Amalgamation of the office of karnam and headman in light villages.

(iii) Reduction of the pay of village officers and menials.

(i) *Grouping of light karnam's and headman's charges.*—In 1920–23, the pay of village officers and menials in ryotwari areas and proprietary estates was revised at an extra cost of about Rs. 66 lakhs. In order to counteract the increased cost of village establishments, the Board of Revenue directed enquiries as to the feasibility of a reduction of menials, the abolition of assistant karnams and monigars and the grouping of light karnam's and headman's charges and a reduction of nirgantis. The saving effected up to the end of 1923 by those methods was Rs. 18 lakhs. In 1924, the Legislative Council passed a resolution recommending that the policy of grouping villages be discontinued both in ryotwari and zamindari areas and that the villages amalgamated during the previous two years be divided into their original units and the village officers and menials who were removed consequent on such amalgamation be restored to their offices. The Government also considered that the reduction of village officers was an administrative mistake and that the old units should be restored as far as necessary. At the same time, a reduction was made in the emoluments of village officers so that the total cost of the establishments should not exceed the budget provision. A Bill for the restoration of the village officers was accordingly introduced and was passed into law.

In connexion with the present enquiry, it was suggested to the Board that there was *prima facie* room for retrenchment in the case of village establishments by the clubbing of small villages as was done in 1921–23, and that there might be a number of villages extremely small in size which could be clubbed with adjacent villages without detriment to the efficiency of village administration. After discussing the subject at a meeting of the Full Board, the Board of Revenue has reported that the number of small villages suitable for grouping is certain to be very small and does not justify a further tinkering with the village as the proper unit for general administrative purposes; and that if economy has to be effected in village establishment charges, it would be preferable to reduce the pay of the village officers rather than attempt a regrouping of small villages; but that either course would lead to discontent and apprehension which would not be confined to the village officers immediately concerned. With the collection work more difficult than it used to be, a reduction of village establishments is perhaps more undesirable now than in the past.

When regrouping was effected in 1921–23, there was a saving of Rs. 10,08,012 in ryotwari villages and Rs. 1,04,880 in proprietary villages. The scheme, if introduced, might thus result in a considerable reduction in the expenditure on general administration.

(ii) *Amalgamation of the office of karnam and headman in light villages.*—At the instance of the Board of Revenue, the Government authorized it in 1923 to sanction the employment of triune officers in proprietary villages, if such villages could be managed by a single officer without sacrificing the interest of the administration. The Board suggested a similar procedure in the case of ryotwari villages also, but the Government doubted the desirability of the course. The question was not pursued further, as it had by that time been decided to stop further reduction of village establishments and to proceed with the scheme for the restoration of village offices which had been abolished. It can be taken up again if economy is desired.

(iii) *Reduction of the pay of village officers and menials.*—In 1932, the Government, on the recommendation of the Retrenchment Committee, made a small reduction in the pay of new entrants. A suggestion has now been made that the following reductions in pay may be made in the case of both old incumbents and new entrants, the cut ordered in 1932 being absorbed in the reductions now proposed :—

Ryotwari villages.

(1) Headmen and monigars	A reduction of Rs. 2 each per mensem, the minimum pay being fixed at Rs. 11 each per mensem.
(2) Karnams and assistant karnams ...	A reduction of 8 annas each per mensem.
(3) Talayaris and vettis	A reduction of 8 annas each per mensem in the case of salaries above Rs. 6 per mensem.

Proprietary villages.

(1) Headmen and monigars	A reduction of Re. 1 each per mensem.
(2) Village accountants and assistant karnams	A reduction of 8 annas each per mensem.
(3) Talayaris and vettis	A reduction of 4 annas each per mensem in the pay of all talayaris and vettis drawing above Rs. 4 per mensem.

If these reductions are made, there will be a saving of Rs. 8·77 lakhs on the basis of the figures for 1936–37.

In justification of the reductions proposed, the following facts have been put forward :—

Headmen and monigars.—The Salaries Committee of 1919 considered that the salary of headmen could not be regarded as pay but as merely an honorarium for out of pocket expenses. The increase in the honorarium in 1922 was due to agitation set up by some headmen. The post of village headman is sought after eagerly, as it gives prestige and power and puts the holders of the post in contact with Government officials. The headman also possesses property in the village. It is therefore considered that a larger reduction of the honorarium will not be unreasonable, and that there is no need to restrict the reduction to new entrants only.

Karnams and assistant karnams.—The Salaries Committee recommended in 1920, that the pay of karnams and assistant karnams should be raised to an amount that would represent approximately the same proportion of their cost of living as their present pay did before the rise in the level of prices, and that as far as practicable the calls on their time should be limited in order to give them a reasonable opportunity of supplementing their salaries by outside work. The pay of karnams which was either Rs. 8 or Rs. 10 in most cases was raised to a minimum of Rs. 15 and that of the assistant karnams which was mostly Rs. 6 or Rs. 8 was also raised to Rs. 15. In 1926, to meet the cost of the restoration of village officers the pay was reduced by Re. 1. In 1931–32, the Retrenchment Committee recommended a small reduction of 8 annas for new entrants. Karnams have many opportunities for making illegal gains and it may be considered necessary to pay them an adequate salary if corruption is not to increase. Even if no further reduction is made in their pay, the reduction by 8 annas recommended by the Retrenchment Committee may be applied to all incumbents.

Menials.—The pay of village menials was in most cases raised from Rs. 4 to Rs. 8 in 1921. To meet the cost of the restoration of village officers effected in 1926, the pay was reduced by 8 annas. The Retrenchment Committee of 1931-32 recommended a small reduction of 4 annas for new entrants. In view of the fact that the village menials reside in their villages and are not full-time servants, a further reduction of 8 annas may not be unreasonable especially in view of the prevailing low prices. The increase in the case of village officers of proprietary estates has not been so large as in the case of village officers in ryotwari areas. A smaller reduction has therefore been suggested in the salaries of village officers in proprietary areas.

As against the above arguments, it may be stated that the matter was considered so recently as 1931 by the Retrenchment Committee at a time of great financial difficulty; and in spite of reductions being made in other directions, the Committee suggested nothing except a small reduction which was applied to new entrants only. Further, as observed by the Board of Revenue, although it is preferable (if economy is desired) to reduce pay rather than attempt a grouping of villages, either course is likely to lead to discontent and apprehension which would not be confined to the village officers immediately concerned.

37. *Closure of the Madras Forest College.*—(Detailed note in **Annexure G-IV**). According to the arrangement made by the Government of India in 1922, the Forest College at Dehra Dun was to train candidates for the rangers course from the Punjab, North-West Frontier Province, the United Provinces, Bengal and Assam, while the Forest College, Coimbatore, was to cater for Bombay, Central Provinces, Bihar and Orissa and the Feudatory States, Central India States and the States of Hyderabad, Mysore, Travancore and Cochin. In October 1934 and again in June 1936, the Government of India stated that with effect from 1st April 1937, students from the Central Provinces, Bihar and Orissa and the Feudatory States in Bihar and Orissa and from the Indian States in Central India would be sent to Dehra Dun college for training. In July 1936, the Chief Conservator of Forests brought to notice that the decision of the Government of India would seriously reduce the future strength of the classes in the Coimbatore college and would increase the net cost of its maintenance. A suggestion was made in this connexion that the Coimbatore

college might be closed down and the students from Madras (about 18 in a year—nine for the junior and nine for the senior class) sent to Dehra Dun for training. It was, however, decided that the question of closing the college should be placed before the new Government for orders in April 1937.

38. *Reduction in the number of sub-registry offices.*—(Detailed note in **Annexure G-V**).—The percentage of expenditure to revenue in the Registration department is very high in this Province, being 93 per cent, while it is only 40 per cent in Bombay, 49 per cent in Bihar and Orissa and 43 per cent in Central Provinces. The main reason for this is that the number of sub-registry offices in Madras is high in proportion to the total number of registrations. The Government therefore considered the feasibility of reducing the number of sub-registry offices by having recourse to the following methods :—

(*a*) reducing the number of offices, where the work is comparatively light and transport facilities have increased in recent years, or alternatively to give them other work and make reductions in staff elsewhere;

(*b*) concentration of work (as for instance in the Madras City) in one or two offices, where such a course is possible;

(*c*) utilizing the agency of the Revenue department for registration work;

(*d*) extension of the process of photo-copying of documents to other areas; and

(*e*) the employment of pensioners as sub-registrars as in certain Provinces.

On examination, it was considered that item (*c*) was not feasible and that items (*b*) and (*e*) were not likely to result in real economy. As regards item (*d*), there are two systems in force, viz., the photo-stat and the cine film; and the Inspector-General of Registration has been asked to report on the comparative merits of the two systems by the 1st September 1938. The question of extending the system may be considered then.

Item (*a*) involves the reduction of the facilities now afforded to the public for registration of documents, and consequently an important question of policy. It has been left for the decision of the new Government. The Inspector-General has, however, been asked to submit to the Government, as and when occasion arises, proposals for the closure of any offices the retention of which he considers to be unnecessary.

39. *Reduction in the number of holidays.*—(Detailed note in **Annexure G-VI**). The following suggestions have been made —

(i) that the holiday on the penultimate Saturday of every month should be abolished; and

(ii) that the duration of special holidays such as Easter should be brought into line with those enjoyed by the commercial community.

It may be considered desirable to curtail the number of non-statutory holidays, following the practice in commercial houses, with a view to avoid future increases in staff which might otherwise be necessary. As holidays for 1937 have already been notified, it has been decided to leave the question for the consideration of the new Government.

40. *Reduction in the rates of travelling allowances to members of the new Legislature.*—(Detailed note in **Annexure G-VII**). The expenditure on account of travelling allowances to members of the present Legislative Council was Rs. 1,32,202 in 1935–36. As there will be two chambers under the new constitution, and as the sessions are likely to be much longer and perhaps more frequent than in the past, the expenditure under this head will increase considerably. A sum of Rs. 3 lakhs has been provided for this purpose in the budget for 1937–38.

In connexion with the present enquiry, the question of effecting some reduction in this expenditure was considered. With reference to the rates prevailing in other Provinces, it has been suggested—

(*a*) that the mileage allowance may be reduced from eight annas to six annas; and

(*b*) that the daily allowance may be reduced from Rs. 10 to Rs. 7–8–0.

Under section 72 of the Government of India Act, 1935, members of the new Legislature will be entitled to receive such salary and allowances as may, from time to time, be determined by an Act of the Legislature. The above suggestions have been left over for the consideration of the new Government in connexion with the framing of legislation for the purpose.

41. *Economies in contingent expenditure.*—(Detailed note in **Annexure G-VIII**). The question of effecting economies in contingent expenditure has periodically engaged the attention of the Government since 1922. A reduction of 25 per cent was made in the provision for "Contingencies" in the budget estimate for 1922–23 as a measure of retrenchment and the resultant savings were about Rs. 13 lakhs. In 1923, this arbitrary reduction was found to be unsatisfactory and an Accounts Officer was placed on special duty for a period of fourteen months to examine the details of contingent expenditure in selected offices in the Presidency. On the basis of his reports, the Government circulated to heads of departments and other offices a list of irregularities and extravagances noticed in the officers which were inspected and they were requested to see that the defects were rectified and that they did not recur.

The Retrenchment Committee of 1931–32 considered that the results secured by the deputation of the Accounts Officer were not encouraging and, on its recommendation, percentage cuts were made in the budget provision for contingencies for 1931–32 resulting in a saving of about Rs. 8·32 lakhs or about 5·8 per cent of the total budget provision. Recently, orders were issued to prevent wasteful expenditure in connexion with the arrangements for the supply of drinking water to the staff in the several offices.

In spite of the measures of economy adopted from time to time, the expenditure on contingencies has been increasing. There seems to be a tendency on the part of officers to lapse into apathy about economy in small matters. Instructions have therefore been issued again to all heads of departments and other officers emphasising the need for economy in the expenditure on contingencies. It is, however, doubtful whether these instructions will by themselves go far in securing economies of a permanent nature and the question of appointing a special officer again for the purpose would seem to be deserving of consideration.

The Accounts Officer appointed in 1923–24 failed to do much, because he did not possess administrative experience of the right kind. It may be worthwhile to employ a fairly senior Indian Civil Service Officer, with, say, a Superintendent possessed of account experience, to go round three or four typical districts and see what can be effected by way of economy and labour saving in all departments, examining typical offices for the purpose. The total annual expenditure on contingencies including miscellaneous supplies and services but excluding clothing and equipment and customs duties falls but little short of the surprisingly high total of $1\frac{1}{2}$ crores.

42. The proposals in List IV are still pending either with the heads of the departments concerned or in the departments of the Secretariat. They will be submitted individually for the consideration and orders of the new Government as and when their examination is completed.

23rd March 1937.

C. E. JONES.

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ANNEXURE A.

(See Paragraph 5 of the Report.)

FINANCE (REFORMS) DEPARTMENT.

U.O. NOTE No. 19 (O) REF.-1., DATED 24TH APRIL 1936.

[SUBJECT.—*Survey of provincial and local taxation and of the possibilities of effecting economies by a change in the method of the administration of the various departments.*]

In his speech in the Madras Legislative Council on the 26th February last when introducing the Budget for 1936–37 the Hon'ble the Finance Member, after referring to the curtailment in recent years of provincial and local revenues and to the limited field of provincial taxation, made an announcement in the following terms :—

> " When the budget session is over, I propose to make a comprehensive survey of both provincial and local taxation to see what more can be done in the way of economy or adjustment of taxation."

The Hon'ble the Law Member on 14th March 1936, in his reply to the cut motions on Demand III—Stamps, undertook that the question of the re-adjustment of the scale of court-fees would be included in the promised survey.

Orders have also been recorded in individual Secretariat files for the examination, in connexion with the comprehensive survey, of certain questions, such as the abolition or extension of the inclusion fee system ; the revision of ground-rents at resettlement ; a more general resort to the elementary education tax ; the provincialization of entertainment tax ; and the utilization as a source of revenue of fees for the inspection of factories and steam boilers.

The object of this reference is to initiate action on the part of departments of the Secretariat in respect of the general enquiry thus contemplated.

2. The problem to be tackled is a general one, not to be limited to the few examples given in the preceding paragraph. Briefly stated it is this : Provincial revenues have been adversely affected by the grant of land-revenue concessions, and similarly the revenues of local bodies by the abolition of tolls. Total resources are now in fact barely adequate to the maintenance of existing services at their present level, while even so some sources of revenue are not scientifically distributed and bear hardly in certain cases. Recovery in our revenues can in any case be but slow, even after allowing for the growth of our few expanding departments such as Hydro-Electric and Cauvery-Mettur Irrigation, in view of the indefinite postponement of land revenue resettlements and the further decline of stamp revenue which is bound to result here (as it has already done in other provinces) from the debt conciliation and debt redemption schemes now being brought into operation. On the other hand, the information collected in connexion with the Niemeyer enquiry has shown the need for very large sums to meet even the reasonable requirements of the next ten years, such as compulsory elementary education, protected water-supply and drainage schemes, medical relief and the development of agriculture, veterinary and co-operative activities. The Hon'ble the Finance Member estimated that in order to meet immediate reasonable requirements we shall require at least 50 lakhs recurring every year and another 50 lakhs for non-recurring expenditure. What is required, therefore, is a general overhaul of our revenues and expenditure with a view to a net increase in our resources to a level reasonably adequate to our needs.

3. The co-operation of the Secretariat departments and of all heads of departments is vital to the success of such an enquiry. The departments of the Secretariat will therefore be requested to undertake an examination of the existing objects and methods of taxation and the assessment and collection of the various items of non-tax revenue ; of the adequacy of fees now levied for services rendered, and of school and college fees ; and of the possibility of raising additional revenue whether from taxation, fines and penalties, business undertakings or services rendered. They will also be requested to examine expenditure on the various services, not merely from the point of view of securing small

economies by cutting out a clerk here or a peon there (although retrenchment of this kind should receive its due share of attention) but, by a thorough examination of the existing methods of administration, to see whether they cannot be changed so as to secure economies. It may even be desirable to scrap certain existing governmental activities in order to release funds for more pressing needs. It may be mentioned, in passing, that whereas the exploitation of untapped sources of revenue and retrenchment in existing expenditure are equally effective in providing Government with the additional resources they so urgently need, the former method carries with it the great further advantage of contributing to a broadening of the basis of provincial revenues and thus helping to remedy the greatest defect in the present system. A few instances of the nature of the examination required are given in the following paragraphs.

4. The improvement of the finances of local bodies is an urgent necessity. Generally speaking, their general rate of taxation is low and their machinery of assessment and collection none too efficient, so that there is ample scope for them to help themselves if they can be persuaded to do so. As a rule, however, they are loth to increase local taxation, and are prone to utilize additional resources placed at their disposal for reducing existing taxes such as general property tax or cycle tax. No steps taken for the benefit of local bodies can be effective unless local bodies can be brought to understand that an increase of revenues in one direction does not imply a decrease in another. Subject to these remarks, action might possibly be taken in the following directions :—

(a) *Enhancement in the rate of land-cess.*—Opposition to such a step would probably be far less than it would be to enhancement of land revenue for the benefit of provincial revenues. The resultant benefit to local funds would, however, correspondingly prejudice the chances of recovery of provincial revenues under the head of Land Revenue.

(b) *The provincialization of forms of taxation which could appropriately be levied locally, and the distribution of the net proceeds to local bodies on the basis of origin of collection.*—Action on these lines would secure to local bodies the benefit of their untapped sources of revenue without putting them to the odium of imposing the taxes themselves. This method would seem to be peculiarly suitable to entertainments tax, in the form of a simple levy at a uniform rate of, say, 25 per cent on tickets of admission to places of entertainment in all municipalities and towns. With the growth of cinemas, entertainment tax is likely to be of increasing importance as a source of revenue. A tax of this nature has long been imposed in Bengal and Bombay, and has recently been introduced in the United Provinces, where it is expected to produce 5 lakhs per annum. This same method might be applied also to a tax on advertisements and to an excise on aerated waters (vide paragraphs 275 and 191 of the Indian Taxation Enquiry Committee's Report).

(c) *Relieving local bodies entirely of their present contributions from their general account to their elementary education fund and permitting them to increase the elementary education tax to the extent necessary to make good the resulting deficiency in the elementary education fund.*—This would act as a direct inducement to them to tax themselves, as Government contribute cent per cent to the elementary education tax realized. As the cost to provincial revenues would be at least Rs. 12 lakhs per annum, and more still if it were desired to make the rate of education tax uniform in all local areas, the adoption of this method is clearly dependent upon a net improvement of provincial resources of that amount.

(d) Facilitating the realization by local bodies of a share in future unearned increments in land values in municipalities and large towns, arising from town extension or other local schemes.

5. So far as provincial revenues are concerned, there is little hope of any material improvement in land revenue receipts in the near future. But the incidence of the land revenue concessions has been a matter of criticism and it might be possible to devise a more equitable distribution which would result in more real benefit where concession is called for while costing Government less on the whole than the existing concessions. The " inclusion fee system " by which Government secure a share of the unearned increment in the capital value of newly irrigated land might be extended generally as recommended by the Taxation Enquiry Committee in paragraphs 131 and 138 (9) of its report. It may be noted in this connexion that only in August last the Bengal Government secured the passing of an Act to recover a compulsory " improvement levy " in areas benefited by irrigation, drainage and other Government works. Then again, the restrictions imposed on Government's demand on the land might be held to justify the levy of income-tax on agricultural incomes above a certain limit, and there is reason for supposing that such a step might not be unwelcome.

Under Stamps and Registration, it might be possible to secure a regrading of the duties and fees, so as to increase the fees for higher values. With a view to securing a fairer incidence of the burden of court-fees, the Taxation Enquiry Committee in paragraph 338 of its report recommended levy in two instalments—the first being payable at the institution of the suit and the second on or immediately after the settlement of issues. If some such device is to be adopted an estimate of the cost involved should be obtained, and the question of meeting it, whether by enhancement of the prima facie unduly low fees enumerated in paragraph 343 of the report or otherwise, examined.

It is probable that a general enhancement of school and college fees would be welcomed by the managers of aided secondary and collegiate educational institutions; especially there would seem to be room for enhancement in the case of Arts Colleges and the Law College. Revision of the present policy in the matter of granting fee concessions in secondary schools, as for example by imposing a scholarship test, might help to eliminate waste as there may be many cases where children are kept at school merely because they get the fee concession and not because they are likely to benefit by further education. The administration of teaching grants by non-official district educational councils has been found frequently to result in leakage and malpractice, which means waste of funds. This might be avoided by changing the system root and branch or (less drastically but less effectively) by increasing official control over the district educational councils, or abolishing the councils and transferring their functions to local bodies.

There may be room for increasing fees for services rendered, such as boiler inspection, pumping and boring operations, supplies of sera and vaccine, and the printing for sale of Government publications.

6. Investigation of new sources of revenue is one of the most important objects of the present enquiry. The betting tax is so far law, and it has been applied only to the Guindy Races. It might be quite feasible to double the rate, and to extend the Act to the Ootacamund Races. The Tobacco Tax Bill has unfortunately been shelved for the time being but must clearly be taken into consideration again as one of the most promising sources of expanding revenue. The levy of succession duties has been opposed by the High Court as impracticable in view of the general prevalence of the joint-family system in this Presidency. But the question may repay further consideration, since the joint-family system is already breaking up and it may be possible in course of time to derive a substantial revenue from this source. Certain possible new taxes have been mentioned in paragraph 4 (*b*) above. In their budget estimates for the current year the Central Provinces Government have taken credit for three lakhs on account of fees for the registration of money-lenders (to be levied every third year) and half a lakh on account of new game licence fees. Shooting licences for panchayat forests are a distinct possibility.

7. As regards provincial expenditure, the comparative figures prepared by the Government of India in connexion with the Niemeyer enquiry show that collection charges in respect of Stamps are higher in Madras than in other provinces and very much higher in respect of Registration. The question has already been raised by the Finance Department whether the discount on the sale of stamps cannot be reduced. In Burma, for instance, as a measure of retrenchment for the current year the licensed vendors at certain district headquarters have been debarred from receiving any discount on the sale of stamps exceeding Rs. 25 in value. The Finance Department has also raised the question whether, owing to the introduction of modern methods of transport in most parts of the Presidency and consequent saving of time and expense in travelling, the number of sub-registry offices cannot be reduced to the extent necessary to give each sub-registrar full-time work. The question might also be examined as to whether in the lighter revenue and registration areas the duties of sub-registrar cannot be assigned to certain revenue officials such as deputy tahsildars or sub-magistrates. In that case it might be possible without extra cost to revive some sub-taluks abolished as a measure of retrenchment. This seems to be a fairly common practice in other provinces and partly accounts for their low costs of administering the Registration department. The high cost of general administration in this province is largely due to the present system of land revenue administration which requires a large army of village officials and several gradations of Revenue officers. It might be possible to revise or simplify the system and so effect considerable economy in expenditure, by, for example, the clubbing of villages, a scheme for which was once worked out.

A revision of the present system of elementary education with a view to eliminating the considerable waste of money which is generally admitted to exist might help to provide part of the large sum required for its rapid expansion. If sufficient funds cannot be found by economies in expenditure or increase of education revenue, it may be necessary to consider the gradual closing down of Government colleges and so leave collegiate education to be financed by the universities and by private philanthropy.

The question of amalgamating the Agricultural and the Industries departments under a single head seems worthy of consideration in view of the many points of contact, and even of overlap, of their functions.

The revenue derived from Fisheries is very small and the contribution of this department to the economic development of the province seems barely commensurate with its cost. The question of abolishing the department and handing over inland fisheries to local bodies might possibly be considered.

The percentage of Public Works Department establishment charges to total works outlay is found to be appreciably higher in Madras than in other provinces, the figures being 34·8 per cent in Madras, 32·5 per cent in Bombay, 31·4 per cent in Central Provinces, 30·3 per cent in Assam, and below 30 per cent in all other provinces, Bengal's percentage being 21·8. There is a prima facie case for considerable reduction in the Public Works Department establishments.

8. It cannot be too strongly emphasized that the suggestions made in the previous paragraphs are not intended to be exhaustive and are merely illustrative of the methods of enquiry to be pursued. The methods of administration of *all* departments should be examined to see whether and where economies can be effected or additional revenues secured. It will be necessary to secure the active co-operation of heads of departments, but they must not be permitted to allow preconceived notions or bias in favour of existing systems to prevent them from considering on their merits radical changes which may perhaps have been adopted with success elsewhere.

As the matter is urgent and the Finance Department must have time to examine the proposals and consider their effect as a whole, the Departments of the Secretariat are requested to formulate their proposals and send them to the Finance Department without any avoidable delay.

C. E. JONES,
Secretary to Government.

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ANNEXURE B.

(See paragraph 5 of the report.)

FINANCE (REFORMS) DEPARTMENT.

U.O. NOTE No. 19 (O) REFORMS-9, DATED THE 4TH JUNE 1936.

[SUBJECT.—*Survey of provincial and local taxation and the possibility of effecting economies in the administration of the various departments.*]

Attention of the Departments of the Secretariat is invited to Finance Department U.O. Note No. 19 (O) Ref.-1, dated 24th April 1936, on the above subject. Since that note was issued, the whole question has been discussed with heads of departments at the recent Collectors' Conference. The discussion was not as productive of constructive ideas as had been hoped, partly for want of time but mainly because, notwithstanding what was written in paragraph 6 of the note for the Conference, heads of departments mostly restricted themselves to criticism of the specific points given in the note by way of illustration.

2. The Secretary of State has accepted in toto the recommendations contained in Sir Otto Niemeyer's report, which in effect means that we can expect no additional resources for several years to come out of income-tax or from the federal excises and export duties mentioned in section 140 of the Government of India Act, 1935. We are thus thrown back entirely upon our own resources for the future not only to meet the increased expenditure consequent upon the Reforms, but also our reasonable requirements in respect of the most pressing needs, such as compulsory elementary education, protected water-supply and ~~drainage schemes~~, medical relief, etc., for which, as already stated in the u.o. note of 24th April 1936, we shall require at least 50 lakhs recurring every year and another 50 lakhs for non-recurring expenditure. It is therefore imperative that, unless all progress is to be brought to a standstill, additional resources should be found to meet these sums by increased revenues from existing sources, by tapping new sources of revenue and by economies in the existing forms of expenditure by eliminating waste and simplifying methods of administration, wherever possible so as to utilize the limited amount of money available to better advantage. It cannot also be too strongly emphasized that the suggestions made by the Finance Department are only illustrative of the nature of the inquiry as contemplated, and that it is the departments themselves who are most intimately acquainted with their own subjects from whom constructive suggestions should come. It is hoped, therefore, that the Departments of the Secretariat and the heads of departments will give their closest attention to this subject, without any bias in favour of existing methods of taxation and administration, and make considered proposals to achieve the object in view.

At the Collectors' Conference, the Hon'ble the Finance Member announced that in certain nation-building departments any savings that may be effected or additional revenues that may be secured in the current financial year will be allowed to be utilized on such schemes of new expenditure in the respective departments as may be approved by the Government.

3. In making their proposals, the following points should be kept in view by the Departments of the Secretariat and heads of departments :—

(*a*) No form of taxation or other source of revenue and no economy should be turned down because the yield may not be considerable in itself and so " not worth while." The aggregate of a number of such individual items may be considerable.

(*b*) Taxation for " services rendered " equal at least to the value of such services is obviously preferable to other forms of taxation.

(*c*) Taxation enquiry does not necessarily mean increase of taxation. It may mean adjustment by increase in one direction counterbalanced by decrease in another.

4. As a result of further consideration of the subject and the discussions at the Collectors' Conference, a few additional suggestions are made below, but these again are merely illustrative and are not to be regarded as exhausting the field of enquiry.

5. *Land revenue.*—At the Collectors' Conference, the Board of Revenue, represented by Mr. N. Gopalaswami Ayyangar, expressed the view that the alteration of the land revenue system was such a big problem that it was no use at all tinkering with it by

effecting small changes and that it must wait until it could be tackled in a radical manner as a whole. Important changes may not be feasible within the life of the present Government, but it should be remembered that the new Government will almost certainly be faced with a demand for the complete revision of the land revenue system and there is the danger that they may be rushed into ill-considered action calculated to upset the structure of Provincial finance. It may be possible to forestall such a demand and prepare the ground now for a revision of the system by the new Government. In this connexion and as an element in a revised land revenue system better suited to modern conditions, the possibility of levying a tax on agricultural incomes above a certain limit would seem to be deserving of serious consideration.

As regards inclusion fees, Mr. Gopalaswami Ayyangar considered that their levy was only justifiable *as such* when a definite advantage was secured to the ryot by the inclusion of his land in the ayacut, as, for example, when the wet assessment of the land registered as wet was substantially below what the ryot was paying by way of dry assessment plus water-rate prior to the transfer of land to wet. If, however, inclusion fees were to be justified as being in the nature of a betterment tax, he thought the question should be considered in respect of improvements generally and not limited to irrigation improvements, in which case it seemed to him that it would be unfair to levy the betterment tax until the landowner was actually in possession of the cash value of the improvement in respect of which the tax was levied. The inclusion fees should normally be treated as a betterment fee, and there are obvious difficulties and objections to postponing the levy of the fee until the land is sold. The present system of recovery in instalments would seem sufficient, but a longer " spread over " of the instalments may be advisable.

Allied to the main land revenue issue, there is the question of the continuance of the Settlement and Survey departments. It may be considered how far the Survey department can be made self-supporting.

The question of the process establishment and the scale of process fees may also be considered.

6. *Excise.*—With the recent raising of the fees for foreign liquor, it would seem that in regard to all heads of excise revenue the highest practicable level of fees has been reached under present economic conditions. But it is certain that a not inconsiderable amount of revenue escapes into illicit channels. The main problem is, therefore, the stoppage of leakage, which may involve an immediate increase of expenditure with the probability that this increase will ultimately be more than made good by the increase in revenue. It will probably involve the opening of more shops (or the reopening of closed shops) to some extent.

7. *Stamps.*—It may be considered in all departments whether any form of application or petition at present escapes stamp duty or pays an inadequate duty. There is probably some leakage in revenue owing to the omission of officers to see that documents are stamped or are adequately stamped; this might be reduced by extracting the rates applicable to the more common cases into a handy little pamphlet which could be made available to all officers for ready reference.

8. *Forests.*—At the Collectors' Conference, the Chief Conservator of Forests referred to the possibility of increasing the extraction of dead sandalwood, which would require extra staff, and of expanding lac operation which was under investigation as also the question of obtaining extra revenue from cardamoms. He also referred to the following three items which would yield a substantial additional revenue but would inevitably result in an outcry :—

(1) enhancement of grazing fees;

(2) enhancement of licence fees on the removal of green-leaf manure; and

(3) the stoppage of free grants of forest produce, the cost of which averaged about Rs. 60,000 per annum.

As regards grazing fees, opinion at the Conference was generally to the effect that some additional revenue could be secured in certain districts where the rates were low by imposing uniform rates in all districts. On the other hand, the opinion was expressed that it might be worth while to undertake an enquiry as to the areas in respect of which there are suitable markets for dairy produce and that grazing fees might well be enhanced in those areas.

On the expenditure side, it may be considered whether the cost of the Forest College might be reduced by employing retired officers as lecturers—see also paragraph 18 *infra* as regards the employment of common lecturers for this and the Agricultural College in some subjects.

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9. *Registration.*—At the Collectors' Conference, the Inspector-General of Registration agreed with the Board of Revenue as to the undesirability of giving registration work to Revenue officers. He agreed, however, that all sub-registrars had not got full work and that some of them could take over work from other departments. This was considered to be a promising suggestion which was deserving of further examination. For example, if a Bill is passed to enforce registration of money-lenders, the Registration department could perhaps attend to that work.

The Inspector-General was opposed to the closure of offices and the reduction of facilities to the registering public and said that he and the public would prefer the enhancement of fees. He pointed out that the fees had been reduced in 1928 and quoted figures to show that even the pre-1928 fees were considerably lower than the existing fees in a number of other provinces, such as Bengal and Bombay. By restoring fees to the pre-1928 level, an additional 4 lakhs per annum would be secured. He was also of the opinion that additional revenue could be secured by making more documents compulsorily registrable as recommended by the Taxation Enquiry Committee. The points mentioned above might be examined.

An obvious line of economy in the department is the substitution of photographic processes for the manual copying of documents. The objection to the extension of the system is apparently mainly that it releases copying clerks whom it is difficult to absorb elsewhere. If sub-registrars in the lighter districts are given other work as suggested above, this would have the effect of absorbing some clerks and facilitate the extension of photographic processes.

10. *General Administration—(a) Legislative bodies.*—It is worth consideration how far it is possible to maintain a common staff for the preparation and revision of electoral rolls for both provincial and local boards purposes.

(b) *District administration.*—At the Conference, Mr. Gopalaswami Ayyangar expressed himself as opposed to any disturbance to the existing system of village administration and said that a more hopeful line of approach would be to examine whether more functions could not be devolved on the local village establishments, as, for example, by placing them at the disposal of local boards and thus possibly dispensing with the necessity for local boards employing extra staff for attending to items of work in the villages.

There is *prima facie* room for retrenchment in the pay of village establishments by the clubbing of small villages, a scheme for which was worked out to result in a saving of Rs. 14 lakhs per annum but cancelled for purely political reasons. Mr. Gopalaswami Ayyangar did not meet the suggestion that there might be a number of villages of extremely small size which could be clubbed with adjacent villages without detriment to the efficiency of village administration. The Hon'ble the Revenue Member was inclined to the opinion that it might be worth while to undertake an enquiry as to where such cases exist.

11. *Administration of Justice.*—The principal matter is the question of the possible leakage of court-fees. It may also be examined whether the scale of printing charges is adequate. If, as expected, litigation tends to decrease, a scrutiny of the necessity of the additional courts or even permanent courts at certain places will be necessary.

The adequacy of process fees will also have to be considered. The charge for electric current in the Judicial department appears to be high in comparison with similar charge for the Secretariat and the possibility of reduction may be considered.

Now that there is a Legal Remembrancer, the question may be examined whether law charges in other directions cannot be reduced, e.g., the remuneration of the Government Solicitor. The question whether references to the Advocate-General cannot go direct to him from the Legal Remembrancer without passing through the Government Solicitor may also be considered.

12. *Jails.*—At the Collectors' Conference, the Inspector-General of Prisons referred to a few minor points. He recommended the abolition of provision for teaching in the two jails for habituals on the ground that it was waste of money to try to educate confirmed convicts; also the enhancement of the charges (Rs. 2-8-0) recovered from judgment-creditors for bedding, etc., supplied to civil debtors so as to include proportionate charges for supervision. He said that Rs. 7,000 per annum could be saved in the administration of the Junior Certified Schools at Bellary and Ranipet which were both below strength. He might be asked to elaborate his proposal in this respect. He suggested that the criterion for classifying a convict as a habitual, namely, two previous convictions, was unnecessarily severe and if it were relaxed or liberalized, more prisoners could get the benefit of premature release. He added also that there were a number of old prisoners who could well be released on medical grounds but existing rules did not permit. He said

that considerable expenditure was incurred on travelling allowance of prisoners and escorts as a result of the rule requiring certain prisoners to be released from the jail which was nearest to their homes which could be saved if they could be released from the jail in which they were detained. He also thought that the question might be examined as to whether jail labour could not be utilized by local bodies for works such as road maintenance or road construction in view of the fact that the jail population was much larger than could profitably be employed on the jail industries.

13. *Police.*—The Inspector-General of Police mentioned the possibility of increase of revenue from licences levied by the City Police. He also made two general suggestions :—

(1) By simplifying accounts and properly systematizing work, office staffs could be reduced ; and

(2) under existing travelling allowance rules, many officers draw more travelling allowance than is necessary and the introduction of system of actuals would result in a substantial saving.

The Inspector-General may be asked to elaborate his points.

In view of the reduction in the area of the Northern range, it may be considered whether it would not be possible to reduce the number of Deputy Inspectors-General by one.

14. *Electricity.*—Some revenue might be derived from a special tax on domestic consumption as in Bombay and Bengal.

15. *Education.*—At the Collectors' Conference, the Director of Public Instruction expressed the opinion that an enhancement of school and college fees would be feasible if accompanied by an increase in fee concessions in order to ensure that brilliant children of poor parents are not denied higher education on the ground of expense. He thought that the best method of avoiding waste would be to eliminate assistance to schools which do not contribute to literacy. As regards district educational councils, he would abolish them, but if that was not possible on political grounds, he would increase Government control over them especially in the matter of their power of recognition and grant-in-aid, appoint official presidents, either the Collector or the District Educational Officer and amalgamate the office of the District Educational Council with that of the District Educational Officer.

Regarding the abolition of Government colleges, he considered that this could not be applied to the technical and special colleges, or to the Presidency College, or to the College in the Ceded districts where there is a great lack of private colleges ; but that the remaining four or five colleges could be abolished but only by gradual instalments by closing down a section here or a section there as opportunities offered.

16. *Medical.*—It would seem that better realizations of fees and payments for services rendered in hospitals are possible. If every patient paid even half an anna, the sum realized would be not inconsiderable. Again, it would seem that patients who can really afford to pay in part or whole as in-patients either do not pay at all or pay inadequately in proportion to their means.

As regards fees in Medical Colleges, the Surgeon-General admitted at the Conference that they could be raised on a purely commercial basis in view of the fact that applications for admission invariably and considerably exceed vacancies. But he considered that it was hardly advisable to do so as the fees in his opinion were already high. This latter view is open to argument in view of the almost assured prospect of remunerative employment which a medical education offers.

The report of the Lay Officer recently working in Madras hospitals contains some interesting suggestions which might be considered not only in regard to Madras hospitals, but also in regard to mufassal hospitals. It may also be considered to what extent there is overlapping of Government and local board institutions and private institutions. Some areas may have comparatively far better medical facilities than others.

17. *Public Health.*—An important matter for consideration is the present system of grants for water-supply and drainage. Water-supply schemes in particular ought to provide for the levy of charges on a scale which should render them self-supporting as commercial undertakings, as they are, it is believed, in England. On this basis, it should be possible to finance them by loans without grants by Government, especially in present conditions when the rate of interest is very low. At present the extension of schemes is limited by the ability of Government to find funds for half grants. If schemes could be financed entirely by loans, it should be possible to go ahead far more rapidly. The money thus saved could better be applied to rural water-supply schemes which do require Government assistance.

18. *Agriculture and Veterinary.*—There has been some criticism of the livestock section that its work does not fully justify the expenditure. It has been suggested on several occasions that it would be more satisfactory and economical if the Veterinary department

controlled the livestock section. In particular, it has been suggested that full use of the Hosur farm is not made. About 1926, a scheme was worked out for supplying milk to Madras from Hosur but was given up for purely political reasons. This matter might be examined again. The cost of both the Agricultural and Forest Colleges might possibly be reduced by employing common lecturers in some subjects, e.g., Botany.

The Director of Veterinary Services pointed out at the Collectors' Conference that he would shortly be able to undertake the manufacture of two new kinds of vaccine which would result in savings to Government.

19. *Co-operative credit.*—It has been frequently suggested that the department gets too much assistance in the matter of the remission of fees for registering documents, etc., which ultimately are concessions to individual borrowers for services rendered. Government also pay for a certain amount of staff for co-operative societies and land mortgage banks. Obviously, public revenues should not be used for the purpose of allowing banks to pay bigger dividends to their shareholders or for the rapid building up of reserves. In the initial stages, no doubt, some assistance from public funds may be justifiable, but clearly the ultimate object is to make societies and banks stand on their own legs and not look for direct or indirect subsidies from Government.

20. *Fisheries.*—The question of the amalgamation of the department with some other department has been raised. Fish-curing yards might possibly be managed by the Excise department.

21. *Miscellaneous departments.*—The question of the adequacy of inspection fees for factories and electrical and motor vehicle inspections, and examination fees may be considered.

22. *Civil Works.*—It may be considered how far grants-in-aid to local bodies are really necessary.

23. *Miscellaneous.*—All donations for charitable institutions should be brought under review. Contributions which may have been justified in the infancy of charitable institutions should not necessarily be continued when these institutions have established themselves. There is a regrettable disposition in India to look for Government help even in matters which are not the concern of Government but which should, as in other countries, be supported by the efforts of private charity. If once a charitable institution gets a grant from the Government, the general public are likely to lose their sense of responsibility for the continuance of their contribution.

24. *Agency tracts.*—Expenditure on the various items should be reviewed on the lines indicated in this and in the previous note.

25. *General.*—The loss or potential loss to Government revenues as a result of corruption in the various departments must be immense. There is too great a tendency to accept corruption as inevitable in view of the great difficulty of obtaining trustworthy evidence against corrupt officers, and a singular lack of public spirit in the matter on the part of non-officials. A concerted drive against corruption in all departments, as has been done in one or two other Provinces, would help to arouse public opinion against the evil and might lead to some positive results, which could be followed up by constant and steady pressure thereafter.

C. E. JONES,
Secretary to Government.

ANNEXURE C.

(See paragraph 6 of the report.)

I. PROPOSALS WHICH HAVE BEEN DROPPED.

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Additional revenue per annum. (4)	Remarks. (5)
		Revenue.		
		Provincial.		
			RS.	
1	VII. Land Revenue.	Enhancement of water-cess for sugarcane cultivation.	Not known ..	G.O. No. 2197, Revenue, dated 9th October 1936.
2	Do.	Introduction of the sliding scale system of remission of land revenue as in the Punjab.	Do. ..	G.O. No. 2315, Revenue, dated 28th October 1936.
3	Do.	Increase in the scale of fees for the processes under the Madras Revenue Recovery Act (Act II of 1864).	Do. ..	G.O. No. 2343, Revenue, dated 31st October 1936.
4	Do.	Increasing the recoveries now made for services rendered such as fees for indicating boundaries, etc.	Do. ..	G.O. No. 2371, Revenue, dated 3rd November 1936.
5	Do.	Increasing the sale price of demarcation stones for maintenance.	Do. ..	Do.
6	Do.	Levy of fees for registration in revenue records of rights and interest newly acquired or transferred.	Do. ..	G.O. No. 323, Revenue, dated 8th February 1937.
7	Do.	Increasing the share of expenditure recovered from local bodies in respect of survey, land records, etc., operations conducted by the Government on their behalf.	Do. ..	G.O. No. 23, Revenue, dated 5th January 1937.
8	VIII. Excise ..	Levy of a fee of 8 annas on each tree tapping licence and a fee of 2 annas on every permit for the transport of toddy.	50,000	G.O. No. 106, Revenue, dated 13th January 1937.
9	Do. ..	Allowing a reduction in alcoholic contents of toddy and some latitude in mixing sweet toddy with the fermented toddy.	Not known ..	Do.
10	IX. Stamps ..	Cancellation of Court-fee stamps by perforation on presentation of petitions in order to prevent leakage of stamp revenue.	Do. ..	Orders will be issued in the Home Department.
11	Do. ..	Reduction of the maximum value of a Court-fee stamp to Rs. 10 in order to minimize frauds.	Do. ..	
12	X. Forest ..	Cultivation of soft wood for use in the manufacture of match sticks and increasing the production of bamboos.	Do. ..	G.O. No. 1859, Development, dated 21st October 1936.
13	XIII. Other taxes and duties.	Levy of a terminal tax on all steamer passengers (incoming or outgoing).	Do. ..	G.O. No. 2832, P.W.D., dated 8th December 1936.
14	Do.	Extension of the provisions of the Betting Tax Act to Ootacamund Races.	3,000 ..	G.O. No. 605, Revenue, dated 16th March 1937.

ANNEXURE C—*cont.*

I. PROPOSALS WHICH HAVE BEEN DROPPED—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Additional revenue per annum. (4)	Remarks. (5)
		Revenue—cont.		
		Provincial—*cont.*		
			RS.	
15	XIII. Other taxes and duties.	Levy of a tax on aerated waters	Not known ..	G.O. No. 106, Finance, dated 18th March 1937.
16	Do.	Levy of tax on the manufacture of ice ..	Do. ..	..
17	Do.	Provincialization of entertainment tax.		G.O. No. ,dated
18	XXIII. Police.	Substitution of fines for short-term sentences.	Do. ..	G.O. No. 817, Home, dated 25th February 1937.
19	XXVII. Medical.	Levy of a small tuition fee from women students in Medical colleges and schools.	Do.	G.O. No. 196, P.H., dated 25th January 1937.
20	Do.	Increase of the tuition fees in Medical colleges.	Do.	G.O. No. 660, P.H., dated 12th March 1937.
21	XLIV. Receipts in aid of Superannuation.	Increasing the rate of contribution for pensions and gratuities in respect of officers on foreign service, etc.	Do.	G.O. No. 700, Finance (Pension), dated 7th August 1936.
22	XLV. Stationery and Printing.	Printing larger number of Government publications for sale.	Do.	Orders will be issued in the Education and Public Health Department.
23	XLVI. Miscellaneous.	Enhancement of the rates of fines to be imposed on impounded cattle.	Do.	G.O. No. 2343, Revenue, dated 31st October 1936.
24	Do.	Possibility of increasing the revenue derived from the use of remittance transfer receipts by public and other bodies.	Do.	Memorandum No. 25209-Accts.-5, dated 2nd December 1936.
25	Do.	Revision of the grades of fees for the certification of weights and measures.	Do.	G.O. No. 1995, Development, dated 9th November 1936.
26	Do.	Increasing the revenue derived from the Laccadive and the Amini Divi Islands.	Do.	G.O. No. 319, Public (Political), dated 13th February 1937.
		Local.		
27		Levy of surcharge on income-tax in aid of the finances of local bodies.	Do.	G.O. No. 68, L.S.G., dated 6th January 1937.
28		Relieving of local bodies of their contribution from general revenues to Elementary Education fund and the levy of an education tax.	Do.	..

ANNEXURE C—*cont.*

I. PROPOSALS WHICH HAVE BEEN DROPPED—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Savings per annum. (4)	Remarks. (5)
		Expenditure.		
1	9. Stamps ..	Reduction in the staff employed in the administration of stamp revenue.	Not known.	G.O. No. 2626, Revenue, dated 7th December 1936.
2	11. Registration.	Reduction in the number of sub-registry offices by—		
		(a) Utilization of the agency of Revenue department for registration work.	Do.	G.O. No. 478, Revenue, dated 3rd March 1937.
		(b) Employment of honorary agencies or pensioners for sub-registrars' work as in other provinces and the feasibility of its adoption in this province.	Do.	
		(c) Concentration of work in one or two offices where such a course is possible.	Do.	
3	Do.	Entrusting to sub-registrars revenue work such as disposal of applications for assignment of land and house-sites.	Do.	Do.
4	25. General Administration.	Amalgamation of Podili and Darsi taluks in Nellore district into a single taluk with headquarters at Podili.	2,500	G.O. No. 321, [illegible], dated 8th February 1937.
5	Do.	Reduction in the scales of remuneration for pound-keepers and pound servants and in the expenditure on petty construction and repairs relating to pounds.	Not known.	G.O. No. 2343, Revenue, dated 31st October 1936.
6	Do.	Economy in the expenditure relating to the Laccadive and Amini Divi Islands.	Do.	G.O. No. 319, Public (Political), dated 13th Februay 1937.
7	Do.	Economy in the expenditure relating to the District staffs in the Revenue department.	Do.	G.O. No. 2371, Revenue, dated 3rd November 1936.
8	Do.	Reduction in the rate of remuneration of copyists and examiners in the Revenue department.	Do.	G.O. No. 107, Finance, dated 18th March 1937.
9	27. Administration of Justice.	Reduction in the rates of remuneration of law officers and in the strength of their establishments.	Do.	Orders will be issued in the Home Department.
10	Do.	Amalgamation of the posts of Crown Prosecutor and Public Prosecutor.	Do.	
11	28. Jails and Convict Settlements.	Abolition of two posts of teachers in the Central Jails at Salem and Vizagapatam.	918	G.O. No. 3113, Home, dated 9th November 1936.
12	Do.	Premature release of old and infirm prisoners.	7,800	G.O. No. 2930, Home, dated 28th October 1936.
13	Do.	Direct release of habitual prisoners from the Special jails at Salem and Vizagapatam.	7,050	G.O. No. 545, Home, dated 6th February 1937.
14	Do.	Utilization of convict labour on roads and other Public Works.	Not known.	G.O. No. 3440, Home, dated 30th November 1936.
15	29. Police ..	Purchase in the open market of articles of Police equipment now supplied by the Jail department.	Do.	Orders will be issued in the Home Department.
16	Do. ...	Reduction in the number of Deputy Inspectors-General of Police.	Do.	

ANNEXURE C—*cont.*

I. PROPOSALS WHICH HAVE BEEN DROPPED—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Savings per annum. (4)	Remarks. (5)
		Expenditure—cont.	RS.	
17	36. Scientific Departments.	Economy in expenditure in the Electricity Department such as reduction of staff, etc.	Not known ..	G.O. No. 14, P.W.D. (Electricity), dated 5th January 1937.
18	37. Education ..	Abolition of District Educational Councils and closing inefficient elementary schools.	Do. ..	G.O. No. 1898, Education, dated 7th September 1936, and G.O. No. 187, Education, dated 27th January 1937.
19	38. Medical ..	Reduction of expenditure on grants to private medical institutions.	Do. ..	G.O. No. 2414, P.H., dated 8th December 1936.
20	Do. ..	Discontinuance of Capitation grants to private leper asylums.	Do. ..	Do.
21	Do. ..	Abolition of leave reserve in the Madras Medical Service (general branch).	Do. ..	G.O. No. 274, P.H., dated 2nd February 1937.
22	Do. ..	Economy in the expenditure relating to Indian Medical School and the Hospital attached to it.	Do. ..	G.O. No. 267, P.H., dated 1st February 1937.
23	43. Industries ..	Possibility of keeping the expenditure relating to the Zoological supply section, Ennore, within receipts.	Do. ..	G.O. No. 132, Development, dated 16th January 1937.
24	47. Miscellaneous Departments.	Closure of the Agricultural farm in the Criminal Tribes Settlement, Siddhapuram.	1,200	G.O. No. 81, Home, dated 24th February 1937.
25	Do.	Retrenchment in the expenditure relating to the amelioration of the condition of the depressed classes.	Not known ..	Orders will be issued in the Development Department.
26	57. Miscellaneous.	Discontinuance of or reduction in the grant to Muhammadan Female Aid Charity Fund.	700	G.O. No. 2018, Public (Political), dated 8th December 1936.
27	Do.	Reduction in the rates of reward for the destruction of wild animals.	Not known ..	G.O. No. 307, Development, dated 8th February 1937.

ANNEXURE C—*cont.*

II. PROPOSALS WHICH HAVE BEEN GIVEN EFFECT TO IN THE COURSE OF THE YEARS 1935–36 AND 1936–37.

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Additional revenue per annum. (4) RS.	Remarks. (5)
		Revenue.		
		Provincial.		
1	VII. Land Revenue.	Imposition of a higher rate of process fee in respect of village officer's suits under the Hereditary Village Officers Act.	100	G.O. No. 2343, Revenue, dated 31st October 1936.
2	Do.	Increasing the price of maps printed and sold by the Survey Office.	150	G.O. No. 23, Revenue, dated 5th January 1937.
3	Do.	Increase of revenue by the declaration of more villages as towns.	7,000	G.O. No. 546, Revenue, dated 12th March 1937.
4	VIII. Provincial Excise.	Levy of a duty of Rs. 30–12–0 on each gallon of methyl alcohol used in the manufacture of perfumes and toilet preparations.	Not known.	G.O. No. 901, Revenue, dated 23rd April 1936.
5	Do.	Restoration of old rate of excise duty on beer, i.e., 12 annas per gallon, from 1st April 1936.	Do.	G.Os. Nos. 296–297, Revenue, dated 11th February 1936.
6	Do.	Levy of gallonage fees on the sales of foreign liquor.	3,18,000	G.O. No. 529, Revenue, dated 9th March 1936.
7	Do.	Levy of a fee of 3 pies per bulk gallon issued from distilleries and warehouses to shops and depots to be collected quarterly in arrears from the contract supplier.		
8	Do.	Levy of a fee of Rs. 50 per annum for each arrack warehouse licence.	32,000	G.O. No. 106, Revenue, dated 13th January 1937.
9	Do.	Levy of a fee of Rs. 15 per annum for each wholesale arrack depot opened by contract suppliers.		
10	Do.	Levy of a fee of Rs. 5 each for M-1 and M-2 licences issued under the Madras Manufactured Drugs Rules.	1,200	Do.
11	Do.	Increasing the gallonage fee of 8 annas per gallon of denatured or methylated spirits or methyl alcohol sold or used under certain licences to 10 annas per gallon.	13,000	Do.
12	XI. Registration.	Levy of an additional fee of 6 pies for the return of registered documents by post.	Not known.	G.O. No. 1275, Revenue, dated 12th June 1936.
13	XII. Receipts under Motor Vehicles Taxation Act.	Enhancement of the motor vehicle tax on buses.	3,21,000	G.O. No. 742, L. & M., dated 24th February 1936.
14	Do.	Levy of a fee of Rs. 10 on applications for recruitment of Motor Vehicle Inspectors.	Not known.	G.O. No. 3542, Home, dated 7th December 1936.
15	XIII. Other Taxes and Duties.	Enhancement of the rate of betting tax in Madras from $1\frac{1}{4}$ per cent to $2\frac{1}{2}$ per cent.	1,00,000	G.O. No. 605, Revenue, dated 16th March 1937.
16	XXI. Administration of Justice.	Levy of a fee of 12 annas on vakalats presented by legal practitioners in the Court of Small Causes, Madras.	25,000	The Chief Judge, Court of Small Causes, has issued the order.

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ANNEXURE C—*cont.*

II. PROPOSALS WHICH HAVE BEEN GIVEN EFFECT TO IN THE COURSE OF THE YEARS 1935–36 AND 1936–37—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Additional revenue per annum. (4) RS.	Remarks. (5)
		Revenue—cont.		
		Provincial—*cont.*		
17	XXIII. Police.	Levy of a fee of Rs. 10 on every application for the posts of sergeants and charge-sergeants, jamedars and subedars in Malabar Special Police.	Not known.	G.O. No. 3230, Home, dated 18th November 1936 and G.O. No. 944, Home, dated 5th March 1937.
18	Do.	Enhancement of fees levied for licences issued under the Madras City Police Act, for eating houses, taverns, etc.	4,380	G.O. No. 816, Home, dated 25th February 1937.
19	XXVI. Education.	Levy of increased fees from university stipendiaries working in the Presidency College Physics and Chemistry laboratories.	Not known.	G.O. No. 1877, Education, dated 2nd September 1936.
20	Do.	Levy of registration fee from students in educational institutions admitted after a break.	Do.	G.O. No. 990, Education, dated 13th May 1936.
21	Do.	Raising the fees for the post-graduate course in Government Arts Colleges.	Do.	G.O. No. 658, Education, dated 31st March 1936.
22	Do.	Levy of a fee of Rs. 10 each from research students working in the laboratories of the Engineering College.	200	G.O. No. 2446, Education, dated 14th November 1936.
23	XXVII. Medical.	Levy of an annual registration fee of Rs. 3 from all students of the Medical school.	900	G.O. No. 385, P.H., dated 11th May 1936.
24	Do.	Levy of a fee of Rs. 100 per mensem for post-graduate training for three months at the Government Hospital for Women and Children, Madras.	6,000	G.O. No. 2513, P.H., dated 15th December 1936.
25	Do.	Increase of receipts from fees for X-Ray examination and treatment.	Not known.	G.O. No. 1223, P.H., dated 12th August 1936.
26	XXVIII. Public Health.	Levy of fees from applicants for posts of Municipal Engineers controlled by the Sanitary Engineer.	Do.	G.O. No. 5194, L.S.G., dated 30th November 1936.
27	Do.	Enhancement of hire charges for lending health propaganda materials to associations, etc., outside the Province.	Do.	G.O. No. 1549, P.H., dated 10th September, 1936.
28	Do.	Levy of a fee of Rs. 15 from each candidate for training in vital statistics work.	Do.	G.O. No. 538, P.H., dated 25th May 1936.
29	XXII. Industries.	Enhancing the rate of fees for the various courses except the vernacular drawing course at the Government School of Technology.	2,400	G.O. No. 382, Development, dated 10th February 1937.
30	Do.	Levy of fees for students admitted into the Fine Arts classes of School of Arts and Crafts.	2,700	Do.
31	XXXIX. Civil Works.	Transfer of three buildings in the Government House, Guindy, to the Public Works Department for renting out to Government officers.	4,260	G.O. No. 1449, Public Works, dated 22nd June 1936.
32	Do.	Levy of fees from applicants for the post of municipal electrical engineers.	Not known.	G.O. No. 5194, L.S.G., dated 30th November 1936.
		Local.		
33	..	Levy of tax on displayed advertisements by the Madras Corporation.	Not known.	G.O. No. 5164, L.S.G., dated 27th November 1936 and G.O. No. 658, L.S.G., dated 15th February 1937.
34	..	Increase in the rate of property tax levied by Municipal Councils.	Do.	G.O. No. 797, L.S.G., dated 26th February 1937.

ANNEXURE C—*cont.*

II. PROPOSALS WHICH HAVE BEEN GIVEN EFFECT TO IN THE COURSE OF THE YEARS 1935–36 AND 1936–37—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Savings per annum. (4)	Remarks. (5)
		Expenditure.	RS.	
1	8. Provincial Excise.	Amalgamation of Cannanore and Chirakkal excise ranges and the amalgamation of Negapatam and Tiruvarur ranges in the Tanjore district.	2,900	Memorandum No. 4043, Revenue, dated 2nd November 1936.
2	Do.	Abolition of one peon in each of the excise ranges of Panruti and Kurinjipadi in the South Arcot district.	288	G.O. No. 2769, Revenue, dated 17th December 1936.
3	9. Stamps ..	Reduction of discount payable to licensed stamp vendors.	24,100	G.O. No. 70, Revenue, dated 8th January 1937 and G.O. No. 549, Revenue, dated 12th March 1937.
4	28. Jails and Convict Settlements.	Alteration in the present period of wear of boots supplied to the jail warder establishment from six months to one year.	750	G.O. No. 3785, Home, dated 24th December 1936.
5	Do.	Extension to habitual prisoners of the Advisory Board Scheme of release.	8,550	G.O. No. 1026, Home, dated 12th March 1937.
6	29. Police ..	Issue of Khaki shorts instead of knickerbockers to the constabulary in the Madras City.	750	G.O. No. 1033, Home, dated 12th March 1937.
7	38. Medical ..	Continuance of the auction system for the supply of dietary articles in the Medical Department in 1937–38.	Not known ..	G.O. No. 2601, P.H., dated 21st December 1936.
8	43. Industries ..	Reduction in the value of scholarships tenable in the Indian Institute of Science, Bangalore, and the Victoria Jubilee Technical Institute, Bombay.		
9	Do. ..	Reduction in the number of scholarships tenable at the Andhra University for study in sugar technology.	4,560	G.O. No. 332, Development, dated 10th February 1937.
10	Do. ..	Keeping in abeyance the post of Inspector of Industrial Schools.	11,000	G.O. No. 539, Development, dated 5th March 1937.
11	47. Miscellaneous Departments.	Curtailment of expenditure on the supply of clothing to children in criminal tribes settlement schools.	3,000	G.O. No. 679, Home, dated 13th February 1937.
12	Do.	Abolition of the creche at Konnur settlement.	450	Do.
13	Do.	Reduction in the rates of wages of settlers in the Bitragunta settlement.	2,000	Do.
14	Do.	Reduction of the maximum rate of As. 1–6 per meal to 1 anna per meal allowed to children in settlement schools.	Not known	Do.
15	Do. ..	Discontinuance of the expenditure relating to hostel day celebration in the Paddison hostel for depressed classes pupils.	50 ..	G.O. No. 5, Development, dated 4th January 1937.
16	56. Stationery and Printing.	Economy in the printing and supply of certain treasury forms.	..	G.O. No. 524, Education and Public Health, dated 12th March 1937.
		General.		
17	..	Concerted drive against corruption among Government servants.	Not known. ..	G.O. No. 1856, Public (Services), dated 19th November 1936.
18		Introduction of sliding scale charges in regard to the Electrical energy supplied to the Government buildings by the Madras Electric Supply Corporation, Ltd.	87,100	G.O. No. 501, P.W.D. (Electricity), dated 9th March 1937.

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ANNEXURE C—*cont.*

III. PROPOSALS LEFT OVER FOR THE CONSIDERATION OF THE NEW GOVERNMENT.

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Additional revenue per annum. (4)	Reference to detailed notes. (5)
		Revenue.	RS.	
1	VII. Land Revenue.	Levy of a tax on agricultural incomes ..	Not known.	Annexure F—I.
2	Do.	Enhancement of the scale of standard water-rates prescribed in Appendix I-A of the B. S. O. No. 4.	7,000	Do. F—II.
3	Do.	Increase in the rate of land-cess ..	Do.	Do. F—III.
4	Do.	Levy of inclusion fees in new areas ..	Do.	Do. F—IV.
5	Do.	Revival of the ryotwari and proprietary estates village service cess.	Do.	Do. F—V.
6	Do.	Revision of the present system of assessment of ground-rent.	Do.	Do. F—VI.
7	IX. Stamps.	Enhancement of stamp duties ..	Do.	Do. F—VII.
8	Do.	Withdrawal of the exemption from payment of stamp duty in respect of co-operative societies.	Do.	Do. F—VIII.
9	XI. Registration.	Enhancement of registration fees	4,00,000	Do. F—IX.
10	Do.	Widening the scope of compulsory registration.	Not known.	Do. F—X.
11	Do.	Withdrawal of concession to co-operative societies in the matter of registration fees.	1,41,000	Do. F—XI.
12	XXXI. Co-operative Credit.	Levy of fees for registration of co-operative societies and of amendments to bylaws under the Madras Co-operative Societies Act.	1,000	Do. F—XII.
13	XLVI. Miscellaneous.	Increase in the scale of fees for search of documents, records, etc.	Not known.	Do. F—XIII.
14	XII. Other taxes and duties.	Levy of licence fee on the sale of tobacco ..	3,50,000	Do. F—XIV.
15	XXXVI. Miscellaneous. Departments.	Enhancement of fees under the Indian Trade Unions Act, 1926.	Not known.	.. ..

ANNEXURE C—*cont.*

III. PROPOSALS LEFT OVER FOR THE CONSIDERATION OF THE NEW GOVERNMENT—*cont.*

Serial number. (1)	Head of account. (2)	Abstract of proposal. (3)	Savings per annum. (4)	Reference to detailed notes (5)
		Expenditure.		
			RS.	
1	..	Reduction of pay of Government servants.	Not known.	Annexure G—I.
2	..	Grant of fixed pay instead of time-scales to holders of temporary posts.	Do.	Do. G—II.
3	25. General Administration.	Effecting economy in the expenditure relating to land revenue administration by— (a) the clubbing of small villages .. (b) the amalgamation of the offices of karnam and headman in light villages. (c) the revision of pay of village officers and menials.	11,13,000	Do. G—III.
4	10. Forest ..	Closure of the Madras Forest College ..	Not known.	Do. G—IV.
5	11. Registration.	Reduction in the number of sub-registry offices.	Do.	Do. G—V.
6	..	Reduction in the number of Government holidays.	Do.	Do. G—VI.
7	..	Reductions in the rates of travelling allowances to members of the new legislature.	Do.	Do. G—VII.
	..	Economy in contingent expenditure ..	Not known.	Do. G—VIII.

ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION.

(See paragraph 42 of the report.)

Serial number. (1)	Abstract of proposal. (2)	Additional revenue per annum. (3)
	REVENUE.	
	PUBLIC DEPARTMENT.	
		RS.
1	Levy of fees from candidates applying for posts held outside the purview of the Public Service Commission, Madras.	32,500
2	Levy of stamp duty on applications or petitions	Not known.
	HOME DEPARTMENT.	
8	Levy of fees of higher values under the Court Fees Act	Not known.
9	Levy of succession duties	Do.
10	Examination of the question of the adequacy of process fees	Do.
11	Cancellation of notification remitting the fee chargeable under article 10 of Schedule II of the Madras Court Fees (Amendment) Act of 1922 in respect of Memorandum of appearance filed by the Legal Advisor to the Madras Corporation.	3,000
12	To give one year's currency to court fee stamps in order that leakage of court fees may be prevented.	Not known.
13	Issue of a General circular to all officers concerned to bring to their notice Stamp Manual S.O. No. 117-2, whereby all attestations of private documents by Judges and Magistrates in certain circumstances should be stamped with a court fee stamp of 8 annas.	Do.
14	Enhancement of the Sheriff's fees pertaining to the original side and the schedule of fees applicable to insolvency proceedings.	2,300
15	Imposition of heavy fines for offences against property and in motor vehicle cases.	Not known.
16	To credit to the Government fines in municipal cases in the city which are now credited to the Madras Corporation.	17,000
17	Levy of process fee and batta from parties in municipal cases	10,000
18	Enhancement of charges recovered from judgment-creditors so as to include charges on account of supervision and guarding of civil debtors.	Not known.
19	Increase of fees for the registration of vehicles under the Madras Hackney Carriage Act.	24,000
20	Enhancement of licence fees for motor vehicles, etc.	3,45,000
21	Enhancement of taxation on private motor lorries under Madras Motor Vehicles Taxation Act.	Not known.
22	Increase in the rate of subscription for Indian Law Reports, Madras Series.	Do.
23	Levy of fees for licensing money-lenders	9,00,000

ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION—*cont.*

Serial number. (1)	Abstract of proposal. (2)	Additional revenue per annum. (3)
	REVENUE—*cont.*	
	HOME DEPARTMENT—*cont.*	RS.
24	Levy of fees for licensing petition writers	Not known.
25	Increase in the rate of commission and fees levied by the Administrator-General and Official Trustee.	Do.
	FINANCE DEPARTMENT.	
26	Levy of fees for auditing the accounts of the Administrator-General and Official Trustee by the Examiner of Local Fund Accounts.	2,900
27	Revision of the rate of fee for auditing the accounts of the suitors' fund ..	1,400
28	Levy of fees for auditing the accounts of the Universities by the Examiner of Local Fund Accounts.	Not known.
	REVENUE DEPARTMENT.	
29	Imposition of a higher rate of process-fees in revenue courts	Not known.
	DEVELOPMENT DEPARTMENT.	
30	Increase in the rate of royalties on mines and minerals	Not known.
31	Increase of licence fees in ryots and panchayat forests	Do.
32	Increase in the sale price of seed	1,000
33	Increased cultivation of commercial crops on the Agricultural Research stations.	25,000
34	Growing of sandalwood at Hosur	2,000
35	Establishment of four fruit nurseries	22,600
36	Levy of fees for inspection by officers of the Agricultural Department of lands belonging to rich ryots and zamindars.	2,500
37	Extending the system of levy of fees to all veterinary institutions and the enhancement of the fees for admission and treatment in veterinary hospitals.	Not known.
38	Levy of fees for inoculations and enhanced rates of fees for certificates issued for export of animals, animal products, etc.	Do.
39	Recovery of contributions from municipalities in respect of veterinary institutions.	15,000
40	Manufacture of biological products in the Serum Institute	Not known.

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ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION—*cont.*

Serial number. (1)	Abstract of proposal. (2)	Additional revenue per annum. (3)
	REVENUE—*cont.*	
	DEVELOPMENT DEPARTMENT—*cont.*	RS.
41	Increase in the rate of operation charges in veterinary college hospitals.	Not known.
42	Recovery from co-operative societies, etc., of liquidation charges at 7½ per cent instead of 5 per cent of the collections.	18,000
43	Levy of arbitration fees under the Madras Co-operative Societies Act ..	10,700
44	Revision of fees for pumping and boring work done by the District Engineering branch.	Not known.
	LOCAL SELF-GOVERNMENT DEPARTMENT.	
45	Provincialization of the tax on entertainments	Not known.
	Local.	
46	Levy of surcharge on transfer of property in Municipal areas	Not known.
47	Increase of the rate of licence fees on motor lorries and motor buses by local bodies.	Do.
48	Imposition of a tax on all four wheeled and two wheeled vehicles including motor vehitles and perambulators.	Do.
	EDUCATION AND PUBLIC HEALTH DEPARTMENT.	
49	Retransfer to Government of the copyright of books now vesting in the Text-Book Committee.	Not known.
50	Raising the rate of fee for training students from outside the Madras Presidency in the Government Training Colleges and Schools.	Do.
51	Levy of a tax on all proprietary medicines whether they are advertised or not.	Do.
52	Levy of fees for bacteriological examination now done free of cost in the King Institute and recovery of cost of sera and vaccine now supplied free.	Do.
53	Increase in the rates of fees now charged for tests conducted at the King Institute.	Do.
54	Levy of a fee of one anna on all admission to the Museum	Do.
55	Making the purchase of College calendars by students obligatory	Do.
56	Enhancement of the fees and hospital stoppages in medical institutions.	Do.
57	Increase in the rate of fees for private analytical work done in biochemical laboratories.	Do.
58	Enhancement of the rates of fees for the Sanitary Inspector's Examination.	Do.
	PUBLIC WORKS DEPARTMENT.	
59	Levy of a tax on electricity generated or purchased by each licensee to make the Electrical Inspector's department self-supporting.	27,000
60	Recovery of rent from students in the Queen Mary's College Hostel and from students in other hostels where accommodation is provided at the cost of Government.	3,000
61	Adoption of the system introduced by the Madras and Southern Mahratta Railway of writing up the capital cost of its old bungalows to level out the loss incurred on later-built bungalows whose capital cost is high.	Not known.

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ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION—*cont.*

Serial number. (1)	Abstract of proposal. (2)	Savings per annum. (3)
	EXPENDITURE.	
	PUBLIC DEPARTMENT.	
		RS.
1	Reduction in the rate of allowance now given to the Secretary, Board of Examiners, and the reduction of his office establishment consequent on the transfer and control of certain examinations to the Public Service Commission, Madras.	Not known.
2	Increase in the number of hours of work in Government offices	Do.
3	Counting for probation and increments of the first three months service in officiating and temporary appointments.	Do.
	HOME DEPARTMENT.	
4	Transfer of certain items of work, now done by the Government Solicitor to the Legal Department and the consequent abolition of the post of Government Solicitor.	Not known.
5	Reduction in the rate of remuneration to copyists in the Judicial Department.	Do.
6	Reduction of the remuneration of the Government Solicitor and of the law charges of this Government.	Do.
7	Reduction in the staff of the Administrator-General and Official Trustee.	Do.
8	Reduction in the staff of Law Reporters	Do.
9	Amalgamation of the Junior Certified School at Ranipet with that of Bellary.	5,400
10	Employment of a secondary trained teacher as Headmaster of the Senior Certified School, Chingleput, in the place of the present L.T. Assistant.	1,500
11	Purchase in the open market of articles of police equipment now supplied by the Jail department.	Not known.
12	Examining the possibility of reducing staffs employed in police offices by deputing an officer to other Provinces to study office systems there.	Do.
13	Simplification of the present system of accounts and forms in district police offices by substituting the personal ledger system adopted by firms.	Do.
14	Reduction in the cost of printing I.L.R., Madras Series	Do.
	FINANCE DEPARTMENT.	
15	Economy in the expenditure of the Local Fund Audit Department ..	Not known.
16	Restricting the grant of special additional pensions to officers .. .	Do.
	REVENUE DEPARTMENT.	
17	Undertaking legislation for rigorous enforcement of kudimaramat and investigation of the present system of recovering contributions from ryots in the various districts for minor irrigation works.	Not known.
18	Reduction of expenditure on account of process-service establishment in Revenue Courts.	Do.

ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION—*cont.*

Serial number. (1)	Abstract of proposal. (2)	Savings per annum. (3)
	EXPENDITURE—*cont.*	
	DEVELOPMENT DEPARTMENT.	
		RS.
19	Reduction in the number of Deputy Directors of Agriculture and increase in the number of Assistant Directors and the restoration of the post of Personal Assistant to the Director of Agriculture.	3,000
20	Replacement of Superintendents in charge of four Agricultural Stations by Upper Subordinates.	12,000
21	Construction of buildings—Savings in rent	2,400
22	Appointment of common Lecturers in the Agricultural and Forest colleges.	Not known.
23	Amalgamation of the staff in the College and in the Research Institute at Coimbatore.	Do.
24	Reduction in travelling allowance charges by the transfer of the 22 needle craft schools from the supervision of the Assistant Director (Textiles) to the Inspector of Industrial Schools.	500
25	Abolition of the Fisheries Department or its amalgamation with Industries, Agriculture or Labour Department.	Not known.
26	Handing over Inland Fisheries to local bodies in view of the small revenue derived therefrom.	Do.
27	Transfer of fish-curing yards to the Excise Department	Do.
28	Transfer of Pearl and Chank Fisheries to the Port department . ..	Do.
29	Measures to prevent corruption in the Fisheries department	Do.
30	Appointment of a Deputy Director of Fisheries in the cadre of Deputy Collectors to be in charge of the administration and development of fishing industry.	Do.
31	Appointment of an advisory committee to advise the Deputy Director on schemes of development of fishing and to reduce the expenditure incurred in running fish-curing yards.	Do.
32	Abolition of posts of Assistant Directors of Fisheries by putting Inspectors in independent charge of sections.	Do.
33	Economy in the Cinchona Department	Do.
34	Payment of fees to certifying surgeons under the Indian Factories Act ..	2,000
	LOCAL SELF-GOVERNMENT DEPARTMENT.	
35	Abolition of the annual grant of Rs. 460 to the Nilgiri District Board for the maintenance of 13 choultries in the Nilgiri district.	460
	EDUCATION AND PUBLIC HEALTH DEPARTMENT.	
36	Extension of the system of appointing honorary medical officers .. .	Not known.
37	Economies in the expenditure on hospitals	Do.
38	Reduction of fees payable to the Government of India for examination of blood stains by the Imperial Serologist.	Do.
39	Reduction of expenditure in the Public Health Department such as retrenchment in staff, etc.	Do.

ANNEXURE C—*cont.*

IV. PROPOSALS WHICH ARE STILL UNDER CONSIDERATION—*cont.*

Serial number. (1)	Abstract of proposal. (2)	Savings per annum. (3)
	EXPENDITURE—*cont.*	
	Education and Public Health Department—*cont.*	
		RS.
40	Discontinuance of the annual grant and all financial aid to the Pasteur Institute, Coonoor.	30,000
41	Discontinuance of the remuneration of Rs. 2½ per diem paid to Assistant Superintendents for S.S.L.C. examination who are not Government servants.	**Not known.**
42	Economy in expenditure under Printing and Stationery—	
	(*a*) Introduction of a new method of cost finding	Do.
	(*b*) Restoration of the old size of type in printing gazettes, etc. . ..	Do.
	(*c*) Canvassing advertisements for publication in the outer covers of Government publications.	Do.

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ANNEXURE D.

(See paragraph 7 of the Report.)

Revenue.

(1)	Budget, 1937–38. (2)	Alterations with reference to 1937–38 figures. 1938–39. (3)	1939–40. (4)	1940–41. (5)	1941–42. (6)
	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.
Land Revenue (excluding Cauvery-Mettur Project)	744	..	..	..	..
Cauvery-Mettur Project	10	+ 2	+ 4	+ 5	+ 7
Excise	399	+ 2	+ 4	+ 6	+ 8
Stamps—					
Non-Judicial	79		+ 1	+ 1	+ 2
Judicial	120	+ 1	+ 2	+ 3	+ 4
Forest	46	..	+ 1	+ 1	+ 2
Registration	31	+ 1	+ 1	+ 1	+ 2
Interest	21	+ 1	+ 2	+ 3	+ 4
Hydro-Electric Schemes (net revenue) ..	19	+ 2	+ 4	+ 7	+ 10
Other heads	117	+ 2	+ 3	+ 3	+ 4
Irrigation—Working Expenses ..	— 44	..	..	— 1	— 1
Total ..	1,542	11	22	29	42
Total Revenue ..	1,542	1,553	1,564	1,571	1,584

Note.—(1) The subventions from the Central Road Development Account and the proceeds of the motor vehicles tax (to the extent paid as compensation to local bodies) have been excluded both on the Receipts and Expenditure sides.

(2) Irrigation and Hydro-Electric Working expenses have been taken in deduction of revenue instead of as direct expenditure.

1. *Land Revenue (excluding Cauvery-Mettur Project).*—It has been assumed that there will be no increase in revenue due to resettlements and that concessions on the scale applicable to the current fasli will be continued.

2. *Cauvery-Mettur Project.*—According to existing orders, there will be no increase in the rates of water-cess during the three faslis ending with fasli 1348 and the forecast assumes that the present rates will be continued even in the subsequent three years. Additional revenue is, however, expected to accrue each year on account of extension of irrigation more or less according to original anticipations.

3. *Excise.*—The forecast is based on the continuance of the existing excise policy and the trend of prices.

4. *Hydro-Electric Schemes (net revenue).*—A progressive increase in receipts is anticipated on the assumption that hydro-electric development will continue on the lines envisaged by the Chief Engineer for Electricity.

5. *Other heads.*—The receipts are derived from miscellaneous sources such as magisterial fines, betting tax, school and college fees, sale proceeds of jail manufactures, cattle-pound receipts, fishery receipts, recoveries from railways on account of railway police, receipts from cinchona and other commercial undertakings, rents of buildings, etc.

6. *Irrigation working expenses.*—The increase of Rs. 1 lakh in 1940–41 is in respect of the Cauvery-Mettur Project according to original anticipations.

EXPENDITURE (PART I).

(1)	Budget 1937–38. (2)	Alterations with reference to 1937–38 figures. 1938–39. (3)	1939–40. (4)	1940–41. (5)	1941–42. (6)
	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.	LAKHS. RS.
Total—Expenditure charged to Revenue (Part I only)	1,518				
1 Savings due to permanent reduction in scales of pay	..	..	..	..	..
2 Pension charges	..	— 2	— 4	— 7	— 10
3 Commutation of pensions ..	..	+ 2	+ 4	+ 6	+ 8
4 Education—Increase of statutory grant under the Elementary Education Act and teaching grants ..	..	..	..	..	..
5 Debt charges—Interest on debt and other obligations and reduction of debt (including portion allocable to Irrigation and Electric Schemes) ..	..	+ 3	+ 6	+ 9	+ 12
6 Civil Works—Minor Works ..	..	+ 10	+ 19	+ 31	+ 40
7 Additional recurring expenditure on account of broadcasting stations ..	..	+ 2	+ 2	+ 2	+ 2
8 Additional recurring expenditure on account of improvements to the Vizagapatam Medical College and Hospital	..	+ 2	+ 2	+ 2	+ 2
	..	+ 1	+ 1	+ 1	+ 1
9 Elections expenditure	..	— 1	..	— 1	+ 7
10 Additional recurring expenditure due to normal expansion of activities of several departments	..	+ 2	+ 4	+ 6	+ 8
Total ..	1,518	+ 19	+ 34	+ 49	+ 70
Total—Expenditure ..	1,518	1,537	1,552	1,567	1,588

NOTE.—(1) The subventions from the Central Road Development Account and the proceeds of the motor-vehicles tax (to the extent paid as compensation to local bodies) have been excluded both on the Receipts and Expenditure sides.

(2) Irrigation and Hydro-electric Working expenses have been taken in deduction of revenue instead of as direct expenditure.

1. *Education.*—Provision has been made for a progressive increase of Rs. 1 lakh for the statutory grant under section 37 of the Elementary Education Act and for a progressive increase of Rs. 2 lakhs for teaching grants to District Educational Councils (as against an annual increase of Rs. 3 lakhs anticipated by the Director of Public Instruction in the total assessed grant).

2. *Debt charges.*—As compared with the Revised Estimate for 1936–37, a saving of Rs. 35½ lakhs is expected from the consolidation of debt on 31st March 1937. On the other hand, the following additional expenditure will be necessary in future years:—

(1) Interest at (say) 3 per cent per annum on fresh loan taken during the year, for six months;

(2) Interest at 3 per cent per annum on loans taken in the previous years subsequent to 1936–37;

(3) Sinking fund on each loan at 2 per cent of the loan commencing from the year subsequent to that in which the loan is taken;

(4) Charges for the flotation and management of loans. (The amounts during the next five years will be comparatively small and have not therefore been specifically provided for.)

In addition, the Provincial Government have to make in future their own arrangements in regard to ways and means throughout the year. The Government of India have agreed to meet free of charge in 1937–38 overdrawals on the Reserve Bank at the end of each month

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due to excess of expenditure charged to revenue over the revenue collected, excluding over-drawals on capital amount. The payments on this account are expected to be about half a lakh in 1937–38 and Rs. 3 lakhs each year from 1938–39. The total additions or reductions work out as follows:—

Year. (1)	Amount of loan. (2)	Charges for permanent debt. Interest (3 per cent). (3)	Payments into sinking fund (2 per cent). (4)	Charges for floating debt. (5)	Total charges [column (3)+ column (4)+ column (5)]. (6)	Increase (+) or decrease (—) as compared with 1937–38 (Budget Estimate). (7)
	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.	RS. LAKHS.
1937–38	150	2	..	1	3	..
1938–39	150	7	3	3	13	+10
1939–40	250	13	6	3	22	+19
1940–41	200	20	11	3	34	+31
1941–42	150	25	15	3	43	+40

(iii) *Elections.*—In future, the electoral rolls will be revised every year and it will not be necessary to prepare fresh rolls for the next general elections.

The budget for 1937–38 includes Rs. 3½ lakhs made up of—

	LAKHS.
(*a*) Revision of electoral rolls	0·75
(*b*) By-elections	1·70
(*c*) Election courts	1·00
	3·45 or 3½

Items (*a*) and (*b*) will be incurred every year, but not the expenditure on election courts. In 1939–40, the election for one-third of the members of the Legislative Council will take place and a provision of Rs. 1 lakh may be required. In 1941–42, an expenditure of Rs. 8 lakhs may be provided for the general elections, in addition to (*a*) and (*b*) above, i.e., a sum of Rs. 7 lakhs in excess of the total provision in 1937–38.

ANNEXURE E.

(See paragraph 11 of the Report.)

PRESS COMMUNIQUÉ, DATED THE 21ST OCTOBER 1936.

The Government have recently been examining the question as to the basis on which Land Revenue concessions should be granted for the current fasli.

During the last four faslis the concessions have taken the form of a percentage remission of the land revenue assessment (wet, dry and garden) and water-cess, and the only differentiation between districts in the extent of the concessions granted has been between those in which resettlements were introduced prior to 1918–19 and those in which it was introduced in or after that year.

The reason why the year 1918–19 was taken as the dividing line was that it was after that year that prices rose so abnormally as a result of the war, and it was therefore in districts resettled after that year that the commutation rates were so much higher than those in districts resettled before the war boom occurred.

This method of treatment however allows of no distinction being made between individual districts and cannot for that reason escape criticism.

2. The Government have now made a detailed examination of the whole question and have reached certain definite conclusions :—

(i) The rates of assessment at the resettlement of a district are based upon a consideration of the average prices of the 20 non-famine years preceding the resettlement. If therefore commutation rates based upon current prices are higher than the commutation rates on which the rates of assessment in any district were fixed at its resettlement, it must be conceded that there is from an economic point of view no case for a reduction of assessment in that district.

A comparison of the commutation rates on which the resettlements in the several districts are based with the commutation rates calculated on the prices during the ryot's selling months of fasli 1345 shows clearly that in all the districts resettled prior to 1918–19 the commutation rates based upon current prices are considerably higher than the rates on which the assessments now in force in those districts were based.

The Government therefore consider that logically there is no case, from a strictly economic point of view, for any percentage remission in those districts.

As however, these districts have been enjoying some remission of assessment during the past four years, the Government realize that an immediate withdrawal of all forms of concessions might be felt as a hardship.

They have therefore decided to grant some concession in these districts during the current fasli but it will not be on the same basis as in districts resettled in or after 1918–19, in which current commutation rates are below the commutation rates on which the resettlements were based.

(ii) Another conclusion which the Government have reached, as a result of the examination of this question, is that there is no necessity to grant any general remission of dry assessment as has been done in previous years.

The average dry rates per acre throughout the Presidency are very moderate, ranging from 7 annas to Rs. 1–12–0, and these rates are moreover based solely upon the prices of dry grains, and in fixing the dry rates in a district the prices realized from the cultivation of the more valuable commercial crops, tobacco, groundnut and cotton have never been taken into consideration.

Further although the amount of remission granted in the last two years was only one anna in the rupee, the aggregate cost of this concession was large, and the Government consider that this amount could more suitably be utilized for increasing the concessions under wet assessment.

The Government have therefore decided to grant no general remission of dry assessment during the current fasli except in the districts of Bellary and Anantapur. These districts were during fasli 1345 subjected to a severe famine, and operations under the Famine Code were undertaken on an extensive scale. In view of this fact and of the fact that the ryots of these two districts have had insufficient time to recover from the hardships of the previous fasli, the Government propose to grant them the same concession under dry assessment as they received in fasli 1345.

(iii) An examination of prices during the current and previous faslis has disclosed the fact that the price of paddy has not shown any improvement during the past 12 months. In view of this fact and in view also of the fact that it is the cultivator of wet land who has the real need of any relief that can be given, the Government consider that the remission under wet assessment should be larger than in the previous fasli. They have therefore decided that in districts resettled prior to 1918–19 there shall be a remission of 1½ annas in the rupee of the wet assessment (½ anna more than in fasli 1345).

As prices prior to 1918–19 did not show very marked variations from year to year, and as from a strict comparison of current and resettlement commutation rates these districts have no claim to a reduction of assessment, the Government consider that a flat rate of remission in all these districts will meet the case.

In districts in which resettlement was introduced in or after 1918–19 the Government have decided that the concession for this fasli shall take the form of a remission equivalent to the percentage enhancement on wet lands imposed at their respective resettlements subject to a maximum of 3 annas in the rupee.

As in all these tracts, with two exceptions, the percentage enhancement of the rates at the resettlements never exceeded 3 annas in the rupee, and in some cases was less, this concession is equivalent to holding in abeyance, for the current fasli, the percentage enhancements imposed on wet rates at the resettlement of the several districts.

3. With regard to garden lands in the Malabar and South Kanara districts, though there has been gradual rise in the price of coconuts since November 1933, current prices are in both districts still below the average of the 20 years preceding the resettlements. The Government have therefore decided to grant a remission of 2 annas in the rupee on garden assessment as in the previous fasli.

4. In previous years remission of water cess has been granted on the same percentage as for wet lands.

The Government have examined the question in detail and have reached the conclusion that no general concession in the matter of water cess is called for. Water cess is levied for the supply of water to lands which have no claim as of right to such water for irrigation, e.g., dry lands, and the principle generally followed in fixing the rates is to fix them mainly with reference to the cost of supplying the water. Water cess is therefore largely a payment for services rendered.

There has moreover been no general revision of the rates of water cess in any district on the basis of the rise in prices except in the districts of East and West Godavari and Kistna and in the deltaic tracts of Guntur. The Government do not consider that any general concession is therefore required in the matter of water cess, except in the areas specified above and in respect of these they have decided to reduce the charge for a first crop in the deltaic areas from Rs. 6–4–0 to Rs. 5–12–0 an acre, with corresponding reduction under the charges for other crops. The Government have also decided that these reduced rates (Rs. 5–12–0 for a first crop, etc.), shall apply to the lands irrigated by the Polavaram Island Project (East Godavari district) for which special rates had been fixed.

With regard to the Cauvery-Mettur Project, the Government have already separately issued orders reducing the water cess for the next three faslis from Rs. 15 per acre to Rs. 5 in the New delta of Tanjore and from Rs. 10 to Rs. 5 in the Old delta of that district and in respect of lands irrigated under the Cauvery channels in the districts of Trichinopoly and Salem and consider that no further concession is called for.

5. The concessions to be granted for the current fasli will therefore be—

(i) a remission of one anna in the rupee on the dry assessment in the Bellary and Anantapur districts;

(ii) a remission of 2 annas in the rupee on garden lands in
Malabar and
South Kanara;

(iii) a remission of 1½ annas in the rupee on wet lands in
Guntur,
Kurnool,
Nellore,
Cuddapah,
Chingleput,
Tinnevelly (except the Tangasseri village),
Coimbatore,
Chittoor,
North Arcot (except the Chengam and Tiruvannamalai taluks),
Ramnad,
the northern taluks of Salem,
the Chicacole and Ichchapur taluks of the Vizagapatam district, and
the Nilgiris (excluding the Gudalur taluk);

(iv) a remission on wet lands equivalent to the percentage enhancement imposed at resettlement, subject to a maximum of 3 annas in the rupee, in
Vizagapatam (excluding the Chicacole and Ichchapur taluks),
Madura,
South Arcot,
East and West Godavari,
Kistna,
Tanjore,
Trichinopoly,
Salem (southern taluks and hill villages),
Bellary,
Anantapur,
Malabar,
South Kanara,
the Tiruvannamalai and Chengam taluks of North Arcot,
the Gudalur taluk of the Nilgiris district, and
the Tangasseri village of the Tinnevelly district; and

(v) a reduction of the water cess in the East and West Godavari and Kistna districts (including the Polavaram Island Project), and the deltaic tracts of Guntur.

6. The Government have given the question of concessions for the current fasli their very careful consideration and feel confident that the basis now adopted for granting remissions will bring substantial relief to the class of cultivator most affected by the fall in world prices of recent years.

29

DETAILED NOTES

ANNEXURE F. REVENUE

30

FINANCE (REFORMS) DEPARTMENT.

ANNEXURE F-I.

[See paragraph 13 (a) of the report and item 1 in Annexure C-III.]

Taxes on agricultural income.

REVENUE DEPARTMENT.

The assessment of land revenue is based on assumed grain outturns commuted to money value on the basis of the average price level over 20 non-famine years. In short it is a 'tax' on agricultural incomes. Whether this income which is thus practically taxed 'at the source' should be taxed further is a question of policy and expediency. I would, however, submit that an income-tax on agricultural incomes would amount to 'double-taxation' and is bound to be vehemently opposed and resented. Prices continue to be low and I respectfully submit that this is hardly the time to contemplate further taxation on incomes which are adequately and fully taxed.

T. M. S. MANI—2-6-36.

The papers dealing with the question of imposing an income-tax on agricultural lands have been dealt with in the typed note at pages 23–33 of G.O. No. 737, Revenue, dated 25th March 1935.

2. It will be seen from these papers that the Income-tax Acts of 1860, 1869, 1870, 1871 and 1872, which imposed a tax on agricultural incomes, were brought into operation in the Madras Presidency. Under section 130 of the Act of 1860 ryots and cultivators, whose rent or occupation value was less than Rs. 600 a year, were exempt from the tax, although the Government of India made some modification later (vide paragraph 7, page 27 of G.O. No. 737, Revenue, dated 25th March 1935). The Board of Revenue in 1861 was strongly opposed to the taxing of incomes derived from lands held on ryotwari tenure and suggested their entire exemption from the tax. The Government agreed with the Board. The Board's reasons set out at pages 2–3 of G.O. No. 27, Revenue, dated 7th January 1861, are to some extent obsolete, as conditions have changed since 1861 but the following statement of the Board would seem to apply to some extent to-day:—

> "To impose an income-tax on the profits of land held on this tenure is clearly to tax a second time and in a peculiarly vexatious way, land, which experience shows, is in general too highly taxed already (pages 2–3 of G.O. No. 27, Revenue, dated 7th January 1861). Further, the ryot will indubitably regard the imposition of the income-tax as a breach of faith. They have repeatedly been assured by the Home and Local Governments that they may do what they please with their lands, and enjoy the full benefit of any improvements made by their own means, provided they pay the regulated assessment. On this assurance they have acted, investing capital largely in the improvement of their land, in full confidence that the pledge would be respected. They cannot but regard this fresh tax on their profits from these lands as a breach of the pledge voluntarily given, and their confidence in the faith of Government cannot but be shaken."

3. In 1869 the question was raised by the Government of India whether rules could be framed for estimating the amount of profits derived from land paying revenue to the Government with reference to the amount of that revenue. In reply this Government stated that it would be sufficiently correct to estimate the income accruing from temporarily assessed lands as in all cases equal to the assessment—on the basis that the Government, under the principles of settlement then prevailing, took half the net produce from the land.

4. When the question was examined later in the year as to the average annual proportion of profits from land to land revenue, it was found almost impossible to get any accurate data on the question, and the Government adhered to the policy of estimating the profits as being equal to the assessment—see papers at pages 70–86 of G.O. Nos. 1894–95, Revenue, dated 1st December 1870.

5. The same principle was ordered to be adopted, as a general rule, in the rules issued under Act VIII of 1872, and moreover no enquiries were to be instituted in the case of a landholder paying less than Rs. 1,000 a year, unless there was good reason to believe that the income of the landholder, whether from land alone or from land and other sources, was not less than Rs. 1,000. This Act of 1872 was repealed in 1874, since when income from agricultural lands have not been subject to income-tax.

6. When the question was raised of including in the proposed Land Revenue Bill of 1922 a provision for the levy of income-tax on agricultural profits the Government of India did not approve of the proposal. The tentative proposal of the Madras Government was (i) to level up the existing settlements to the rates of those last introduced and (ii) to impose an income-tax on all agricultural incomes. The Government of India's reply to these proposals are at pages 1–3 of G.O. No. 285, Revenue, dated 21st February 1924.

Apart from the difficulties which would arise from the absence of any record of rights in this Presidency (which would be very expensive to prepare), the Government of India objected to the proposals on the grounds (i) that it was undesirable to tie the hands of the Government by introducing an element of permanency into the Land Revenue demand, (ii) that the imposition of income-tax would encroach on their powers of taxation. Owing to this latter objection, the matter was not pursued.

This objection however will no longer exist after 1st April 1937, in view of section 100 (3) of the Government of India Act, 1935, read with list II, item (41) at pages 65 and 306 of Government of India Act, 1935.

7. When the question of income-tax on income from agriculture was examined in 1926, by the Taxation Enquiry Committee, it was not considered ripe to raise the question.

8. Suggestions have been made from time to time recently that the present system of land revenue assessment is unsuitable, and that the assessment on land should be revised and fixed at a low flat rate for wet and dry respectively, and that income-tax should be levied on agricultural incomes above a certain figure. The result of such a scheme would be a very considerable loss of revenue. The lowest income at present assessable to general income-tax is Rs. 1,000. If the minimum figure for agricultural incomes were fixed at that amount there would not be many * persons who would be assessable, as a net income of Rs. 1,000 from agriculture cannot be considered an inconsiderable amount. It appears likely that a proposal to levy an income-tax on lower incomes would be strenuously opposed.

* The number of ryots in 1866–67 paying Rs. 250 and upwards was only 7,521 (vide pages 77–78 of G.O. No. 1894–85, dated 1st December 1870).

Moreover, as pointed out by the Government of India (paragraph 2 of G.O. No. 285, Revenue, dated 21st February 1924), the additional revenue obtained by income-tax from the larger landholders would by no means balance the loss of revenue involved in the abandonment of the increment derived from the general periodic reassessment of land revenue.

Further, difficulties might well arise as to the persons liable to be assessed, unless revenue registry was maintained in a very accurate and up-to-date form. This would be difficult to achieve in proprietary areas, as was seen in connexion with the preparation of the electoral rolls. This is not however an insuperable difficulty, but the maintenance of a correct registry of landowners might involve the necessity of employing some additional staff.

The chief difficulty would be in assessing those considered liable to the tax. It will prove a very laborious matter, as the ryot affected will produce accounts to show that he has little or no profit, and close enquiry will have to be made to disprove his allegations. It will be essential, if income-tax is to be levied on agricultural incomes, to fix definitely the deductions, which will be permitted, and the standard amounts which may be deducted under each head, especially in the case of cultivation expenses, as every Settlement report shows that ryots come forward with widely differing statements as to the correct amount required for the cultivation of an acre of land. It would therefore be necessary to fix standard amounts as deductable for cultivation expenses under dry and wet in the several districts. The existing district revenue staff is already hard worked and the work of assessment could not be taken on by it without additional assistance, and this will increase expenditure under this head, although there would be some saving under 'Settlement Parties.'

The views of the Government of Madras in their Proceedings, dated 1st December 1870 (paragraph 8, pages 82–83 of G.O. Nos. 1894–95, Revenue, dated 1st December 1870), that the proposal would "necessitate a system of inquisition in remote places by an agency which could not be deemed absolutely unbiassed by a common interest with the landholder" cannot be considered entirely irrelevant even to-day, and the Government would be substituting for a known and fixed demand under assessment from each ryot, a demand which in many cases would vary, from year to year, and the fixing of which would depend entirely upon the reliability of the subordinates of the Government. There might easily arise from this system, cases of over-assessment to tax, which were unjustified, or cases of evasion of tax which would be equally unjustified, and the situation, which would result, would be unsatisfactory, both to the ryot and the Government.

Moreover, if the profits of agriculture are to be assessed to income-tax, there would have to be provision for appeals and revision against the orders of assessment, and the work of the higher Revenue officers would be largely increased, while the ryot would incur expenditure (which he at present does not have to meet) in preferring appeals and revision petitions to the higher authorities. This state of uncertainty would be harassing to the ryot, for the chief merit of the existing system is that the ryot knows (except for certain items of fluctuating demand) what he has to pay every year, while under a system of income-tax he would in many cases be entirely deprived of any such assurance.

9. In view of the difficulties and undesirable features which are involved in a system of income-tax on agricultural land, I submit that relief to the ryot and greater elasticity in the land revenue system must be conferred by other means.

10. The papers, in a file regarding the grant of land revenue concessions, has shown that in the districts settled before 1918–19 present prices are higher than the average prices of the 20 non-famine years preceding the several resettlements. Such districts can have no possible grievance in regard to the present system of land revenue.

It is only in the districts resettled after 1918–19—the districts for which the 'War boom' years, viz., 1918–19 to 1928–29, were taken into consideration in revising the rates—that present prices are below the average of the 20 non-famine years preceding their resettlements, and it is only these districts which have a remote ground on which to base a grievance, and it is mainly from these districts that the cry for a revision of the land revenue system has come (Tanjore and South Kanara). This question is being dealt with in a separate file, but so far as the question of imposing an income-tax on agricultural incomes is concerned, and reducing land revenue assessment all round to a flat rate. I suggest that there is insufficient reason to pursue the matter further.

H. R. UZIELLI—18-6-36.

FINANCE (REFORMS) DEPARTMENT.

Attention is invited to paragraphs 257–269 on pages 208–217 of the Indian Taxation Enquiry Committee's report in which the question of levying a tax on agricultural incomes has been examined from different points of view. The administrative difficulties in assessing agricultural incomes have been pointed out in paragraph 267 on pages 214–216 of the report. The Revenue Secretary has also referred to difficulties of this kind in his note above. The Taxation Enquiry Committee's conclusion was as follows:—

> "In view of the history given above as to the imposition of an income-tax on agricultural incomes and the imposition and subsequent repeal of other substitutions, it is evident that there would be ample justification in theory for the proposal if it should prove administratively feasible and practically worth while."

In giving a summary of their recommendations in regard to Imperial and Provincial taxes, the Committee stated in paragraph 500 (20) on page 356 of the report that all the members were agreed that under the then existing conditions, for administrative and other reasons, the abolition of an exemption (of agricultural incomes from income-tax) which had been in existence for so many years was inopportune and undesirable.

The administrative difficulties in assessing agricultural incomes may not be insuperable and additional staff may be sanctioned where necessary. The Taxation Enquiry Committee have in fact quoted in their report the statement of the then Commissioner of Income-tax to the effect that estimates of agricultural profits would be more accurate than estimates of business profits, provided the Land Revenue Department registers were approximately accurate. The Commissioner of Income-tax seems to have thought it quite practicable to levy a tax on agricultural incomes.

Assuming that it is administratively feasible to levy a tax on agricultural incomes the further question arises whether the yield from such a tax would be appreciable and whether it would be worth while levying such a tax. In 1925, the Board of Revenue estimated the yield in this province at Rs. 36 lakhs, while the Government of India estimated it at Rs. 90 lakhs. Both the estimates were considered to be guess work—vide page 3 of G.O. No. 698, Finance, dated 3rd November 1930.

If a special officer is to be appointed for the simplification of the system to land revenue he may perhaps be asked to examine in consultation with the Commissioner of Income-tax the feasibility of levying a tax on agricultural incomes under present conditions and if it is found feasible, to suggest a scheme for levy of the tax with an estimate of the additional revenue and the extra expenditure by way of additional staff, if any, involved in the scheme.

S.R.—24-8-36. T.E.V.—24-8-36.

The arguments against the imposition of a tax on agricultural incomes are set out in the Revenue Secretary's note of 18th June 1936. But the following may be cited in favour of the imposition of such a tax:—

(1) The present tendency is not to increase the land revenue assessment at resettlements, and if this tendency should be persisted in, as seems likely, it would be a matter for consideration whether resettlement operations should not be abandoned and the land revenue assessment stabilized. If so, the possibility of an increase in land revenue would be lost for ever, in spite of a rise in the general level of prices. The only method of raising additional revenue from land when prices go up would be by imposing an income-tax on agricultural incomes.

(2) An income-tax can be regulated each year by increasing or lowering the rates according to circumstances, while the land revenue assessment would be fixed for 30 years.

(3) The exemption of lower incomes from income-tax and the gradation of income-tax on incomes above the exemption limit would equalize to an extent the incidence of the burden on landholders.

For instance, a person with an income from land of Rs. 100 per annum pays an assessment of Rs. 20 per annum and his net income of Rs. 80 per annum will hardly suffice for the support of himself and his family. On the other hand, a person with an income of Rs. 10,000 a year and paying an assessment of Rs. 2,000 will have a net income of Rs. 8,000 on which he can afford to pay an income-tax of Rs. 500 at 1 anna in the rupee. The latter's taxable capacity is much greater than that of the former and the imposition of the income will reduce this difference.

(4) The assessment of land revenue is treated as a tax on the land and a charge for water supplied by the Government and does not take account of the nature of the crop raised. The area under the 'money' crops (e g., groundnuts, cotton, sugar-cane and tobacco) has gone up considerably during the past 60 years—see statement annexed. The expansion under groundnut in recent years has been phenomenal. The price of groundnut is now high, almost as high as in 1928 or 1929 and yet we are now giving concessions in respect of lands in which this crop is raised. Even if, as a result of the proposals under consideration in another file, districts resettled before 1918–19 should not get any concessions, no increase in assessment can be got as a result of this increase in prices. On the other hand, an income-tax on agricultural income will take account of every rise in price of any crop whenever it may take place.

(5) The zamindars and various holders of whole-inam villages now pay only peshkash or jodi. They will be liable to income-tax, if their income exceeds the prescribed limit, and this will to a certain extent mitigate the effect of the permanent settlement on the Government revenues.

The exemption limit and the nature and amount of the deductions to be allowed, e.g., cultivation expenses, will require careful consideration. It will probably be better to start with a higher exemption limit, so as to have a small number of assessees in the first instance and then gradually lower the limit.

T. A. Srinivasaraghava Ayyangar—1–9–36.

So long as the ryotwari system of land tenure continues there would seem to be no case for the imposition of an income-tax on agricultural incomes derived from ryotwari holdings. Should a future Government, however, ever propose an abandonment of the system the question of the imposition of such a tax would presumably have to be actively considered in connection with the proposal. It is inconceivable that the proceeds of the income-tax would be more than a small fraction of the amount of land revenue which would have to be foregone.

As regards agricultural incomes derived from permanently settled estates, there would seem to be no objection to levying an income-tax on the proprietors. The actual assessment should be a fairly simple matter and the receipts substantial.

C. E. Jones—9–9–36.

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Revenue Department.

This file deals with the feasibility and desirability of levying income-tax on agricultural incomes.

H. R. Uzielli—12–9–36.

For the purposes of this discussion, we must recognize two forms of tenure in this Presidency, (a) the ryotwari and (b) the zamindari. As regards ryotwari lands, unless we scrap altogether the ryotwari system which has been in force for so long and which confers upon the ryot such manifold advantages, I fail to see how we can in addition to the assessment impose an income-tax. If we scrap the ryotwari system, the consequences might possibly be the loss to the ryot of his rights of ownership and all that follows from those rights, but however that may be, it must be remembered that, if my memory serves me right, something like 70 per cent of ryots pay Rs. 10 or less assessment per annum. It is unthinkable to my mind that we should impose any income-tax on this class of ryot. The income-tax then can only be applied to large holders and here again, we should have to fix a minimum income on anything less than which no tax could be levied. To impose an income-tax in addition to the assessment would, I think, be a clear breach of faith as for the last 50 years or so, the ryot has been told and knows that he has to pay nothing in addition to the assessment fixed at settlement or resettlement. No such income-tax could ever pass the Legislative Council. If the ryotwari system were scrapped, and a tax was levied on income, the result would inevitably and certainly be a very large loss of revenue which the finances of this Province could not possibly stand. It has been assumed in the noting in Finance that a future Government will never be likely to increase the assessment. Is this assumption altogether correct? I quite agree that if prices remain more or less as they are, an increase of assessment is extremely unlikely but if prices should rise to any

considerable extent, I cannot see why any future Government should not take advantage of that rise in prices, and adjust their assessment according to the prices and the needs of the moment. I look upon the idea to tax agricultural income as outside practical politics.

As regards zamindaris, we must remember that the settlement with the zamindars was permanent. I quite agree that this permanent settlement was wrong and here it is quite possible that a future Government might decide to do away with the zamindari system altogether. For some reasons, this might be a mistake as it would result in breaking up what is in reality the only true conservative element in present-day politics. But if the present trend of opinion towards socialistic views is to prevail, the breaking up of these zamindaris seems almost inevitable and if this disruption does occur, there is no doubt that the Government will appropriate a considerable portion of the revenues which now pass to the zamindars. This potential source of increased revenue has certainly to be taken into account. Speaking again from memory, I believe that the income which the zamindars derive from their estates amounts to something like four or five crores. Even if a quarter of this were appropriated by Government it would make a very considerable increase in the revenues of the Province. So far as land revenue therefore goes, I think that this is the only source from which any considerable increase can be expected. This matter must obviously however be left to the future Government because the British Government definitely entered into a permanent agreement with the zamindars which it would be a breach of faith on the British Government's part to break. Such a breach ought to be brought about only by the elected representatives of the people.

So far therefore as the present Government are concerned, we cannot do anything more but must leave it to the future Government to decide on the materials which have now been collected.

C. A. S[outer]—15–9–36.

I do not agree that an income-tax on agricultural incomes in ryotwari areas is not practical politics. If the basic rate of assessment was reduced, as all parties seem to contemplate, then a tax on agricultural incomes of, say, Rs. 1,000 or Rs. 500 would be feasible provided that the assessment and income-tax did not in total exceed the present assessment plus such resettlement enhancements as have been or might legitimately be imposed. The advantage is—

(1) that the incidents of taxation would fall more heavily on the rich than the poor ryot;

(2) the yield of taxation would to some extent correspond to the yearly level of prices in the case of those who paid income-tax;

(3) in the case of income-tax payers, commercial crops, especially groundnuts and cotton, would indirectly bear their fairer share of taxation which they at present escape, a serious defect in our present settlement policy.

There are, of course, serious difficulties about assessment to income-tax and on the whole, it might be simpler to continue the present system. As for zamindari lands the legal difficulties may stand in the way.

Alternatively a possible policy is to reduce the basic rate of ryotwari assessment and increase the amount of local cesses (land or education). This will secure a more adequate return from zamindari areas but might press hard on zamindari ryots whose rents are usually high.

G. T. H. B[racken]—16–9–36.

Annexure.

Statement showing the area under certain crops and the percentage of each to the total area under cultivation—Madras.

—	1874–75. Area under crops (thousand acres).	1874–75. Percentage to the total area. (†)	1904–05. Area under crops (thousand acres). (*)	1904–05. Percentage to the total area. (*)	1934–35. Area under crops (thousand acres). (*)	1934–35. Percentage to the total area. (*)
(a) Groundnu	..	..	440	·6	2,351	6·3
(b) Cotton	1,366	5·9	1,909	7·6	2,304	6·1
(c) Sugarcane	34	·1	58	·2	125	·3
(d) Tobacco	85	·4	99		292	·8

* Figures taken from the season and crop reports.

† Percentage is calculated with reference to the total acres under all crops which is 22,779 thousand acres.

ANNEXURE F-II.

[See paragraph 13 (*b*) of the report and item 2 in Annexure C-III.]

Standard Rates of Water-cess—Revision.

REVENUE DEPARTMENT.

In connexion with the present revision of Appendix I-A of Board's Standing Order No. 4 the Board has also examined the question of increasing the standard rates mentioned in that appendix by 25 per cent, and agrees with the majority of Collectors who are against any increase at present owing to the prevailing economic depression. The Board states that if Government agree with this opinion it would be advisable publicly to announce that Government have examined this aspect of the question also and that they have decided to postpone any increase in the standard rates of water-cess as long as the economic depression continues.

It is submitted that it is unnecessary to make any such announcement. Any such announcement will be opposed to the Water-Rate Committee's recommendation of 1922 (on which Government passed no formal orders but for the adoption of which they issued demi-official instructions to the Board)—that there should be no general alteration of the system or scale of rates of water-cess except at a settlement or resettlement of a district. If Government now make an announcement that they have examined the question of a general increase of the standard scales of water-cess contained in Appendix I-A independently of resettlements, it will give room for wondering what happened to the report of the Water-Rate Committee. The Board apparently does not intend that the policy of taking up the question of revising the rates of water-cess at resettlements should be changed. If this is not to be changed, then the existing scales will be taken up for revision as resettlements come up. Unless Government intend to change the policy and to go back upon the recommendation of the Water-Rate Committee which they decided to adopt (and in fact adopted in the case of Kistna, East Godavari and West Godavari districts), it does not seem desirable to announce that a revision of water-rates will not be taken up as long as the economic depression continues.

For orders.

P. K. GNANASUNDARA MUDALIYAR—19-7-32.

Let sleeping dogs lie. We should say nothing about revising the standard rates.

J. A. THORNE—25-7-32.

A. Y. G. C[AMPBELL]—25-7-32.

One possible source of increasing the revenue which is not specifically mentioned in the notes is the enhancement of the scale of standard rates of water-cess prescribed in Appendix I-A to Board's Standing Order No. 4. In paragraph 11 of its reference, dated 2nd July 1932, on page 9 of G.O. No. 1932, Revenue, dated 19th September 1932, the Board of Revenue pointed out that the rate of Rs. 4 for a first wet crop on first-class sources was fixed as early as 1874. The Board examined the question of raising this rate to Rs. 5. The majority of the Collectors were against any increase owing to the prevailing economic depression. The Board agreed with this view and recommended that the question of increasing the rates might be considered when economic conditions returned to normal. The question of increasing the standard rates of water-cess was accordingly dropped. The Board of Revenue may perhaps be asked to take this question up now. This may be considered separately.

S. J. AUGUSTUS—14-6-36.

T. M. S. MANI—15-6-36.

H. R. UZIELLI—15-6-36.

I thought that revision of water-rate only took place at the resettlement of a district. There is a Government Order about revision of water-rates.

H. R. UZIELLI—15-6-36.

Secretary refers to G.O. No. 2813, Revenue, dated 1st December 1928. Attention is invited to the demi-official on page 32 of the notes to that Government Order.

Under the Irrigation Cess Act the Government have power to revise the rates of water-cess at any time.

For a history of the standard rates of water-cess from 1898 onwards please see paragraph 2 of the notes on pages 31-36 of G.O. No. 1932, Revenue, dated 19th September 1932. The Water-Rate Committee recommended in 1922 that there should be no general alteration of the system or the scale of water-rate under existing sources of irrigation in any area except at a settlement or resettlement of the area, and that at each resettlement the system and the scale in force and classification of the sources of irrigation should be examined by the Settlement Officer who should include in his scheme report the results of his examination and any proposals he might wish to make for their alteration. The Committee's recommendation was accepted and demi-official instructions were issued to the Board of Revenue but no formal orders were published or issued on the subject—please see paragraph 5 on page 2 of G.O. No. 2813, Revenue (Confdl.), dated 1st September 1928, and the Secretary's and Hon'ble Member's notes and the demi-official on pages 31-32 of the notes to that Government Order. So far as the public are concerned the Government are not committed to a policy of the revision of the rates of water-cess only at the re-settlement of a district. Further the standard rates of water-cess prescribed in Appendix I-A of Standing Order No. 4 (2) are applicable throughout the Presidency and it will be convenient to introduce any alteration in these rates simultaneously throughout the Presidency.

The draft memorandum is for approval.

S. J. AUGUSTUS—19-6-36.

The draft official memorandum may issue and we may see what the Board says, but it cannot be said that economic conditions have returned to normal when the prices for paddy are lower, if anything, than this time last year.

U. R. UZIELLI—22-6-36.

As regards the question of a general increase in the standard rates, the Board has stated that the prices of the chief food grains indicate that the economic condition of the ryot has not improved. This is in accordance with the view expressed by Secretary above. The Board has reiterated the opinion of 1932 that the question of the increase in the standard rates may be considered when prices return to normal. It is for orders whether the Government will agree with the Board.

We may agree with the Board. The question is one to be considered by the new Government which will come into existence on 1st April 1937.

T. M. S. MANI—1-3-37.

I agree.

H. R. UZIELLI—1-3-37.

FINANCE (REFORMS) DEPARTMENT.

The Board has reiterated its opinion expressed in 1932 that the question of general increase in the standard rates of water-cess may be considered when prices return to normal. The Board considers that judged from the prices of agricultural produce the economic depression must be deemed to be still continuing.

The Revenue Department propose to leave the question for the consideration of the new Government. Finance may agree to the proposal.

T.E.V.—5-3-37.

It is not clear why the Board has compared the prices of 1934-35 with those of 1931-32, instead of comparing the latest figures. The figures for 1935-36 are generally higher than those of 1934-35. As, however, the Government have decided to leave the water-rates for the Cauvery-Mettur Project unaltered for three faslis ending 1348, it is difficult to justify immediate increase in water-cess in other area.

T. A. SRINIVASARAGHAVA AYYANGAR—6-3-37.

C. E. JONES—6-3-37.

ANNEXURE F-III.

[See paragraph 13 (c) of the report and item 3 in Annexure C-III.]

Land-cess—Increase in rates.

LOCAL SELF-GOVERNMENT DEPARTMENT.

The land-cess is now levied at 1½ annas in the rupee of land revenue. Education cess is levied by the district boards. The total burden on land thus works out to Re. 0-1-10½. In their report, the Indian Taxation Enquiry Committee recommended that land revenue must be standardized so as to give greater scope for local taxation of land which might be increased up to 4 annas in the rupee of the standard rate of land assessments over and above this rate for effecting special local improvements. The suggestion was not accepted by this Government—vide paragraph 9 of G.O. No. 1226, L. & M., dated 2nd April 1921. The question of doing away with the maximum limit of land-cess was considered and dropped in 1934—vide G.O. No. 10, L. & M., dated the 3rd January 1934. There seems no need to reopen the question again.

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K. NARAYANA AYYAR—26-5-36.

The increased revenue would obviously be a great boon to local bodies and so far as Local Self-Government is concerned the proposal is eminently desirable but there will probably be objections on revenue and political grounds. All we need do is to send a note to this effect to the Revenue Department.

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T. B. RUSSELL—2-6-36.

REVENUE DEPARTMENT.

The point for consideration is whether the land-cess may be increased. Representations have been made and are being received that the existing rates of assessment are high. Any further increase of the burden on the land would lead to trouble. We are now refraining from giving effect to the enhanced rates ordered at resettlements. Prices continue to be low and the existing land-cess and education-cess amount to nearly one-eighth of the assessment. In this connexion please see notes on pages 4 and 7 of G.O. No. 10, L. & M., dated 3rd January 1934. The conditions are not very different now from what they were in 1934 and the decision on pages 18-19 of that Government Order reflects the trend of opinion even to-day. When a proposal *merely to remove the maximum limit* for the rate of land-cess was turned down as recently as two years ago, no proposal to *increase definitely* the land-cess would go through. Any such attempt would only embitter the ryots who are already being worked up by politicians.

This department would not therefore recommend any increase in the land-cess. Finance may see.

T. M. S. MANI—14-8-36.

Whether the proposal is to remove the maximum limit or to increase the maximum limit, legislation would be required and the matter can therefore only be considered by the future Governments as there is no time now, apart from other considerations.

It seems unlikely that an *increase* in the revenue from land would find many supporters under the new constitution.

The question need not therefore be pursued at present.

H. R. UZIELLI—14-8-36.

FINANCE (REFORMS) DEPARTMENT.

Under section 78 of the Local Boards Act of 1920 as modified up to 1st May 1934, land-cess is leviable in all districts at a fixed and uniform rate of 1½ annas in the rupee and the proceeds are shared by the district boards and village panchayats—cf. section 78 and paragraphs 5-A (1) and 5-B (1) of Schedule V of the Madras Local Boards Act.

2. It is now pointed out by the Revenue Secretary that any proposals for increasing or removing the maximum limit on land-cess would require legislation and the matter can therefore be considered by the future Government as there is no time now apart from other considerations.

The object of the present enquiry is to collect materials and examine them for the benefit of the new Government.

T.A.S.—27-8-36.
C.E.J.—27-8-36.

3. It is submitted that it is not necessary that all proposals connected with the present taxation enquiry should be given effect to in the current year. In the circumstances the present proposal need not be turned down merely on the ground that it is inexpedient or impracticable to get the sanction of the present legislature thereto. It is therefore for orders whether the Revenue Department may be requested to take orders in circulation, as to whether the examination of the possibility of increasing the land-cess may not be further considered in detail.

The main object of the present enquiry is to collect facts and figures in regard to all possible methods of improving the revenues so as to facilitate the consideration of the question by the new ministers in due course.

T.A.S.—27-8-36.

T.E.V.—25-8-36.

If resettlements are not made by the new Government and practically stereotype the present revenues, there will be no expansion of the income from land-cess and local boards will be unable to increase their revenues to meet their growing needs. It is very desirable that the maximum rate of land-cess should be raised to at least 2½ annas in the rupee of land revenue. It will be for the future Government to decide whether and if so, when legislation should be undertaken to raise the rate.

T. A. SRINIVASARAGHAVA AYYANGAR—27-8-36.

This may be noted as a possible method of increasing the resources of local bodies. It may not be so unpopular with the new Government as might at first sight appear. If they are bound by election promises to reduce land revenue they might not be averse to making it good by increasing land-cess—especially as more would then be got from the proprietary estates—thereby enabling a reduction to be made in Government grants to local bodies, as an increase to be made in Civil Budget's expenditure on elementary education. The fact that the additional receipts would go to local bodies instead of (as in the case of increase of land revenue) to Government, would help to facilitate the passage of the necessary legislation.

C. E. JONES—27-8-36.

REVENUE DEPARTMENT.

In the circumstances stated by Finance, orders may be obtained in circulation whether the possibility of increasing the land-cess may be considered now for the benefit of the future Government and whether the Board's remarks may be called for.

T. M. S. MANI—29-8-36.

When the Government are considering the question of land revenue concessions and when the Government have themselves held in abeyance all resettlement enhancement in view of the condition affecting agriculture, it seems out of the question to consider the question of raising land-cess by one anna in the rupee, when it would have to be collected from almost the same persons (except inamdar) as are now benefited by land revenue concessions.

For orders whether it is necessary at the present juncture to obtain the Board's remarks, or whether the file may be recorded for consideration by a ministry if and when it wishes to increase the resources of local boards in this manner.

H. R. UZIELLI—29-8-36.

All we need do is to point out to the new ministry that this a fair and legitimate means of raising money for local boards.

C. A. S[OUTER]—29-8-36.

Yes. It may be of great value to the new Government. Of course it was never intended that the present Government should do anything. The points made by the Finance Secretary can be included in the general scheme.

G. T. H. B[RACKEN]—30-8-36.

ANNEXURE F-IV.

[See paragraph 13 (*d*) of the report and item 4 in Annexure C-III.]

Inclusion fees.

REVENUE DEPARTMENT.

The policy of the Government in the matter of the levy of inclusion fees in the Kistna and Godavari systems has not been consistent throughout, and has not been uniform for the several delta areas concerned. The history of inclusion fees is briefly summarized and for the sake of comparison, the way in which the subject has been treated in the several deltas is considered separately. In the two river systems there are five delta areas—(i) Godavari Central, (ii) Godavari Eastern, (iii) Godavari Western, (iv) Kistna Eastern, and (v) Kistna Western.

(i) *Kistna Eastern and Godavari Western.*

2. The levy of inclusion fees was first introduced in 1920 in these deltas, which comprised the old Kistna districts. Between 1917 and 1920, a special staff was employed to localize the irrigable wet ayacut of the Kistna district, by excluding land which could not be commanded and by proposing for inclusion lands which could be irrigated. After the work of "exclusion" had been completed and before the work of "inclusion" was taken up, the Collector submitted to the Government a suggestion of the special localization officers that a fee of Rs. 6–4–0 an acre should be levied on lands proposed for inclusion in the ayacut. The reasons for the suggestion, as set out by the Collector were that (i) ryots, whose land had been excluded during the localization were selling their water rights to ryots who wanted their lands included and ryots were not therefore likely to object to a *small fee* for the privilege of inclusion, as their lands would be enhanced many times in value by the transfer.

3. It was further stated that it appeared reasonable that ryots, who were benefited by the transfer of their lands to wet, which transfer was rendered possible only by the exclusion of other wet lands should bear a share of (i) the compensation payable for the extinction of the wet rights of such "excluded" lands, and (ii) the cost of the special localization establishment employed for the purpose.

4. The Chief Engineer for Irrigation proposed that the fee should be Rs. 12–8–0 or even Rs. 25 an acre, as the Collector had reported that ryots paid as much as Rs. 50 an acre for water rights in private negotiations between themselves. The proposal was accepted, but the Government Order contained no reasons for the levy of the charges—G.O. No. 2361, Revenue, dated 4th October 1920. From the notes it appears to have been levied, partly for the reasons given by the Collector and partly to meet the cost of remodelling the channels to suit the final wet ayacut as then fixed.

5. In 1923 a resolution for the cancellation of this fee was passed in the Legislative Council, and after examining the question, the Government issued a Press Communiqué in which they stated that the inclusion of dry land in the irrigable area gives that land the right to be recognized as wet and the right to be irrigated continuously for wet crops. The inclusion of such a large area necessitates the widening, regrading, remodelling, and in many cases the extending of the canals, channels and distributaries of a large percentage of existing works to secure an adequate supply. "It was in order to meet the cost of these improvements, which are required *wholly* in the interests of the area proposed to be included in the wet ayacut that the inclusion fee was proposed by the Special officers and accepted by the Government."

6. In 1924 therefore the reason for the levy of the inclusion fee was pronounced as being to meet the cost of works necessary to bring to the increased area an adequate supply of water.

7. Inclusion fees were collected in these two deltas thereafter and in 1929 when a special division was created for the investigation of a further extension of ayacut, it was laid down in paragraph 6 of G.O. No. 1043 I., dated the 27th March 1929, that inclusion fees should continue to be levied on all extensions in the Kistna Eastern Delta (present Kistna district). It was held that the levy of the fee was covered by the orders in G.O. No. 2361, Revenue, dated 4th October 1920.

(ii) *Godavari Eastern and Central Deltas.*

8. No inclusion fee was levied in these deltas prior to 1926. In January 1926 the Sanitary Engineer, Waltair Circle, reported that (i) no improvements would be required to the main canals, and (ii) so far as channels and distributaries were concerned, they had actually been irrigating the lands proposed to be transferred, and such remodelling, as was necessary, would not be solely for the benefit of the lands proposed for transfer. According to the criterion laid down in the Press Communiqué of 1924 the levy of inclusion fee might have been dropped in these areas, but Sir N. Marjoribanks stated that there was no logical difference between this area and the Kistna district, and orders were passed to levy the fee (G.O. No. 767, Revenue, dated 14th May 1926).

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9. The matter was re-examined in 1928 with special reference to the Press Communiqué of 1924, and the Government cancelled their orders for the collection of the fee in these two deltas. Attention is invited to Sir N. Marjoribanks' note at page 3 of the printed notes (G.O. No. 1573, Revenue, dated 16th July 1928).

10. In 1932 the Board recommended the levy of the fees in these deltas on the ground that "the State was entitled to a share in the unearned increment in the value of the land due to its inclusion in the wet ayacut." The Government accepted this proposal for dry lands newly proposed for inclusion in the ayacut (G.O. No. 1217, Revenue, dated 11th June 1932).

In the case of these deltas therefore they seem to have imposed the fee for a reason different from that announced in the Press Communiqué of 1924.

(iii) *Kistna Western Delta.*

11. No fee was levied in this delta until 1934. The question of this delta was considered in 1928 when the Chief Engineer for Irrigation stated the criterion for the levy of the fee as follows: "Inclusion fee is levied to meet the cost incurred by the State in remodelling channels and distributaries to secure an adequate supply of water to the included lands." As the Government were not satisfied that any improvements to be carried out in this area were necessary in the interests of the area to be included, they issued orders stating that there was not sufficient justification for the levy of an inclusion fee in the Kistna Western delta (G.O. No. 1305, Revenue, dated 15th June 1928).

12. When orders were issued for the levy of the fee for all extensions in the Kistna Eastern delta in 1929, the Government deferred the decision regarding the Kistna Western delta until the cost of the works required for the extension of the irrigation in the delta was definitely known.

13. In 1934 the Government approved proposals for the levy of inclusion fees in this delta for *extensions*. The reason for levying the fee for extensions was that, in order to bring the lands concerned under irrigation, it would be necessary to incur an outlay running to lakhs of rupees towards the construction of new channels or towards remodelling and regrading old ones. No fee was to be levied for lands already under irrigation, as no expenditure on remodelling was necessary for the irrigation of such lands.

14. The summary above shows that the original proposal of the Collector of Kistna for a *small* fee to meet the particular conditions prevailing at the time of the localization enquiry of 1917–20 (viz., payment of compensation for extinction of water rights in respect of excluded lands and cost of special localization staff), on the analogy of the sums being then paid by ryots among themselves for transfer of water rights, has been extended into a fee to cover the cost of remodelling, etc., in the Kistna and Guntur districts, while in the East Godavari district it is levied on the principle of the State's right to a share of the unearned increment in the value of land arising from inclusion in the ayacut, while again in his note at page 18 of G.O. No. 2731 I., dated 13th December 1934, Sir A. Campbell has stated that the fee is levied in consideration of inclusion in the ayacut, giving a prior claim over lands not included—which is a further view on the principle on which the fee is levied.

15. Moreover it is seen that, while in the East Godavari and Guntur districts this fee is only to be levied for dry lands newly brought into the ayacut, lands long under irrigation being exempted from payment, in the case of the Kistna and West Godavari districts the fee is levied or to be levied in the case of all lands included, whether they have been long under delta irrigation or whether they are definite extensions of ayacut.

16. In the case of the Kistna district, which is the subject of the present memorial, it appears that the fee is to be collected in the case of all lands in items 2 to 6 and 10 and 12 in the annexure on page 39 of G.O. No. 2731 I., dated 13th December 1934. It is not apparently intended to collect inclusion fees for the Divi area (item 11) as this area has been under Kistna irrigation since the pumping project was opened and will merely be given direct irrigation from the anicut instead of being irrigated by pumping from the river.

17. With regard to poramboke and assessed wastes included in the ayacut [item (7) and (8)] will presumably be registered as wet and be assigned as wet in accordance with the Board's Standing Order and no inclusion fee will be collected.

Items (2) to (6) in the annexure to G.O. No. 2731 I., dated 13th December 1934, which according to the annexure cover an extent of 33,260 acres, have long been under irrigation under one or other category. According to the estimate of the Executive Engineer at pages 12–13 of the Government Order new channels are, so far as he was able to say in May 1933, only required for about 10,000 acres of this area (vide items (*a*) to (*j*) in his letter, dated 12th May 1933). If inclusion fee was required, as stated in the Press Communiqué of 1924, to meet the cost of improvements, it appears that if it is to be paid at all, it should only be paid in respect of those lands which require special arrangements to be made for the supply of water by the excavation of new channels or the remodelling of old. There seems to be no information, except that contained in the Executive Engineer's letter referred to as to what improvements are required or what they will cost.

18. The fee was fixed in 1920 at an arbitrary figure (Rs. 25 an acre) for all dry land (except eksal lands for which the fee is Rs. 12–8–0) when the price of paddy was 100 per cent higher than it is at present. If the fee is levied, as announced by the Government to meet the cost of improvements specially carried out for the included lands, it should bear some relation to the expenditure incurred. An inclusion fee of Rs. 25 an acre on 32,013 acres, and Rs. 12–8–0 on 1,236 acres of eksal lands works out to about 8·15 lakhs. It is not known whether the cost of the channels and other improvements specially required for these lands will amount to this figure.

19. When this question was considered in 1932 the Superintending Engineer, Dowlaishwaram, considered that as remodelling is done for the equal distribution of water both for included lands and the existing ayacut, only 10 per cent of the expenditure on remodelling and 25 per cent of the cost of the remodelling establishment for the delta should be debited against inclusion fees, while the Superintending Engineer, Bezwada, considered that as remodelling was proposed only in the case of channels under which inclusion fees had been collected, the whole cost of remodelling such channels should be debited to inclusion fees. The total amount spent on remodelling and other items connected with the fixing of the ayacut of the Kistna Eastern and Godavari Western deltas is set out on page 4 of the notes to G.O. No. 1439 I., dated 6th July 1932. Please see in this connection Mr. Gopalaswami's note at page 5 of notes to G.O. No. 1439 I., dated 6th July 1932. In the papers printed in this same Government Order the Government have stated that they do not consider that the cost of putting up the 6 feet shutters is properly debitable to inclusion fee (vide official memorandum IV at page 3 of the G.O. No. 1439 I., dated 6th July 1932). The question as to how far the inclusion fee should cover the cost of the remodelling is, as shown by the divergent opinion of Superintending Engineers, a difficult one and if the collection of the fee is to be continued, the matter seems to require detailed examination.

20. In regard to the two projects, the East Bank Canal Scheme and the Peddalanka Channel Scheme, the Secretary noted as under—

> "These two projects are entirely new ones, which without any reference to inclusion fees, are expected to give a definitely remunerative return to the Government. There seems to be no case for the levy of 'betterment' or 'inclusion' fees in these cases where the projects finance themselves satisfactorily. If the fee is levied on the principle that the State is entitled to a share in the unearned increment in the value of land arising from its being recognized as entitled to water permanently, then the same principle should be applied to all projects which enable dry or waste lands to be irrigated. There are no orders for levying such a fee in the Cauvery-Mettur Project * area, or under the Thippayapalem project or the lower Bhavani project or any other project which the Government have carried out. This principle was introduced to enable the fee to be levied in the East Godavari district, where the principle of meeting the cost of remodelling did not apply."

* The question was considered in connexion with the Cauvery-Mettur Project, but was dropped—vide G.O. No. 403, Revenue, dated 25th February 1929.

21. To sum up, there seem to be no grounds for levying this fee in these particular districts for projects carrried out as separate schemes for which separate financial forecasts are prepared, while with regard to lands in the main delta included in the ayacut it would seem that at most the fee should be levied with reference to the expenditure specially incurred for the benefit of the particular lands—a matter which requires detailed examination.

In any case when the price of paddy has fallen 100 per cent since the fee was first introduced, and 50 per cent since 1928, there are grounds for a reduction of the fee by half, or in the alternative for its collection to be spread over a longer period of years, say ten years.

H. R. Uzielli—20–11–35.

Finance Department.

On whatever principle, the levy of inclusion fee may be justified—whether as a betterment fee or as a fee collected to meet the cost of remodelling the channels, special staff employed for localization, etc., the fact remains that this fee has been collected for several years past (since 1920), without much protest from the ryots concerned, as I know from my experience in the West Godavari district. It would be most undesirable to abolish the fee now during the present financial stringency. Credit has been taken on account of the collection of these fees in the Kistna district in the current (1935–36) and the ensuing years and the abolition of the fee would increase the deficit of the current year (1935–36) and further reduce the amount available for Part II Schemes for 1936–37 by nearly 4 lakhs. Finance would therefore advise against any proposal to abolish or reduce the fees.

C. K. Vijayaraghavan—17–1–36.

The argument of the Finance Department that any modification of the orders regarding the collection of inclusion fees in the Godavari and Kistna deltas would reduce the amount available for Part II Schemes, and increase the deficit of the year appears to be irrelevant to the point at issue. If the levy of the fees, in the manner and to the extent now in force, cannot be justified, the levy should cease or be modified, irrespective of whether the amount available for Part II Schemes has to be reduced or not.

2. The statement that the ryots are not unwilling to pay the fees does not seem to be borne out by the deputation which appeared before the Hon'ble the Revenue Member on the point. It is true that after the publication of the Press Communiqué of 1924 little was heard about the levy of these fees: prices were good, and ryots were willing to pay down Rs. 25 an acre to get their lands included in the wet ayacut, and to avoid the worry and inconvenience of being penalized, if they raised wet crops on lands, classed as dry, in the heart of the delta, and the uncertainty involved in continuing to hold dry land. This was the situation, as I knew it in the Kistna district in 1929–30—before the slump in prices. The fall in the price of paddy has however affected the outlook of the ryots on this point, and while they must raise wet crops on 'included' lands which are surrounded by regular wet (as other crops will not thrive), there is not, I submit, the same eagerness to pay Rs. 25 on acre for the privilege of inclusion—not an unnatural state of affairs when the price of paddy in these areas is 100 per cent below that of 1920 and 50 per cent below that of 1928. There is therefore little, I think, in the argument that the ryots do not mind paying.

3. The point, which I would venture to emphasise is that the Press Communiqué of 1924 is the only public statement of the grounds on which the Government accepted the proposal to levy these fees. This Press Communiqué stated clearly—"the inclusion of such a large area necessitates the widening regrading, remodelling, and in many cases the extending of a large percentage of *existing* works, to secure an adequate supply.

"*It was in order to meet the cost of these improvements*, which are required in the interests of the areas proposed to be included, *that the inclusion fee was proposed by the Special Officers, and accepted by the Government.*"

To seek to justify the levy of the fee on the principle of a "betterment tax," in cases where the principles set out in the Press Communiqué do not apply, seems to be a doubtful course. The fact that the lands included would increase in value owing to inclusion was not put forward in 1924 as one of the grounds on which the proposal was originally accepted, but as an argument for not cancelling the fee.

4. The Government have not made any definite declaration of any alteration in the principles on which the levy of the fee is based.

5. If the Government now propose to adopt the view that the collection of the fee is justified on the principle of a "betterment tax," there is no reason why the same principle should not be applied to all areas throughout the Presidency, which are given the advantage of wet irrigation owing to the construction of an irrigation work by the Government. This principle has not been applied elsewhere, and its application throughout the Presidency is not practical politics.

6. If the collection of these fees was to continue in the Godavari and Kistna deltas—

(i) they should only apply to inclusions in the delta, which necessitate the remodelling of existing channels, and should bear some definite relation to the expenditure incurred by the Government on the remodelling involved.

(ii) it should not be levied in the case of new projects which are financed as separate schemes upon a remunerative basis, e.g., the East Bank Canal Scheme, the Peddalanka channel scheme, and probably some of the schemes in the Guntur district recently sanctioned.

H. R. Uzielli—24–1–36.

My view, generally speaking, on the payment of inclusion fees, is that of the Revenue
Secretary and Public Works and Labour Secretary. I think myself that in considering the
imposition of these fees in the past, sufficient consideration has not been given to the point
that in most cases in which it has been imposed, the schemes relating to it have been by
themselves in many cases very highly remunerative. I quite see the force of the claim
that Government should get a share in any unearned increment, but this reason for the
inclusion fees is not the reason given by Government in 1924 for levying them. I think
with Sir Norman Marjoribanks that it was a great mistake ever to have started this idea
and his prophecy that we should have trouble in future has proved correct. It is useless,
I think, to argue that, because in the past ryots have paid this fee and have at various times
expressed their willingness to pay it that therefore the levy of the fee is proper. When
the ryots made their statements, as Revenue Secretary points out, the price of paddy was
so high that they did not feel any hardship in the payment, but the real test of the matter
comes when the prices of agricultural products are low as at the present time. We find
at once that the ryots object to the payment and express their inability to find the money.
There is, I think, considerable force in their contention. It is difficult to my mind to get

round the argument that when Government are getting a high rate of interest on their capital expenditure they should ask for something more. This certainly is the case in the Peddalanka project, the East Bank canal and other projects. If it were merely a case of charging a fee for unremunerative improvements on existing sources of irrigation, the argument in favour of Government levying a fee is much stronger but even there essentially the levy is illogical because these improvements will ensure the Government getting its revenue regularly and do away with any questions of remissions and so on. The point raised by Finance that the budget will be upset is not a point of any force in considering whether an inclusion fee is proper or not; if it is improper then the budget must suffer. The alternatives seem to me to be (*a*) to cancel the collection of inclusion fees altogether or (*b*) to postpone the collection of fees until better times.

I consider that (*a*) is the proper course and that the levy of these fees is in no way analogous, for instance, to an increase in taxation as a result of resettlement. It must be remembered that at resettlements the water rates can be increased if necessary and if Government consider that we are not getting a proper return on the capital expenditure, the logical and proper method of getting such a return is to increase the water-rates and this in fact is the policy which has been carried out everywhere except in the Godavari and Kistna deltas. Why these two deltas should be differently treated, I feel it difficult to understand and all this talk about betterment tax and so on has been applied only to these two deltas and no attempt has ever been made to apply them to any other project. I think, therefore, that we should decide now once for all that inclusion fees are not justifiable and that they should not be collected any more. When the deputation visited me I asked them definitely what was to happen to the inclusion fees already paid. The members were unanimous that no refund of these fees will be asked for and I think that position should be accepted. At any rate, to collect Rs. 25 an acre now with the prevailing prices seems to me outside practical politics and I do not think that we should merely postpone the collection because in future it will never be collected. Far better I think to recognize facts and once for all say that we will collect no further inclusion fees.

C. A. S[OUTER]—24-1-36.

Whatever may be the justification of the levy on theoretical grounds, the fact remains that the lands under the Godavari and Kistna systems are under-taxed in the matter of water-rate and wet assessment in comparison with other systems, e.g., the Cauvery. It is fair that they should make their proper contribution to general revenues and though the method adopted may be theoretically open to objection, the practical effect is, to some extent, to make the two systems in question contribute a more adequate quota to general revenues. Then remains the more important constitutional question. The new Government will, unless and until they get a share of the income-tax, be hard put to it to find money for the expansion of " Nation building " Departments. The question arises as to whether on the eve of Reforms we are justified in depriving the new Government of a source of Revenue, not inconsiderable in amount, which has been utilized, whatever its theoretical justification for a number of years. No one is forced to pay " inclusion fees " and if the ryot pays presumably he thinks he gets value for his money.

On what may be called ' constitutional grounds ' I would hold that the matter be left over for the decision of the new Government, while admitting the theoretical though not the practical objection to this particular form of taxation.

G. T. H. B[RACKEN]—26-1-36.

My Hon. Colleague is prepared to agree that on theoretical grounds at any rate inclusion fees may not be justifiable. There are one or two observations in his note which I should like to comment on. In the first place, I quite admit that perhaps Rs. 6-4-0 is not an adequate charge for water from the Kistna and Godavari systems but in the recent resettlements this rate has been increased from Rs. 5 in zamindari tracts and from Rs. 5-10-8 and Rs. 5-5-4 in ryotwari tracts to Rs. 6-4-0. It is true that this rate is considerably less than that fixed for the Cauvery-Mettur Project and is less than the rates under some other systems. The standard rate for the Presidency however is Rs. 4 which obtains in a considerable number of the irrigation systems but the Government as regards the Cauvery-Mettur Project have recognized that the rates, at any rate at the present juncture, fixed under it are too heavy and under the channels in the old delta in Tanjore and in the existing irrigation under the Cauvery channels in Trichinopoly and Salem districts are charging in the present fasli only Rs. 5 instead of Rs. 10 and the whole question of those rates is now under the consideration of the full Board as a result of a deputation to His Excellency last April. Secondly the wet rates in the Godavaris, Kistna and Guntur are higher than the rates in Tanjore, Trichinopoly or Salem. The average rates in East Godavari, Kistna and Guntur are the highest in the Presidency, while West Godavari stands sixth. It would be difficult to argue that these districts are under-taxed, if the average for the Presidency is taken into consideration. We must also remember that the wet rates were raised by 18¾ per cent in the recent resettlements in the Godavaris and Kistna. The balance of argument, therefore, would seem to show that comparatively these tracts are not assessed lightly. Also so far as the dry rate goes, it will be seen that the rates in the Godavari and Kistna are on the whole greater than those in Trichinopoly and Salem districts, although they are less than those in Tanjore. The average rates of those districts are higher than in most parts of the Presidency.

Again, it is, I think, not strictly correct to call inclusion fees a revenue. These fees represent a lump-sum contribution and by not collecting these fees the future Government will, I think, be in no danger of losing a source of revenue properly so-called.

My Hon'ble Colleague also says that no ryot need take water unless he wishes to. This of course is theoretically correct, but if lands round about his holding are irrigated the chances are many times to one that he will be forced to take water and will be unable to cultivate dry crops. Take the case of the East Bank Canal where the lands now are mainly dry. If a number of ryots do take water the rest will have to follow suit whether they like it or not and if on account of inclusion fees it is found that ryots hesitate to take water the whole scheme will result in failure. These considerations, I think, point clearly to the ill-advisability of going on with the collection of these inclusion fees. I would suggest, therefore, to my Hon'ble Colleague that as in the case of the resettlements, we should refrain from collecting any further inclusion fees now and if he adheres to his opinion that we should not drop inclusion fees altogether at present we should postpone the collection and leave it to the future Government to collect them as and when they wish. I am strongly of the opinion that from the very first it was a mistake ever to have imposed these fees but I am willing to agree that the present Government need not drop them altogether if we proceed now on the same lines as we have done regarding resettlement.

C. A. S[OUTER]—30-1-36.

I regret that I cannot agree to the proposal of my Hon'ble Colleague. This form of taxation has continued for a considerable number of years and its sudden cessation, without notice, will disorganize the Budget for 1936-37, and the following Budget. Money has to be found somehow, and this form of taxation is less liable to objection on practical grounds than others that can be thought of, as it is an existing tax. As a result of the resettlement, it must not be forgotten that dry lands converted to wet get off a special fee of Re. 1 per acre previously levied in the areas in question. As regards the Cauvery rates, a special temporary reduction has been made but it has been assumed that this reduction would gradually disappear. Whatever the ultimate decision as to the maximum rates leviable, I take it that there will be an increase over the present low rates also owing to reclassification of sources, I believe there is a general raising of the rates of wet assessment in Tanjore. **A** I venture to suggest that it is hardly fair to the Finance Department to propose so substantial a reduction of revenue without warning at a time which the Budget is practically settled.

G. T. H. B[RACKEN]—31-1-36.

The consideration at **A** above appeals to me. I am prepared to postpone the consideration of this question so far as the budget of this year goes, but I should like it to be brought forward again before next Budget.

C. A. S[OUTER]—31-1-36.

The question of the levy of inclusion fees was again considered in connexion with the comprehensive survey of Provincial finances. The further notes written on the subject are extracted below.

REVENUE DEPARTMENT.

The question of levying a " betterment " or " improvement " fee has not been discussed previously except once, when the question came up in connexion with the Vempad Project, Kistna district.

This was a case, in which there was no existing ayacut, to which additions could be made by the inclusion of dry land, but a new area of 4,485 acres, hitherto unirrigated, was proposed to be brought under irrigation and to be formed into an ayacut.

The then Secretary, Public Works and Labour (Mr. Gopalaswami Ayyangar), considered that, owing to the irrigation facilities provided, the lands must rise in value, and that there was nothing out of the way in the State claiming a share in the unearned increment.

The Hon'ble Member (Sir Archibald Campbell) was of opinion that the levy of a " betterment " fee might be justified when an irrigation scheme was not remunerative, but the proposal to levy a fee on the unearned increment was a new feature of taxation and would meet with considerable opposition. He further stated that he feared that an attempt to levy such a fee, unless supported by a Legislative enactment, would lead to civil suits.

The Secretary, Public Works and Labour (Mr. Gopalaswami Ayyangar), subsequently examined what he meant by his proposal, which was really the levy of a premium from the person to whom a concession was granted, which was bound to raise the value of the land. He considered that such a levy was not foreign to the land revenue system, and he cited as an instance the practice of selling valuable land by auction under the Board's Standing Order and he stated that the equitable justification for the levy was that owing to the right to water conferred by the State, the land becomes " valuable " in the phraseology of the land revenue system.

The matter was not however pursued.

Mr. Gopalaswami Ayyangar, at the discussion at the Collectors' Conference on Survey of taxation, modified the opinion expressed by him, when Secretary, Public Works and Labour, and considered that it would not be fair to levy a "betterment" tax until the landowner was actually in possession of the cash value of the improvement in respect of which the levy was made. He further expressed the view that the levy should be in respect of improvements generally, and not be restricted to irrigation improvements.

The subject of a general "improvement" levy has been dealt with by the Bengal Government in Act XVI of 1935 (the Bengal Development Act).

This Act provides for an annual improvement levy, with the concurrence of the Bengal Legislative Council, in any area notified by the Government under section 3 of the Act. The Act applies to any improvements made by the Government or proposed to be made by the Government, which benefits a given area.

It is, however, noticeable that under section 27 of the Act that, when an improvement levy is imposed under the Act in any area in respect of an irrigation work and an agreement exists for the supply of water under the Bengal Irrigation Act III of 1876 to any land in the area, the improvement levy shall not be payable in respect of such land until the expiry of the agreement.

The agreement referred to is the one mentioned in section 74 of the Bengal Irrigation Act dealing with applications for the supply of water to a land under the Act (vide also Schedule B to the Act).

It would appear from this that the Bengal Government do not levy both an improvement fee and water-rate in respect of the supply of water to a land, in a notified area.

If water is supplied to a land under the Irrigation Act, and water-rate is paid under that Act, no improvement fee is also apparently levied on the same land in respect of an irrigation improvement work.

In this Presidency water-rate for a new irrigation work is fixed under the Irrigation Cess Act at a figure which will enable the prescribed percentage return to be derived, e.g., the water-rate fixed for the East Bank Canal scheme, gives a return of about 8·76 per cent.

It would appear that under section 27 (1) of the Bengal Development Act no improvement fee would also be levied in respect of such a work.

The question is whether when a particular irrigation scheme can be adequately financed by the levy of water-rate under the Irrigation Cess Act at a certain rate, there is a case for the levy also of an improvement fee on the *potential* value, which the land will derive from the supply of water. The chief point against such a levy is that until the landowner sells the land and becomes possessed of the actual enhanced values, the rise in value is merely on paper, and he derives no material benefit from it. There are therefore arguments against making the landowner pay a water-cess at a rate sufficient to finance the project, *and* also a capital levy for potential improvement in the value of the land.

A decision is required on the following points:—

(i) Whether inclusion fees as now levied in the Godavari and Kistna deltas should be discontinued or continue to be levied.

(ii) If it is decided to continue the levy, should the principle be extended to the rest of the Presidency, and the levy take the form of an "improvement" levy to give the State a share in the unearned incriment of capital value arising from the improvement.

(iii) Should such a levy be confined to irrigation works or to improvements generally.

(iv) Will legislation be necessary—on the lines of the Bengal Development Act—to render such a levy for improvements legal and enforceable.

H. R. UZIELLI—13-6-36.

PUBLIC WORKS DEPARTMENT.

Financial considerations may dictate the answer to the first point in the second alternative, even if theoretically the first alternative sounder.

The answer to the second point is that it is not a practical proposition. The only way it would be made a practical proposition, outside the Godavari and Kistna deltas, would seem to be to treat inclusion fees as a reduction of the capital outlay and accept a lower water-rate as giving the necessary return on the reduced capital sum at charge. But *exhypothese* except in genuine inclusion schemes (where the land has already been irrigated) the ryot has to face the expense of making his land fit for wet cultivation and at the same time or rather in advance put down the inclusion fee. Government would get no more money in the long run and the ryot would be hard pressed at a time he can ill afford it, unless the betterment levy was made small. The theoretical principle would however be applied extensively instead of, as at present, to a limited area.

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As regards the other points, prima facie, there would appear to be little scope for involving such a principle in this Presidency except for irrigation works and schemes.

If the levy was confined to new schemes legislation would probably not be necessary any more than it was in Godavari and Kistna, but if it was applied to the Bhavani project, amendment of the Bhavani Irrigation Act would probably be necessary.

W. SCOTT BROWN—30-6-36.

FINANCE DEPARTMENT.

As regards the points raised in the Revenue Secretary's note, this department would advise—

(i) that inclusion fees, as now levied in the Kistna and Godavari deltas, continue to be levied, for the reason that we cannot very well afford to discontinue the levy. Presumably discontinuance on the ground that the levy is not justifiable would involve refund of the 25 lakhs already collected up to date and which have been spent for the welfare of the Province;

(ii) that the system should be extended to the rest of the Province, as has been done in Mysore for the past half a century and is still being done, although not necessarily at the high Mysore rates. It is also being done in other Provinces, and is therefore prima facie neither unjustifiable nor impracticable;

(iii) that the levy may be confined to irrigation works. Such scope as there is for taxing other improvements may be left to the exploitation of local bodies;

(iv) is a matter for Legal Department.

C. E. JONES—18-10-36.

LEGAL DEPARTMENT.

The inclusion fee is paid for the privilege of the land, in respect of which the fee has been paid, being included in the ayacut of the irrigation work. The inclusion presumably entitles the land to supply of water at the wet rate which is more favourable to the ryot than the dry rate *plus* the water-cess which he would otherwise have to pay. The payment of the inclusion fee is a voluntary payment for an advantage derived by the ryot. In other words, the inclusion fee is paid for something which the ryot gets in return. The arrangement can thus be traced to an implied contract between the Government and the ryot. There is nothing illegal in the arrangement. If the ryot does not want the arrangement, he cannot be compelled to enter into it. So long as the payment of the inclusion fee rests on a voluntary basis, no legislation would be required. If, however, the ryot is to be compelled to pay the fee irrespective of his wisher in the matter, legislation would be necessary.

P. APPU NAIR—3-11-36.

REVENUE DEPARTMENT.

The Kistna District Ryots' Association were informed upon their representations that the matter would be considered in connexion with the comprehensive survey of provincial finances.

With regard to the question whether, if the levy is treated as a "betterment" or "improvement" fee, it is necessary to pass legislation to give the levy a statutory basis, this has not been answered very definitely by the Legal Department.

In the first place, the tendency now, in the case of irrigation schemes, is to charge dry assessment plus water-cess rather than to impose a consolidated wet assessment, even in the case of ryotwari lands (cf. the lands under the Cauvery-Mettur Project).

The statement of the Legal Department that the inclusion fee presumably entitles the land to supply of water at the wet rate, which is more favourable to the ryot than the dry rate plus the water-cess which he would otherwise have to pay, therefore has little application to proprietary lands, as in their case it is only possible to levy water-cess.

It is also doubtful whether the "inclusion" fee (or whatever it is called), can be regarded as a voluntary payment. The Finance Department are of the opinion that it is not a fee pure and simple, but is a fee with a large measure of taxation in it.

According to the Taxation Enquiry Committee, a tax is a compulsory payment. If this fee is to be regarded as a tax on the unearned increment of the value of land, it must be regarded more as a compulsory payment than as a voluntary payment.

Moreover looked at from another point of view, the levy of this fee has a definite element of compulsion in it, although of an indirect kind.

It is true that no one need pay this fee, but the penalty for refusal to do so is that the ryot will not get any water, with the result that either he will take water because he cannot keep it out of his land, and have to pay a very heavy penalty up to 20 times the water-cess, or have to leave his land uncultivated, as it would become unsuitable for dry crops owing to seepage from surrounding lands. The payment of the fee is therefore forced on the ryot, whether he wants to pay it or not, as he cannot afford not to pay it.

This makes the fee largely compulsory. According to the Secretary, Legal Department, if the levy is compulsory, legislation would be necessary to support it.

If therefore it is decided that the fee should be levied in the case of all irrigation works as a "betterment" tax, it would be necessary to consider further the question whether legislation is or is not necessary.

If, however, the levy were made in the form of an additional water-cess of Rs. 1–4–0 an acre a year for 20 years, its levy might be covered by the Irrigation Cess Act, but it might be rather difficult to explain why the additional water-cess was imposed, unless it be in return for a *permanent* permit to take water.

H. R. Uzielli—10–11–36.

It must be remarked at the outset that the agitation against this fee is only of recent years, that is, since prices slumped. When prices gave a prospect of a reasonable profit, we never heard a word against this fee which was paid without demur because the ryot knew quite well that his land would be greatly enhanced in value by the change from dry to wet. The problem therefore seems to me at present at any rate to be one mainly concerned with prices. However that may be, it has already been agreed that, so far as this Government are concerned, the fees shall continue to be levied where they have been levied or where it has been decided to levy them, for example under the East Bank canal in the Kistna. The question of their future levy must necessarily remain with the new Government and there I fancy political considerations will outweigh any theoretical or practical financial considerations.

I have always held, as my previous noting will show, that the levy of this inclusion fee was hardly justifiable, at any rate, in the manner in which it started and developed in cases in which the return on our outlay without the inclusion fee was adequate under the financial rules. In other cases it would be quite legitimate to ask the ryots to pay a contribution, call it what you like, in order to make any project financially possible. There is no element of compulsion in this and the payment of fee in those cases would be entirely voluntary. If the ryot really wanted the project, he would pay a share in its cost. If he did not, the project would not be started. But where the project was financially possible without the fee, I have never thought that it was advisable or proper to levy such a fee. However that may be, so far as the present Government are concerned, we must go on levying the fee.

As regards extending the principle to the rest of the Province, here again it must be left to the future Government as the same general principles seem to me to apply. We certainly have the precedent in Mysore and similar levies in other Provinces and if we are to go by what is done there, I can see nothing wrong in our adopting a similar course. It is, I think, quite impracticable now to levy inclusion fees under projects which have already been completed and under which no such fee has been charged. The levy could in my opinion be applied only to new projects. I am very much against the idea of charging any fee for an improvement which is not based on the actual supply of water. This will be introducing a principle which if perhaps theoretically permissible is against all practice and precedent in this Presidency and it would be resented, I fancy, very strongly. I would therefore restrict the levy of any such fee to new irrigation works.

As regards legislation, it would of course be far best to have the approval of the Legislative Council to any such levy. Theoretically the element of compulsion is not very great. The facts pointed out by the Revenue Secretary are of course quite true, but there must be a considerable amount of new land on a high level which with improvement could be brought under a project but which without improvement might remain exactly as it is. Here there can be no compulsion of any kind. It is only in the case of low-lying lands, which must from irrigation be turned from dry to wet that the facts pointed out by the Revenue Secretary can have any real force and to cover such cases as those legislation might be necessary.

The whole matter has been now thoroughly discussed and all we can do is to leave the noting to the future Government to take what course they consider best. If prices rise there will be no opposition to such an inclusion fee as we have been levying in the past. If prices remain at their present level, no Government will be able to impose such a fee without the probable loss of office, and there I think the matter must end.

C. A. S[outer]—13–11–36

I agree that we can do no more and no less at present. The extension of the system to the whole Province would mean a useful additional source of revenue in return for a definite benefit.

G. T. H. B[racken]—16–11–36.

ANNEXURE F-V.

[See paragraph 13 (*e*) of the report and item 5 in Annexure C-III.]

Resuscitation of the ryotwari and proprietary village service cesses.

Revenue Department.

Ryotwari villages.—The emoluments of village officers of ryotwari villages originally consisted of service inam lands and of fees paid in grain, the latter being deducted from the gross produce under the old settlements before the division of the produce between the State and the ryot. The result was that the State and the ryot both contributed to the remuneration of these officers. When the survey and settlement was undertaken in this Presidency, it was the intention of the Government to bear the entire cost of the village service. Consequently the customary fees due to the village servants were not taken into account in determining the land assessment. Subsequently the idea of the Government bearing the entire cost of the village service was abandoned and an Act was passed, authorizing the Government to levy a commuted money value from the ryots towards the cost, in addition to land assessment. Accordingly a village service fund was established. The fund consisted of a cess at a certain percentage on the assessment collected from each ryot and a contribution from the Government of an equal amount. When the service inam lands were enfranchised, the quit-rents which accrued therefrom were also credited to the fund.

2. *Proprietary estates.*—A fund called the Proprietary Estates Village Service Fund was also constituted for the payment of the salaries of the village establishments in proprietary estates. The fund was made up of quit-rents on enfranchised village service inam lands, a cess on the annual value of occupied lands and a provincial contribution equal to the cess levied each year.

3. *Abolition of the cess.*—In 1906, the Government of India on their own initiative, proposed the abolition of the cess in pursuance of a general policy that "no local cesses should be imposed on the land, supplemental to the land revenue proper, except such as was levied by or on behalf of local authorities for expenditure by them on genuinely local objects," and asked the Local Government to take over the entire liability for maintaining the establishments, from their general revenues, receiving compensation from imperial revenues for the additional charges thrown upon them. The cess was accordingly abolished from 1st April 1906, in ryotwari areas and from 1st April 1912 in proprietary estates. The compensation from imperial revenues ceased with the introduction of the Reforms of 1919.

4. *Revival of the Ryotwari and Proprietary Estates Village Service Cesses.*—As the Government of India held that no local cesses should be imposed on the land supplemental to the land revenue proper except such as was levied by or on behalf of the local authorities for expenditure by them on genuine local objects, the Government abolished the Ryotwari Village Service Cess and the Proprietary Village Service Cess from 1st April 1906 and 1st April 1912, respectively. Early in 1922, when the question of the revision of the salaries was under consideration, the Government introduced two Bills for the revival of the village service cesses with the object of raising funds for the express purpose of meeting the additional cost of village offices. The additional revenue expected from the source was Rs. 22·50 lakhs in proprietary areas and Rs. 42·04 lakhs in ryotwari areas. The Bills were however thrown out by the Legislative Council. The revival of the cesses by legislation might be considered as a source of additional revenue.

H. R. Uzielli—30–8–36.

ANNEXURE F-VI.

[See paragraph 13 (*f*) of the report and item 6 in Annexure C-III.]

Ground-rent on town-sites outside the Madras City.

REVENUE DEPARTMENT.

On an examination of the principles governing the initial levy of ground-rent and its revision at resettlements, the Board of Revenue raised three main points:—

(i) That ground-rent should be the highest dry rate in the village, and that the ground-rent in the case of assignments made prior to or after 1927, when orders were issued regarding the levy and revision of ground-rent (G.O. No. 436, Revenue, dated 8th March 1927) should be revised accordingly the latter cases at the next resettlement of the district.

(ii) That the limit of enhancement for the assessment of agricultural land (18¾ per cent) should also apply to the revision of ground-rent.

(iii) That it is illogical to raise at resettlement the rate of Rs. 6–4–0 fixed so recently as 1922, on the basis of a rise in the prices of food-grains at the time of the resettlement compared with those prevailing at the time of the old settlement, which took place long before the rate of Rs. 6–4–0 was fixed.

2. *Point* (i).—The point of view now put forward by the Board of Revenue follows much the same lines as that put forward by Mr. Gopalaswami Ayyangar when he was Registrar-General of Panchayats in 1925, and this view was considered in the discussions in the notes to G.O. No. 1427, Revenue, dated 12th September 1925.

There seems to be no need to re-open the matter now

3. *Point* (ii).—This point was raised by the Revenue Department in the notes to G.O. No. 2502, Revenue, dated 3rd December 1927.

It was suggested that orders should issue that in the revision of ground-rent at resettlements the percentage enhancement should be limited to 18¾ per cent in accordance with the principle governing the revision at resettlement of the assessment on agricultural lands. This was accepted in the Finance Department as being consistent with the principle adopted.

The Hon'ble the Revenue Member, however, saw no ground for the limit of 18¾ per cent enhancement in the case of the revision of ground-rent at resettlement, in the view that such limit in the case of agricultural lands was not the outcome of any principle, but was fixed out of reasons of political expediency.

Whatever may have been the reasons which led to the limit of enhancement in the case of agricultural assessment being fixed at 18¾ per cent, it would only be logical to limit the enhancement of ground-rent to that percentage, when it has been ordered that ground-rents should be revised at resettlement *in accordance* with the principles governing the revision at resettlements of the assessment on agricultural lands. It is a matter for consideration whether this limit should be adopted for revisions at future resettlements.

4. *Point* (iii).—There is considerable force in the Board's contention under this head but perhaps at the present juncture matters may be left as they are.

5. There is however one point which requires consideration.

A revision of ground-rent is a part of resettlement operations, and ground-rent is revised on a consideration of a rise in the prices of food-grains.

In view of the announcement made in the Press Communiqué on resettlement policy, it is for consideration whether in cases where effect has not yet been given to orders for the revision of ground-rents proposed at resettlements, it should not be left to the Government under the Government of India Act, 1935, to collect the revised rates or not—as in the case of enhanced rates proposed for agricultural lands.

H. R. UZIELLI—4–2–36.

FINANCE (ACCOUNTS) DEPARTMENT.

The case relates to the principles governing the initial levy of ground-rent and its revision at resettlements. The three points for consideration are referred to at paragraph 1 of Revenue Secretary's note above.

1. *Point* (i)—*Ground-rent should be the highest dry rate in the village, and the ground-rent in the case of assignments made prior to or after 1927 when orders were issued regarding the levy and revision of ground-rent (G.O. No. 436, Revenue, dated 8th March 1927) should be revised accordingly, the latter cases at the next resettlement of the district.*—This department may agree with the Revenue Secretary that there seems to be no need for re-opening the matter now.

2. *Point* (ii)—*The limit of enhancement for the assessment of agricultural land (18¾ per cent) should also apply to the revision of ground-rent.*—Revenue Secretary considers that it would only be logical to limit the enhancement of ground-rent to 18¾ per cent when it has been ordered that ground-rents should be revised at resettlement in accordance with the principles governing the revision at resettlements of the assessment on agricultural lands. The decision not to apply the limit of enhancement for the assessment of agricultural land (viz., 18¾ per cent) to the revision of ground-rent in urban areas was arrived at in 1927 under the orders of the then Revenue Member. The undertaking to limit the enhancement to 18¾ per cent in the case of agricultural land was not based on any principle but it was given for reasons of political expediency. No such reason is adduced now for adopting the same limit in the case of ground-rent. It is therefore for consideration whether this department may suggest that the question need not be reconsidered now and that it may be left to the Reformed Government to proceed in the matter.

3. *Point* (iii).—*It is illogical to raise at resettlement the rate of Rs. 6–4–0 fixed so recently as 1922, on the basis of a rise in the prices of food-grains at the time of the resettlement compared with those prevailing at the time of the old settlement, which took place long before the rate of Rs. 6–4–0 was fixed.*—Revenue Secretary considers that matters may be left as they are at the present juncture. This department may agree.

4. *Application of the policy regarding future settlements to the enhancement of ground-rent rates.*—This department may agree that where effect has not yet been given to orders of the revision of ground-rent proposed at resettlement, it should be left to the Government under the Government of India Act, 1935, to collect the revised rates or not as in the case of enhanced rates proposed for agricultural lands.

V. VARADACHARIYAR—28–2–36.

C. E. JONES—1–3–36.

REVENUE DEPARTMENT.

A draft order as suggested by Finance is submitted for approval.

H. R. UZIELLI—13–3–36.

C. A. S[OUTER]—17–3–36.

Possibly this may come up for consideration in the taxation enquiry—I suggest that a reply to the Board be deferred for the present.

G. T. H. B[RACKEN]—18–3–36.

The Board's proposals for the modification of the orders with regard to the fixing of ground-rent will not result in any increase in revenue but will have the effect of reducing it. It is for consideration whether in the circumstances it is of any use considering these proposals in connexion with the financial enquiry, which has the object of augmenting the resources of the Government.

2. Further the revision of ground-rent is a part of resettlement operations, and ground-rent is revised on a consideration of a rise in the prices of food-grains in accordance with the principles governing the revision at the resettlement of the assessment on agricultural lands.

Ground-rent once fixed can therefore only be revised at a resettlement as matters stand at present and even in the case of a resettlement, it is a matter for consideration whether in view of the Press Communiqué of October 1935 any Government should collect enhancement on ground-rent arising from a rise in the price of food-grains, or whether as in the case of assessment on agricultural lands the question should be left to some future Government the reason for any enhancement in both cases being the same—a rise in the price of food-grains.

H.R.U.—12–5–36.

FINANCE (ACCOUNTS) DEPARTMENT.

The decision to revise ground-rents on a consideration of the rise in prices of food-grains in accordance with the principles of revenue resettlement of agricultural lands hardly appears to be logical, and must have the effect of unduly restricting the Government demand on lands in growing towns where land values may be appreciating rapidly. The question of reconsidering the decision may be examined.

Where land values are thus rising the reasons for which (*a*) resettlement increases were limited to 18¾ per cent in the case of ryotwari lands and (*b*) resettlement enhancements are held over until there is a substantial improvement in the prices of agricultural products,
A hardly apply. It would seem *prima facie* that revision of ground-rents may be effected to the full extent found justified and given effect to, independently of whether the introduction of the revenue resettlement is postponed or not, to the benefit of the revenues of the Government or of the local bodies or of both.

C. E. JONES—31-5-36.

REVENUE DEPARTMENT.

The minutes of Hon'ble the Finance Member are for perusal.

2. As pointed out in the notes above, the Board's proposals dealt with in this file would not result in any *increase* of revenue from ground-rent but the reverse.

3. At present ground-rent is enhanced at resettlement irrespective of any limit of 18¾ per cent (applied to assessment on agricultural lands).

4. With reference to point at **A** in the note of the Finance Secretary: orders on the point were issued in G.O. No. 612, Revenue, dated 18th March 1936.

It is for orders whether this decision will be altered.

5. If the decision is adhered to, it is for orders whether the Board's proposals in this file may be left to the Governments under the Government of India Act, 1935, to deal with, and the lévy of ground-rent be for the present regulated by existing practice and rules.

H. R. UZIELLI—8-6-36.

I do not think that we should reconsider the orders in G.O. No. 612, Revenue, dated 18th March 1936. They are logical and follow the decision not to collect increased rates at resettlements.

However, there is considerable force in Finance Secretary's view that ground-rents cannot be held to be on the same footing as ordinary agricultural assessment, for the rise in values of land in towns does not as a rule depend on food prices, but on factors which are not present in purely agricultural lands. Unfortunately the rate of Rs. 6-4-0 was held to be based on the agricultural value of the land, a curious theory to my mind. Recognizing this I think Sir N. Marjoribanks refused to impose a limit of 18¾ per cent and quite rightly. But it is a very different thing to increase the ground-rent and *collect it* now. I can see no harm in imposing the full calculated ground-rent in our resettlement orders and leaving it to the future Government to impose as much of it as they think fit. After all, the financial survey is to enable the future Government to see where it can increase their revenues and does not mean that we shall get this increase now.

C. A. S[OUTER]—8-6-36.

Logically the present arrangement is difficult to defend, but practically it is convenient and works out not unfairly. With a rise in the price of food-grains, the price of land must be assumed to rise, since the money value of the income from land is higher. It is difficult to assess the rise in value of land subject to ground-rent, but as a rough and ready guide, the rise in the value of agricultural land as gauged by the rise in the value of the produce, i.e., increase in the commutation rate, is something to work on.

The basic rate of Rs. 6-4-0 per acre is convenient anything above that goes to the local bodies concerned and they are badly in need of additional resources. I agree that we may leave it to the new Government to collect the additional impost. Taking into consideration the general rise in the value of land of all descriptions since the last settlement, we might fix a convenient percentage of increase, say 50 per cent, and leave it to the new Government to collect or, if they wish, adopt some other method of assessment. This might reasonably be imposed for the benefit of local bodies irrespective of whether the rate of assessment on ordinary agricultural land is raised to the level contemplated—1½ annas per cent on such land cannot be considered unreasonable. I believe, in zamindaris much more is obtained from land converted to non-agricultural uses. I should like to know what the practice is.

G. T. H. B[RACKEN]—9-6-36.

* * * * * *

Generally speaking, much higher rents seem to be demanded on land used for non-agricultural purposes. Some of the rents and nazars demanded are very high indeed. In resettlements we could easily enhance the assessment by 50 per cent for such land and give local boards or municipalities the excess over the normal increase.

C. A. S[OUTER]—12-12-36.

I agree.

G. T. H. B[RACKEN]—16-12-36.

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ANNEXURE F-VII.

(See paragraphs 14-16 of the report and item 7 in Annexure C-III.)

Stamp duties—Enhancement.

REVENUE DEPARTMENT.

The Board has made various recommendations for enhancing the rates under certain heads, and for withdrawing existing exemptions in certain cases.

A This department proposed that, for the information of the new Ministry, all that was at present necessary was to prepare a note explaining that additional revenue could be obtained by enhancing the rates in certain respects, adding the Board's report as an annexure to the note and to leave it to the new Ministry to decide first whether they wished to increase their revenue by an enhancement of the stamp duty, before examining the Board's proposals in detail.

The Finance Department want however the proposals to be dealt with now in detail, and the orders of the present Government to be obtained on each point for the benefit of the new Ministry.

2. It seems to me that this will unnecessarily add to the work of the departments.

No alteration can be made in the stamp duties without legislation; the rates were raised by 50 per cent in 1922 and since then, there have been persistent attempts made in the Legislative Council to get the rates reduced to the old level.

Until therefore a new Ministry decides on the policy of increasing the rates of stamp duty—after considering the various representations which have been made in the past few years for reduction—it seems unnecessary, and largely a waste of time, to examine in detail (in one instance in consultation with the High Court) the proposals now made by the Board.

If the new Government should decide to raise more revenue by means of an enhancement of the stamp duty—which seems to be unlikely—the Board's proposals can be examined in detail, when the policy has been decided.

For orders whether the proposals should be examined in detail now and be circulated for orders, *or* whether **A** above will be approved.

H. R. UZIELLI—1-2-37.

I am inclined to agree with Revenue. It seems to me that it is desirable to leave a free hand to the new Ministers. I think the examination of the Board's proposals may be left to be ordered by the new Ministers. If they be examined now and if the future Minister should decide not to undertake legislation, it would be wasted labour.

K. V. R[EDDI]—2-2-37.

In cases which it is proposed to leave over for the decision of the new Government, the general idea is to prepare all the data and if necessary make recommendations, but there is no question whatever of not giving the new Government a free hand. What we are trying to do is to be helpful by giving the new Government the benefit of our experience for what it is worth.

In the present case it is very much a matter of opinion what the stamp duty should be for different documents, etc. The Board has made its proposals and I do not think further noting at this stage would carry the matter much further. A note may be prepared stating that clearly considerable additional revenue can be obtained by the Board's proposals which may be printed as an annexure when completed.

G. T. H. B[RACKEN]—3-2-37.

Reference from the Board of Revenue, dated 27th November 1936, *P. No.* 2507/36-9.

In reply to the reference from the Government read above, the Board submits that the Collectors of all districts were requested to have the various articles in section 1-A to the Stamp Act examined and to report whether it is possible to revise the scale of duties now in force so as to increase the revenue derived by the Government. They were also asked to consider how far any public or commercial activities are likely to be handicapped by any increase in the duties which they might recommend. The replies from all Collectors except the Collector of Vizagapatam have been received. As the question is a general one, the Board decided not to await the report from this district. The Board has considered the suggestions made by the Collectors, and has examined the various classes of instruments mentioned in Schedule 1-A to the Stamp Act. It is of opinion that the rates of duty on the documents dealt with in the following paragraphs may be raised. The instruments specifically referred to by the Government are dealt with first.

2. *Adoption deed*—(*Article* 2).—The majority of the Collectors agree to the present rate of Rs. 15 being raised to Rs. 20. The Collector of West Godavari will even raise it to Rs. 25. The objection raised by some Collectors is that with an increase in duty the number of

such deeds will diminish thus defeating the object in view. Under the law adoption may be oral. But where succession to properties is involved, parties consider it safer to execute such deeds, as oral adoption is always very difficult to prove. A few persons who now execute adoption deeds may decide to do without them if the duty is increased but on the whole the classes of persons who now execute such deeds will continue to do so. Where the deed is of real importance, Rs. 20 is not an extravagant duty on it. The Board recommends that this rate may be adopted.

3. *Award* (*Article* 11).—The Government suggest that the maximum of Rs. 50 in clause (*b*) may be removed. The majority of the Collectors accept this suggestion. Two Collectors suggest that the number of awards that will be affected by the suggestion will be few, and that the proposal will only add to the list of items which may form the subject of criticism by the public. Some Collectors suggest the deletion of the existing maximum and a variation in the rates of duty for awards exceeding Rs. 5,000. The Board considers that the second sub-clause (*b*) to Article 11 gives quite an unwarranted low rate of duty for higher values. The Board also observes that while there is a sudden jump in the duty from Rs. 7–8–0 to Rs. 10 at the value Rs. 1,000, the increase is a steady one of 8 annas for every increase in value of Rs. 1,000 above Rs. 5,000. But any attempt to introduce a graduated increase from Rs. 1,000 may reduce the income, as such a system will reduce the duty on awards over a considerable range between the values of Rs. 1,000 and Rs. 5,000 and the number of such awards must be appreciable. The mere removal of the maximum now prescribed will affect only awards exceeding Rs. 85,000 in value and such awards must be so rare that it would be hardly worth while to introduce the amendment. The Board therefore recommends that the rate of 8 annas for every Rs. 1,000 or part thereof above Rs. 5,000 in clause (*b*) may be raised to 12 annas and that the maximum now fixed may be removed.

4. *Cancellation—Article* 15.—The suggestion of the Government is that the present rate is not adequate and that it may be raised to Rs. 10. Eleven Collectors accept this suggestion. Eight consider that the present rate is adequate. One will raise it to Rs. 15. Others suggest modification in different directions.

The Board is of opinion that a flat rate must by its nature not be too high. There is the danger of evasion if it is fixed at a high figure. For corresponding documents such as 'release' (Article 4) and 'revocation of settlement,' (Article 47-B) the duty on small values is much less than Rs. 7–8–0 prescribed for 'cancellation.' Article 15 will mostly apply to sales and mortgages. The values will not generally be very high and in so far as this is true parties are already paying a higher duty than for corresponding documents which fall under some special article. The Board is not therefore in favour of an increased flat rate. An alternative course will be to have a scale varying with values as suggested by some Collectors. This will reduce the income from lower values, and will frustrate the object in view. The Board is therefore of the opinion that the existing rate may continue.

5. *Administration bond—Article* 1.—Different suggestions have been made by Collectors. The Board is proposing in the succeeding paragraph an increase in the rate for bonds of small values. This will raise the duty in the case of this instrument for small values. The Board considers that the rates applicable to bonds may be adopted in this case throughout the maximum of Rs. 10 now prescribed being omitted.

6. *Bond—Article* 13.—Varying suggestions have been made and the opinion of the Collectors who have considered this article is generally that the duty on lower values should be increased. The duty on bonds is the same as the duty on bottomry bonds for values exceeding Rs. 500. The Board considers that the simplest course is to make the duty equal for lower values as well. The extra revenue will be appreciable and the proposed rates will not be too high and are not likely to hit any one very hard. Incidentally, the sudden jump from Rs. 3–2–0 to Rs. 4–8–0 at the value of Rs. 500 will be avoided.

7. *Affidavits—Article* 3.—A suggestion has been received that the present rate of Rs. 2 may be raised to Rs. 3. Three Collectors recommend withdrawal of exemption (*b*) under this article. One of them will in such cases levy a fee of annas 2. The income from affidavits which are not immediately to be filed or used in courts is not likely to be appreciable. The Board is not therefore in favour of increasing the present duty prescribed. The suggestion that exemption (*b*) should be withdrawn will produce much more revenue. A person who files an affidavit generally saves himself considerable trouble and affidavits are almost always filed on the advice of some vakil or others. The Board considers that if a person can afford to pay for the vakil, he can afford to pay the extra Rs. 2 which is the duty prescribed in the article. The Board therefore recommends that exemption (*b*) may be withdrawn, but that the present rate may be continued.

8. *Agreement—Article* 4.—The Board recommends that the existing rates of annas 3, annas 1½ and annas 12 mentioned in the article may be raised to annas 4, annas 2 and Re. 1, respectively and that the maximum of Rs. 15 prescribed in clause (*b*) may be raised to Rs. 20.

9. *Appointment in execution of a power—Article* 6.—The present rate of Rs. 25 may be raised to Rs. 30.

10. *Appraisement or valuation—Article* 7.—The rate of Rs. 7–8–0 in clause (*b*) may be raised to Rs. 10.

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11. *Articles of clerkship—Article* 10.—The Collector of Salem suggests that the existing duty may be increased by 10 or 15 per cent while the Collector of North Arcot suggests that it may be raised to Rs. 400. The Board considers that as the supply of attorneys probably exceeds the demand, there is no harm in fixing the duty at Rs. 500. The increase will, however, probably cause comment.

12. *Bill of lading—Article* 12.—The rate of annas 6 may be raised to annas 8.

13. *Certificate of sale—Article* 16.—Four Collectors suggest a rate of annas 12 in place of the existing rates of annas 3 and annas 6 while one Collector proposes a minimum of Re. 1. Some others have proposed an increase in the rates prescribed in clauses (*a*) and (*b*). The Board considers that the rates in clauses (*a*) and (*b*) may be raised to annas 4 and annas 8 respectively.

14. *Copy or extract—Article* 20.—The rates of annas 12 and Rs. 1–8–0 may be raised to Re. 1 and Rs. 2 respectively.

15. *Counterpart or duplicate—Article* 21.—The rate of Rs. 1–8–0 in clause (*b*) may be raised to Rs. 2 and clause (*a*) may be amended by substituting Rs. 2 for Rs. 1–8–0.

16. *Customs bond—Article* 22.—The Board's remarks will be submitted separately.

17. *Divorce—Article* 24.—Six Collectors propose revision of the existing rate of Rs. 2. One will raise it to Rs. 4 and the others to Rs. 5. Though instruments of divorce may be rare, the Board recommends that the rate may be increased to Rs. 5.

18. *Entry as an advocate, vakil, etc.—Article* 25.—The Collector of North Arcot recommends that the exemption in respect of subsequent enrolment may be withdrawn and that a special rate of Rs. 50 for advocates and vakils and Rs. 25 in the case of attorneys may be fixed. Such cases are likely to be very few indeed, but the Board sees no objection to the Collector's proposal being accepted.

19. *Indemnity bond—Article* 29.—The recommendation in respect of Article 46 will apply to this case.

20. *Notarial Act—Article* 35.—The rate of Rs. 1–8–0 may be raised to Rs. 2.

21. *Note or memorandum—Article* 36.—The rate of annas 3 in clause (*a*) may be raised to annas 4 and the maximum of Rs. 15 in clause (*b*) may be raised to Rs. 20.

22. *Partition—Article* 38.—The Collectors of Trichinopoly and Tanjore suggest that ryotwari lands should be valued at 10-times or not more than 10-times the annual revenue instead of at not more than 5 times the annual revenue. The Collector of South Arcot will adopt 20 in the place of 5. The Board considers that "5 times the annual revenue," occurring in the proviso may be replaced by "10-times the annual revenue." In most cases valuation at 10-times the annual revenue will not be an over-estimate of the value of the land.

23. *Partnership—Article* 39.—Different suggestions have been made by the Collectors who have considered this article. The Board considers that the rate of Rs. 5 where the capital does not exceed Rs. 500 is reasonably high. It would however suggest that clause (*b*) may be split up as follows:—

(*b*) Where the capital exceeds Rs. 500 but does not exceed Rs. 5,000—Rs. 20.

(*c*) Where it exceeds Rs. 5,000—Rs. 50.

The rate in Article 39-B may be recast as follows:—

Rupees 10 where the assets of the partnership are below Rs. 5,000 and Rs. 20 when they exceed Rs. 5,000.

24. *Power of attorney—Article* 40.—The rates in clauses (*a*), (*b*), (*c*), (*d*), (*e*) and (*g*) may be raised to Re. 1, Re. 1, Rs. 2, Rs. 10, Rs. 20 and Rs. 2 respectively. These are reported to be the rates in force in other provinces.

25. *Release—Article* 44.—In many cases the value of the claim released will considerably exceed Rs. 1,000. The Board therefore recommends that the limit of value, viz., Rs. 1,000 in clause (*a*) may be raised to Rs. 2,000. This would give a duty of Rs. 15 where the value Rs. 2,000 is reached and the rate in clause (*b*) which will apply where the value exceeds Rs. 2,000 may be raised to Rs. 20.

26. *Security bond or mortgage deed—Article* 46.—The rate of Rs. 7–8–0 in clause (*b*) may be raised to Rs. 10.

27. *Transfer—Article* 50.—The maximum of Rs. 7–8–0 in clause (*c*) (11) may be raised to Rs. 15.

28. *Trust—Article 52-A.*—The Collectors of Trichinopoly and Malabar suggest that the maximum of Rs. 22–8–0 may be raised to Rs. 30 and Rs. 50 respectively. The Collector of West Godavari will abolish the maximum and levy duty at ad valorem rates. The maximum of Rs. 22–8–0 means that there is no duty at ad valorem rates when the value of the properties exceeds Rs. 3,000. The Board considers that this limit may be raised to Rs. 5,000 giving a maximum duty of Rs. 37–8–0. The maximum under clause (*b*) may be similarly raised to Rs. 22–8–0.

29. *Warrant for goods—Article* 53.—The rate of annas 6 may be raised to annas 8.

30. As regards instruments not dealt with above the Board considers that no revision of the rates of duty now leviable is necessary or desirable under present conditions. It is also unnecessary to withdraw any of the exemptions now enjoyed other than those dealt with in the previous paragraphs. It is difficult to gauge the full effect of altering the duty on such very varied sorts of documents, with many of which the Board is very imperfectly acquainted It is also not possible to estimate the financial results of the proposals now made as no recent statistics of the revenue derived from the documents dealt with above are available. Collectors will be asked to frame an estimate of the financial effects of the proposals if the Government consider it necessary to have such an estimate before accepting the proposals.

Board's Reference Confidential P. No. 2507/36-10, dated 1st December 1936.

In continuation of its Reference P. No. 2507/36-9, dated 27th November 1936, the Board submits that the Collector of Anantapur has suggested that the present duty on customs bonds (Article 22) should be raised by 10 or 15 per cent. The Collectors of Kurnool and West Godavari propose that the maximum of Rs. 10 under clause (*b*) should be abolished. The Board has decided that the rates applicable to bottomry bonds need no revision and as the duty on customs bonds is for low values the same as that on bottomry bonds it is not in favour of the proposal of the Collector of Anantapur. The Board recommends that the maximum of Rs. 10 in clause (*b*) of Article 22 may be removed and that the rates for bottomry bonds may apply to customs bonds of all amounts.

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ANNEXURE F-VIII.

(See paragraph 17 of the report and item 8 in Annexure C-III.)

DEVELOPMENT DEPARTMENT.

Withdrawal of the concession granted to co-operative societies in the matter of stamp duty.

The Government have remitted the stamp duty with which instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such society or any class of such instruments or decisions, awards or orders of the Registrar or arbitrators are respectively chargeable. Co-operative societies have been enjoying this concession from the very inception of the movement in this Presidency. The Registrar recently proposed that the concession should be extended to contribution orders passed by liquidators and sale certificates issued in favour of co-operative societies when they purchase defaulters' properties for want of bidders or other reasons. It has been decided that the Act should be amended so as to exempt the contribution orders of liquidators from payment of stamp duty. As regards sale certificates, it is proposed to grant a direct subsidy to societies working at a loss, subject to the condition that the subsidy should not exceed the loss.

2. Most of the agricultural societies are working at a loss. The economic depression has hit hard the agricultural borrowers and several concessions such as reduction of rates of interest and the waiver of penal interest in its entirety have been allowed to ease their position. The depression still continues and the general position of the ryot has not substantially improved, though there are signs of rise in the prices of paddy and other commodities. The movement is slowly recovering from the after-effects of the depression and the withdrawal of the concession regarding exemption from payment of stamp duty at this stage may prove a severe set back to it. The Registrar has stated that if the concession in regard to payment of half registration fees is withdrawn, a very definite blow will be struck at the co-operative movement and that such a calamity should be avoided in the present condition of the movement. The same remarks may be taken to apply to the withdrawal of the concession regarding stamp duty. If considered necessary, the question of withdrawal of this concession also may be left to the Reformed Government for consideration.

A.K.—24.

C. J. PAUL—29-11-36.

FINANCE (REFORMS) DEPARTMENT.

The Development Department point out that the withdrawal of the concession of exemption from the payment of stamp duty would be a definite blow to the co-operative movement and suggest that if it is considered necessary the withdrawal of the concession may be left over for the consideration of the new Government. Finance may agree to this proposal. (We have already suggested that the question of withdrawal of the concession in respect of registration fee may be left over for the new Government.)

C.E.J.—14-1-37.

2. Attention is in this connexion invited to paragraph 228 of the Report of the Bombay Reorganization Committee. They recommended that the concession granted to co-operative societies in the form of exemption from payment of registration fees and stamp duty should be withdrawn. It is not known whether the recommendation was accepted by the Bombay Government. Development may perhaps ascertain the practice in Bombay and Bengal in the matter. The information may be helpful to the new Government in coming to a decision on the question.

T.A.S. 14-1-37.
C.E.J.—14-1-37.

C. E. JONES—14-1-37.

DEVELOPMENT DEPARTMENT.

All co-operative societies have also been exempted from payment of stamp duty, the exemption dating from the inception of the movement in this Presidency.

It is now proposed that the question of the withdrawal of the above concessions may be left over for consideration by the new Government.

C.J.P.—22-1-37.

I agree.

P. T. R[AJAN]—25-1-37.
G. T. H. B[RACKEN]—25-1-37.

ANNEXURE F-IX.

(See paragraph 19 of the report and item 9 in Annexure C-III.)

REVENUE DEPARTMENT.

Enhancement of registration fees.

The policy of the Government, from the very inception of the Department, had been not to regard the receipts as a source of revenue. In 1922 on account of the financial stringency the Government enhanced the scale of fees, so that more revenue might be realized. This increase was not intended to be permanent and when the pressure on the resources of the Government was relaxed after the remission of the provincial contribution the scale of fees was restored in 1928 to the former level. The scale of fees has not been enhanced since then.

The Government of India have observed that the reduction of the rates of fees for registration from 1st January 1928 to the rates pervailing in 1921–22 involved a loss of about Rs. 5 lakhs.

A statement showing the rates of registration fees at present in force in Madras and those in force prior to 1st January 1922, compared with the fees levied in Bombay and Bengal is annexed—Annexure I.

The fees in Madras are lower than those levied in Bombay and Bengal. In Bombay the fees were enhanced in 1931 and 1935. In Bengal the fees were doubled ten years ago in respect of documents valued above Rs. 250 and from 1933 onwards the fees on documents of value not exceeding Rs. 250 were also doubled.

In Madras, on the other hand, the fees although raised in 1922, with an addition to the annual revenue of Rs. 5 lakhs were reduced in 1928 to the scale prevailing before 1922. The Inspector-General of Registration has accordingly recommended that the scale which was introduced by G.O. No. 36, Law (Registration), dated 20th February 1922, may well be again adopted. He has obtained from Bombay and Bengal information as to the rates of fees now prevailing in those presidencies. The subjoined statement presents in one view the operation on the registration fees (up to value Rs. 5,000) of—

(i) the scale now in force in Madras;

(ii) do. Bengal;

(iii) do. Bombay; and

(iv) the scale as it was in force in 1922–27 and as proposed by the Inspector-General of Registration.

Value. (1)		Now in force in Madras. (2)		In force in Bengal. (3)		In force in Bombay. (4)		As it was in force in 1922–27 and as now proposed. (5)	
		RS.	A.	RS.	A.	RS.	A.	RS.	A.
Documents of value not exceeding Rs. 10	..	0	4	0	12	0	12	0	4
Exceeding Rs. 10 but not exceeding Rs. 25	..	0	6	0	12	0	12	0	6
Do. 25 do. 50	..	0	8	0	12	0	12	0	8
Do. 50 do. 75	..	0	12	1	2	1	2	0	12
Do. 75 do. 100	..	1	0	1	2	1	2	1	0
Documents of the value of Rs. 250	..	1	8	1	8	3	0	2	0
Do. 500	..	2	0	3	0	4	8	3	0
Do. 750	..	3	0	4	0	6	0	4	0
Do. 1,000	..	3	0	4	0	6	0	5	0
Do. 5,000	..	11	0	12	0	18	0	15	8

From the above figures it is clear that even if the old scale of registration fees is reintroduced, the Madras scale will be far lower than that of Bombay throughout and lower than Bengal up to Rs. 100.

When the scale of registration fees was raised in 1922, the actual increase in revenue was about Rs. 5 lakhs as against an anticipated increase of Rs. 7 lakhs. The average value of a document in 1922–27 when the increased fees were in operation was Rs. 450, whereas in 1935 it was about Rs. 400. As the income varies with the average value of a document, it is estimated that an additional revenue of at least Rs. 4 lakhs annually can be realized by reverting to the old scale.

Attention is in this connexion invited to paragraphs 326 to 329 at pages 243–245 of Volume I of the Indian Taxation Enquiry Committee Report (1924–25) wherein the Committee held that "In view of the security which registration gives in the buying and selling of landed property and the consequent increase in the price which purchasers are willing to pay, it seems justifiable to hold that the rates (prevailing in 1923) do not exceed the value of the benefit which registration confers" although they have however held in the last sentence of paragraph 329 that "it is advisable to exercise considerable caution in raising the fees (as existed in 1923) especially in the case of documents that are compulsorily registrable."

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The Finance Department consider that the rates adopted for documents of small value, i.e., for those valued below Rs. 75, are very low in Madras, that no change was made in the rates in force before 1st January 1928, that the registration of documents affords the same security to those of small value as well as to those of high values and that although a sliding scale may be justified, the very low fees now levied for documents of less than Rs. 75 do not seem justifiable. They state that the scale of 12 annas in force in Bombay and Bengal up to Rs. 50 may be adopted in Madras also and that the fees for documents above Rs. 50 and up to Rs. 100 may be Re. 1. With regard to documents of over Rs. 25,000 their view is that the rates in force prior to 1st January 1928 are rather high. The excess over Rs. 25,000 was charged at Rs. 2–8–0 per thousand or part thereof and excess over Rs. 50,000 at Rs. 3 per thousand or part thereof. Thus for a document valued at Rs. 2,00,000, the rates are—

	RS.
Madras—	131
Existing ...	568
Prior to 1st January 1928 ...	408
Bombay	402
Bengal	

The Finance Department, therefore, have suggested a uniform rate of Rs. 2 per thousand or part thereof beyond Rs. 5,000 as in Bombay and Bengal.

The modifications to the Inspector-General's proposals suggested by the Finance Department are as follows:—

(i) that the fees in respect of documents of value not exceeding Rs. 100 should be raised as shown below:—

When the value does not exceed		Existing scale.		Proposed scale.		
		RS.	A.	RS.	A.	
Rs. 10	..	0	4	12	0	The scale adopted in Bengal and Bombay.
Rs. 25	..	0	6			
Rs. 50	..	0	8			
Bs. 75	..	0	12	1	0	The scale adopted in Bengal and Bombay Rs. 1–2–0.
Rs. 100	..	1	0			

(ii) that a flat rate of Rs. 2 per Rs. 1,000 or a part thereof may be charged for value beyond Rs. 5,000 as is done in Bengal and Bombay instead of the rates in force prior to 1922.

The question of raising the fees for the registration of documents may be left to the Governments under the Government of India Act, 1935. When the question is taken up by one of those Ministries, the question of increasing the rates for documents of the value of Rs. 100 and below and reducing the rates for documents of Rs. 25,000 and above can be considered.

H. R. UZIELLI—14-1-37.

I agree.

P. T. R[AJAN]—31-1-37.

Agreed. This is a form of revenue which is open to little objection and will not press hard on any class of the community.

G. T. H. B[RACKEN]—4-2-37.

ANNEXURE F-X.

(See paragraph 20 of the report and item 10 in Annexure C-III.)

REVENUE DEPARTMENT.

Widening the scope of compulsory registration of documents.

The Inspector-General's proposals may be classed under five main heads:—

I. (a) *To withdraw the notification under the proviso to section 17 (1) (d) of the Registration Act and thus make all leases compulsorily registrable, except those for periods less than a year.*

(b) *Leases for less than one year to be made compulsorily registrable, when the rent reserved is more than Rs. 100.*—The Inspector-General mentions only agricultural leases as covered by the notification This is not correct. The notification exempts all leases, the period of which does not exceed five years and the rent under which does not exceed Rs. 50.

In this connexion it is interesting to compare the provisions of the Stamp Act with those in the Registration Act. Please see Schedule I (A) on pages 175–177 of the Stamp Manual. Stamp duty is leviable on all leases, except agricultural leases, (a) for a term of less than one year, or (b) where the average annual rent reserved does not exceed Rs. 100. There is no reason why leases on which stamp duty is available should be allowed to be only optionally registrable. There is a good case for exempting only agricultural leases of the type mentioned above from compulsory registration, but a concession may be shown to similar non-agricultural leases as well. This could be achieved by cancelling the notification under section 17 (1) (d) as suggested by the Inspector-General and this would bring the question of registration of leases more in line with the levy of the stamp duty.

II. *Instruments under section 17 (1) (e) of the Registration Act of value less than Rs. 100 may also be made compulsorily registrable.*—When people have enough money to go to court and obtain a decree, there is no reason why they should not pay the small registration fee (not more than Re. 1). It has been suggested that the Inspector-General's proposal might be accepted.

III. *Some of the classes of documents exempted under section 17 (2) may be made compulsorily registrable, i.e., these items may be deleted from section 17 (2)*—(a) *Composition deeds.*—The Inspector-General's proposal would prevent a loss of stamp revenue and it is very necessary not to exempt composition deeds from compulsory registration. The criteria of "publicity" and "indirect transfer" are not tenable as shown by the Inspector-General. It is anamolous to exempt composition deeds, when instruments under section 17 (1) (e) of more than Rs. 100 in value are not so exempted. The Inspector-General's proposals may be accepted with the modification that composition deeds where the value of the property is less than Rs. 1,000 may be allowed to be optionally registrable. Rs. 5,000 seems to be too high a figure and if this were adopted the proposal would have little effect.

(b) to (e) *Instruments under section* 17 (2) (ii), (v), (vi) and (ix).—It has been suggested that the Inspector-General's proposals may be accepted for the reasons stated by him.

(f) *Instruments of partition made by a revenue officer—Section* 17 (2) (viii).—The Inspector-General admits that no considerations of prevention of fraud are involved in this case. No public interests are served by the compulsory registration of this class of documents. Even without registration, parties interested in the matter can get accurate information from a copy of the instrument from the office of the Revenue Officer. Payment for effecting the partition is made otherwise than through Registration or the stamping of the document. No case is therefore made out for making this class of documents compulsorily registrable. Also from the point of view of policy it seems desirable not to make too many documents compulsorily registrable at one stroke. It has therefore been suggested that the Inspector-General's proposal in this case need not be accepted.

(g) *Certificate of sale.*—[Section 17 (2) (xii)]. The only good reason advanced in favour of making such documents compulsorily registrable is that the Registration Department should be paid for the services rendered in filing and indexing the certificates. No question of fraud arises and no public interests are involved in respect of these documents. The poundage, the process fees levied, etc., should be considered to cover also the cost of filing these documents in Registration offices. It has been suggested that the Inspector-General's proposal need not be accepted.

IV. *To amend sections 17 (1) (b) and (c) of the Registration Act in order to remove the exemption of documents of value below Rs. 100 from compulsory registration* [subject of course to the exemption of particular classes of documents under section 17 (2)]. The proposed amendment would bring the Registration Act into line with

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the Transfer of Property Act and the Trusts Act, and remove the invidious distinction mentioned by the Inspector-General. It has been suggested that the Inspector-General's proposal may be accepted.

V. *To make some classes of documents falling under section 18 of the Act compulsorily registrable.*—Some of these documents have been already dealt with under the four heads above. The Inspector-General proposes that some others may also be made compulsorily registrable. For example some documents under section 18 (a) fall under main head IV above. Documents under section 18 (c) have been dealt with under main head I above.

Wills.—(a) In the usual course of things wills create certainty in respect of inheritance and obviate litigation (though badly drawn up wills may create litigation). A poor man may not make a will if it is to be compulsorily registered and litigation may eat up the estate. As a matter of fact very few Hindus draw up wills. Even if they are made compulsorily registrable, the fees therefrom would be negligible. On the other hand the practice of making wills is generally on the increase and there may be no harm in making the registration of wills compulsory.

(b) *Adoption deeds.*

(c) *Movable property over Rs. 5,000 in value.*—It has been suggested that the Inspector-General's proposals might be accepted.

(d) *Pro-notes.*—The Inspector-General himself has admitted the difficulties in respect of making these documents compulsorily registrable. The work in the Registration offices would be made *very heavy* and the fees to be charged may be hardly commensurate with the labour and expenditure involved. It has been suggested that the Inspector-General's proposal might be turned down.

There is no legal objection to the cancellation of the notification issued under the proviso to section 17 (1) (d) of the Indian Registration Act. The effect of such cancellation would be to make all leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent, registrable compulsorily. Such leases, if they are not for agricultural purposes, are already registrable compulsorily by virtue of section 107 of the Transfer of Property Act. The effect of the cancellation of the notification under section 17 (1) (d) of the Indian Registration Act will therefore be to make agricultural leases also compulsorily registrable, where they are leases from year to year, or for any term exceeding one year, or reserving a yearly rent.

The proposals to amend the Indian Registration Act set out above will be *intra vires* the new provincial legislature. The proposal to make all wills compulsorily registrable will also be *intra vires*. In either case, the Bill will have to be reserved for the consideration of the Governor-General or for the signification of His Majesty's pleasure—see section 107 (2) of the Government of India Act, 1935.

The question of amending the Registration Act to bring more documents under compulsory registration has to be left to the new Ministries.

It can be decided when this question is taken up what documents should be included under compulsorily registrable documents.

H. R. UZIELLI—14-1-37.

P. T. R[AJAN]—31-1-37.

G. T. H. B[RACKEN]—4-2-37.

ANNEXURE F-XI.

(See paragraph 21 of the report and item 11 in Annexure C-III.)

Withdrawal of half-fee concession from co-operative societies in the matter of registration fees.

DEVELOPMENT DEPARTMENT.

Co-operative societies other than land mortgage banks now pay half fees for registration of documents and for obtaining encumbrance certificates while in the case of land mortgage banks, the fees have been remitted in full till 26th April 1937. The question of continuing the concession to land mortgage banks will be considered before the present period of exemption expires in April next. As regards other co-operative societies also, the question is to be examined again on receipt of a report from the Inspector-General of Registration in this regard. The Public Accounts Committee have already recommended that irrespective of the nature of the report to be received from the Inspector-General, the existing concessions to co-operative societies should be allowed to continue. Resolutions are also being received from co-operative societies urging restoration of the original concession of full exemption from payment of registration fees. This department may therefore for the present agree with the Registrar that the present condition of the movement does not justify any enhancement of registration fees payable by co-operative societies and that the existing concessions should not be withdrawn.

2. Revenue may see for any remarks they may wish to offer.

V.S.M.—17-9-36.

A. KHALEELI—18-9-36.

C. J. PAUL—21-9-36.

FINANCE DEPARTMENT.

Concessions to co-operative societies (other than land mortgage banks).—Co-operative societies enjoyed complete exemption till 1931. Both the Inspector-General of Registration and the Retrenchment Committee demurred to the grant of this concession and the latter recommended the levy of half the fees and this was approved in October 1931. The position was again reviewed in 1933 and it was decided (with the concurrence of the Registrar of Co-operative Societies and the Inspector-General of Registration) that the half fee decided in October 1931 might be continued. Again in 1935, Hon'ble M-2 ordered that the question of the continuance of the half fees concession might be considered again next year, i.e., 1936.

2. In the Appropriation Accounts for 1933–34, the Accountant-General drew attention to the concessions enjoyed by co-operative societies in this matter and the Public Accounts Committee for the year 1935–36 again considered this question. The Committee were informed that it was proposed to take up the question of levying full registration fees for co-operative societies after a report from the Inspector-General of Registration on the subject was received and the Committee considered that the existing concessions to co-operative societies should be allowed to continue irrespective of the nature of the report to be received from the Inspector-General of Registration.

A recommendation of this kind appears to be beyond the Province of the Public Accounts Committee.

T.A.S.—7-11-36.

3. The Development Department observe that the question is to be examined again on receipt of a report from the Inspector-General of Registration in this regard. In another file, the Inspector-General of Registration observes that as this was a question of policy, he felt it was beyond his province to deal with it. The Revenue Department consider that the point raised is for Finance to consider in consultation with Development.

4. Co-operative societies enjoy concessions not only in the matter of half rates of registration fees, but also full exemption as regards stamp duty. It may be noted that while in the case of stamp duty, it is only a case of revenue foregone, in the case of registration fees, the revenue foregone has relation to cost of staff for rendering a service.

With reference to the question whether the half fee concessions in the matter of registration fees should be withdrawn, it must be recognized that central banks and primary societies should confine their attention to short term loans and to the financing of agricultural needs of members and that the grant of long term loans on mortgage securities was definitely the function of land mortgage banks. The short term loans are granted on the surety of members and on the security of property and the bonds executed by the members need not be registered. In view of this it would seem that the imposition of the full rate of fees would not really be as burdensome as the societies interested represent it to be. The withdrawal of the concession would restrict the number of references to the Registration department.

5. It would seem that should the reformed Government need some additional receipt, they may consider this as a suitable source of revenue.

S.S.—1-11-36.

It may be left to the reformed Government to consider the withdrawal of the concession. Co-operative societies have enjoyed it already over a long period.

T.A.S.—7-11-36.

C.E.J.—8-11-36.

T. A. SRINIVASARAGHAVA AYYANGAR—7-11-36.

C. E. JONES—8-11-36.

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ANNEXURE F-XII.

(See paragraph 23 of the report and item 12 in Annexure C-III.)

Fees for registration of co-operative societies and amendments to by-laws under the Madras Co-operative Societies Act.

DEVELOPMENT DEPARTMENT.

There is no provision in the Madras Co-operative Societies Act, 1932, for the levy of fees for registration of societies. If it is considered that the Registrar's proposal may be accepted, Legal may be requested to suggest a suitable amendment to the Act. The fee of Rs. 10 per society seems reasonable but there should, it seems, be provision for waiving fees in deserving cases, e.g., depressed classes societies.

In this connexion, it is for consideration whether a small fee may not be levied for the registration under section 12 of the Act of amendments to the by-laws of a registered society. A fee of say eight annas or one rupee for every amendment or set of amendments proposed at any one time may not be a heavy burden for societies to bear but the sum total of the income to Government from this source will not be inconsiderable. Here also the Act would require amendment.

V.S.M.—17-9-36.

I am unable to support the Registrar's proposal that a fee of Rs. 10 should be levied for registration of a co-operative society. The same remark applies to the suggestion above that a fee should be levied for amendment of by-laws of a society.

C. J. PAUL—21-9-36.

FINANCE DEPARTMENT.

The Registrar of Co-operative Societies considers that a registration fee of Rs. 10 per society can be levied and that an additional revenue of Rs. 1,000 is likely to be realized if his proposal is adopted.

Development do not support the proposal.

Under the Indian Companies Act, 1913, a minimum registration fee of Rs. 40 is levied on all companies registered under the Act. There is no corresponding provision in the Madras Co-operative Societies Act. If the Registrar's proposal is to be accepted, the Act will have to be suitably amended.

A small fee of Rs. 10 is not likely to press hard on individual societies. It may even act as deterrant against small mushroom societies.

2. In the Development Department office note, it is suggested that a small fee may be levied for the registration of amendments to by-laws of registered societies under section 12 of the Act.

Development Secretary does not agree to the proposal.

Under the Indian Companies Act, 1913, a fee is levied if the Articles of Association are to be amended. In the case of co-operative societies, the amendments to by-laws would be more frequent than in the case of companies registered under the Indian Companies Act, e.g., for increasing or reducing the rate of interest on loans issued by societies to the members consequent on the increase or decrease of the rate of interest at which the co-operative societies have to borrow, the by-laws would require to be amended. But the levy of a small fee would prove a check against frequent changes in the by-laws also. It is therefore for consideration whether this department may suggest the levy of a small fee of eight annas for each batch of amendments to the by-laws.

The Development Secretary has not given any reasons for not accepting the Registrar's proposal to levy a registration fee of Rs. 10 for each society. The co-operative movement cannot always expect to be spoon-fed, and there must come a time when they should fall into line with Joint Stock Companies. The registration fee proposed in the case of co-operative societies is much less than for Joint Stock Companies and Finance may press for the acceptance of the proposal.

C.E.J.—8-11-36.

As regards the fee for the registration of amendments to by-laws, a small fee of eight annas should not affect the finances of the co-operative society and Finance may support the levy of this fee also.

S.S.—1-11-36.

T. A. SRINIVASARAGHAVA AYYANGAR—7-11-36.

C. E. JONES—8-11-36.

DEVELOPMENT DEPARTMENT.

Finance note overlooks the fundamental point that a co-operative society is not a joint stock concern. The object of a joint stock company is solely private profit. In a co-operative society, profit, if at all, is incidental and comes last and almost all agricultural societies are now working at a loss. I am still of the opinion that no fee should be levied either for the registration of the society or the amendment of its by-laws.

C. J. PAUL—29–11–36.

FINANCE (REFORMS) DEPARTMENT.

With reference to the Development Secretary's remarks above, it is submitted that the fee proposed to be levied for the registration of co-operative societies (Rs. 10) is, as already pointed out by this department, much less than that levied in the case of Joint Stock Companies (Rs. 40). This department did not assume that co-operative societies were institutions of the same class as Joint Stock Companies.

The following extract from the Bombay Reorganization Committee's report will be of interest in this connexion:—

"228. There is one other recommendation which we would make, namely, that the societies should bear all charges which a commercial society doing similar business would have to incur, including registration and stamp fees and the cost of audit. Exemption from such charges is, we think, wrong in principle and merely tends to maintain unsound societies in existence. . . Any society which is operating on a margin so small that payments of the order involved in registration, stamp and audit fees are likely to threaten its stability must be fundamentally weak; it can have no hope of ever building up an adequate reserve fund and it would be to the benefit of the movement as a whole if it were liquidated and wound up."

As the fees proposed in this case are small, they are not likely to affect the finances of co-operative societies and this department may press for the levy of a fee of Rs. 10 for registration of societies and a fee of eight annas for the registration of each batch of amendments to by-laws.

T.E.V.—13–1–37.

T. A. SRINIVASARAGHAVA AYYANGAR—14–1–37.

C. E. JONES—14–1–37.

DEVELOPMENT DEPARTMENT.

The registration fees referred to in the extract above seem to be fees levied for registration of documents and not for registration of societies under the Act. It does not seem that fees for the latter purpose are levied in any other Province in India. Co-operative societies are fostered and helped by Government in various ways and have not yet attained the stage of development of companies. Submitted for orders.

S.E.D.—21–1–37. V.S.M.—21–1–37.

I think that this department should not countenance the proposal of the Registrar to levy a fee for registration of co-operative societies. It is wrong in principle to assimilate co-operative organizations with Joint Stock Companies.

A. KHALEELI—22–1–37.

C.J.P.—22–1–37.

P. T. R[AJAN]—25–1–37.

New Government can decide this.

G. T. H. B[RACKEN]—25–1–37.

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ANNEXURE F-XIII.

(See paragraph 26 of the report and item 13 in Annexure C-III.)

Fees for search of documents, etc.—Enhancement.

REVENUE DEPARTMENT.

The question whether the scale of fees for copy applications prescribed in paragraph 173 (1) of the search fees prescribed in paragraph 2 of this Standing Order and of copying fees (3 annas paper for every 175 words) should not be increased may perhaps be examined separately and a reference sent to the Board of Revenue if necessary.

S. J. AUGUSTUS—14–6–36.

T. M. S. MANI—15–6–36.

H. R. UZIELLI—15–6–36.

With reference to the extract above, it is submitted that there seems to be no objection to consult the Board of Revenue on the question of increasing the fees for copy applications and of the search fees prescribed in paragraphs 1 and 2 of Board's Standing Order No. 173. With regard to increasing the copying fees, viz., the value of copy stamped papers which is three annas at present, attention is solicited to the cut-motion for the reduction of the price of copy stamped papers from three annas to two annas tabled by certain M.L.Cs. during the last budget session.

2. The price of copy stamped papers was raised from two annas to three annas in 1922 with a view to enhance the rates of remuneration to copyists and examiners in the Revenue Department. The copyists establishment is a self-supporting one and copyists and examiners are appointed in each office in which the receipts are sufficient to cover their pay. Of the 3 annas which is the present value of each copy stamped paper the Government get just a proportion which represents the cost of paper, pen and ink and the balance is distributed as remuneration to copyists and examiners. Board's Standing Order No. 173 contains the rules on the subject. In the light of the above remarks it is for orders whether the Board should be asked also on the advisability of enhancing the price of copy stamped papers.

E.D.—24–6–36.

I see no point in proposing a reduction in the price of copy stamp papers. The proposal to reduce the remuneration paid to copyists and examiners was turned down, very recently. In the circumstances it is not desirable to move for a reduction in the price of copy stamp papers.

There is no question of reducing these fees now.

H. R. UZIELLI—26-6-36.

Copy applications are stamped with a 2-anna stamp. It may be possible to increase this stamp-fee as also search fees.

T.M.S.M.—25–6–36.

There is little case for increasing copying fees as the fees have been fixed so as to make copying work self-supporting and not revenue producing. The Board's views on this point may however be obtained.

H.R.U.—26–6–36.

The Board has submitted its report on only one point, viz., enhancement of search fees. The Board has promised to send a separate report on the enhancement of fees for copy applications and for copying. This report may be awaited in due course.

2. The present scale of search fees is given in paragraph 2 of Board's Standing Orde: No. 173 on page 947 of Board's Standing Order, Volume IV. The Board recommends that in respect of documents more than 10 years old but later than 1858 an intermediate scale of Rs. 2 for first document and Re. 1 for each of the others might be charged. The proposals of the Board as compared with the existing scale of fees are noted below:—

	Present scale.	Scale proposed by the Board.
(a) Fee payable for the *first* document or entry applied for or if only one document or entry is applied for, then for that document or entry.	0 12 0	1 0 0*
(b) Fee payable for every document or entry *other than the first* included in the same application and connected with the same subject.	0 6 0	0 8 0*
(c) When the party does not know to which of two or more years a document or entry belongs the fee for searching the records of every year other than the first.	0 6 0	0 8 0*

* In respect of documents more than ten years old but later than 1858, a fee of Rs. 2 for the first document and Re. 1 for each of the others is proposed

3. The Board also recommends that the existing higher scale of search fees in respect of records prior to 1858 laid down in paragraph 2 (ii) of Board's Standing Order No. 173 which applies to the records in the Madras Record office may be made applicable to the records in Collector's offices also.

The Board's proposals may be accepted in this department. The remarks of Home, Public (Services) and Finance may be invited.

V.N.R.—10-11-36.

The Board's proposals may be accepted. If they are accepted the scale in paragraph (1) (A) of G.O. No. 1366, dated 19th August 1935, will require revision. Education and Public Health will presumably consider this.

Yes.

H. R. UZIELLI—12-11-36.

T. M. S. MANI—11-11-36.

HOME DEPARTMENT.

The file relates to the feasibility of increasing revenue by an enhancement of search fees for records. Please see for a comparative statement of the existing scale of fees and the scale proposed by the Board of Revenue. Before agreeing to the proposal, High Court may be consulted. A draft letter is submitted.

After issue the case may be passed on to Public (Services).

B. RAMAKRISHNA AYYAR—30-11-36.

PUBLIC (SERVICES) DEPARTMENT.

This department is concerned with the Board's proposal to enhance the scale of search fees for Government records. The scale laid down in paragraph (1) (A) of G.O. No. 1366, Public (Services), dated 19th August 1935, being the same as that prescribed in Board's Standing Order No. 173, the adoption of the Board's proposal will necessitate the issue of an amendment to the above Government Order. The Revenue Department may take orders in circulation. On receipt of a copy of the order with relevant extracts from these notes in this department necessary steps will be taken for amending the scale fees laid down in the Government Order in question. With these remarks the file may be passed on to the Finance Department.

G. T. BOAG—6-1-37.

FINANCE (REFORMS) DEPARTMENT.

The case relates to the feasibility of enhancing the scale of search fees for records. The existing and the proposed scale are given in paragraph 2 of the Revenue Department's note above. Finance may agree to the enhanced rates proposed by the Board of Revenue.

T.A.S.—9-1-37.
C.E.J.—9-1-37.

The Revenue Department may be requested to obtain from the Board of Revenue an estimate of the additional revenue expected from the proposed enhancement of fees.

C.E.J.—9-1-37.

[As regards amendment of G.O. No. 1366, Public (Services), dated 19th August 1935, the Public (Services) Department will presumably send the case to Finance in due course.]

The amendment is only formal and will follow the amendment of Board's Standing Order.

T.A.S.—9-1-37.

T. A. SRINIVASARAGHAVA AYYANGAR—9-1-37.

Hon'ble Member C-4 may please see.

C. E. JONES—9-1-37.

REVENUE DEPARTMENT.

A draft official memorandum is submitted for approval. The file may be circulated after receipt of Board's reply.

V.N.R.—15-1-37.

Yes.

T.M.S.M.—16-1-37.

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HOME DEPARTMENT.

The file relates to the enhancement of the scale of search fees for records. The Board's proposals were referred to the High Court for its remarks.

2. The Board of Revenue also recommends that the existing scale of search fees in respect of records prior to 1858 which applies to the records in the Madras Record office may be made applicable to the records in Collectors' offices also.

3. The Revenue Department propose to accept the Board's proposals. Orders are requested whether the High Court's view will be supported in this department.

T. KURUP—5-2-37.

I am not prepared to press this matter but if the High Court thinks a higher rate is justifiable there does not seem much reason why Government should not charge accordingly.

H. M. HOOD—5-2-37.

REVENUE DEPARTMENT.

The scales proposed by the Board of Revenue have been accepted by this department. The High Court has suggested a higher rate of search fees. Home Secretary sees no reason why this higher rate should not be adopted by the Government. For orders whether
A the higher rate of search fees suggested by the High Court may be accepted.

E.D.—9-2-37.

T. M. S. MANI—10-2-37.

H. R. UZIELLI—10-2-37.

With reference to **A** above I submit that the fees proposed by the High Court are double the existing fees. The increase suggested by the High Court may meet with considerable opposition from the public. The scale proposed by the Board may be accepted.

T.M.S.M.—24-2-37.

This is a matter which can only be settled by the future Government—if they decide to enhance search fees.

The two views can be incorporated in a note.

H.R.U.—24-2-37.

FINANCE (REFORMS) DEPARTMENT.

It is for orders whether the proposal of the Revenue Secretary to leave the question of enhancing the scale of search fees for records to the *new Government* may be accepted or, whether Finance may urge that the enhancement proposed by the Board of Revenue, may be given effect to immediately.

T.A.S.—1-3-37.

If the proposal of the Revenue Secretary is to be accepted the Revenue Department may be requested to send at a very early date a summary and detailed note on the subject for incorporation in the report for the new Government.

(The Board of Revenue has not been able to furnish an estimate of the additional revenue involved in its proposal.)

T.E.V.—1-3-37.

T. A. SRINIVASARAGHAVA AYYANGAR—1-3-37.

Orders may be taken in circulation as to whether the fees may be enhanced now or whether the question may be left over to the decision of the new Government. Hon'ble Member C-4 should see.

C. E. JONES—2-3-37.

I do not think it would be wise to increase the fees now. The new Government would almost certainly restore them to the present rate. Much better leave the matter to them.

C. A. S[OUTER]—5-3-37.

I agree that the matter may lie over for the new Government. I do not see that the new Government will necessarily be adverse to the proposal. It is a payment for 'services rendered' and so less open to objection than many other forms of raising money.

G. T. H. B[RACKEN]—6-3-37.

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ANNEXURE F-XIV.

(See paragraph 28 (2) of the report and item 14 in Annexure C-III.)

Tobacco tax.

NOTE FOR THE CABINET MEETING, DATED 19TH JUNE 1935.

REVENUE DEPARTMENT.

No excise duty or fee is at present levied on tobacco in this Presidency. The question of levying a tax on tobacco has been considered from time to time in the past and has been either abandoned or postponed. The Indian Taxation Enquiry Committee of 1924–25 suggested the imposition of taxation on tobacco through an excise duty on local manufactures or an increase in the import duty on unmanufactured tobacco, coupled with a system of granting licences for the sale of country tobacco. In 1928 this Government informed the Government of India that they had no intention or need to levy any excise duty on tobacco, and that the time was not opportune for the investigation of the question of levying an excise duty. After considering the opinion of the Local Governments consulted on the subject, the Government of India stated that they had arrived at the following conclusions:—

(i) There was no objection to any province taking up the proposal for a retail vend fee by local legislation, if it considered that the levy of such a fee was practicable.

(ii) The tax on tobacco must be provincial and be collected locally.

(iii) There was no insuperable objection to the proposal made by some Provincial Governments that the excise on factory products should be enforced by arrangements under which permission to import to a province should be conditional upon the payment of duty, excepting products which had paid customs duty. As this Government were not in favour of levying any tax on tobacco the papers were recorded.

2. The question was examined again at the instance of the Government of India in 1930–31 and the Government held the view that it was not desirable to introduce the tax at that time, and that the responsibility for levying the tax might be left to Ministers responsible to the legislature under the future constitution. After further correspondence and a conference of provincial representatives held at Delhi in January 1932, the Government of India outlined a scheme for examination by the Local Governments. After obtaining the replies of the Local Governments, the Government of India stated that they had decided (i) to drop the question of imposing a transport tax on tobacco, (ii) not to pursue for the present the question of imposing an excise duty on factory-made products and (iii) to leave the Local Governments to proceed with their own schemes of taxing retail vend of tobacco by provincial legislation. They also urged that particularly in view of the financial difficulties which were then confronting both the Central and Provincial Governments alike, action should be taken as early as possible to develop this promising field of taxation. The Board of Revenue was accordingly requested to work out a scheme for the control and taxation of the retail vend of tobacco by a system of monopoly vend on the lines indicated in this Government's letter No. 3340 D/31-14, dated 27th May 1932 (Appendix IV), and to embody its proposals in a draft Bill with a Statement of Objects and Reasons.

3. The Board accordingly submitted a draft Bill on tobacco. The Bill included provisions for the imposition of an excise duty on all cigarettes, cigars, and cheroots produced in any factory in the Madras Presidency or produced in any other part of India and imported for consumption in this Presidency. The Government of India have however already dropped the idea of imposing an excise duty on manufactured products, regarding it as a refinement to be introduced at a later stage of development, after experience has been gained of the system of control over vend. Further, the imposition of an excise duty on tobacco will be an exclusively federal subject under the Reforms. The Bill has therefore been revised in consultation with the Board of Revenue. The Bill, as revised, is annexed with a Statement of Objects and Reasons and notes on clauses (Appendix I).

4. The Bill provides that no person shall sell or expose for sale any tobacco, except under a licence granted by the Collector. Exception is however made in the case of growers and manufacturers. Manufactured tobacco is divided into two classes—

(i) Class A comprising cigars, cigarettes, cheroots, cigarette tobacco and pipe tobacco; and

(ii) Class B comprising all other kinds of manufactured tobacco.

The Bill provides for the disposal of the monopoly of selling by retail in defined areas all forms of tobacco, except manufactured tobacco of class A. The monopoly vendor may sublet the privilege, but neither he nor his sub-lessee can exercise the right of retail vend, unless and until he has received a licence in that behalf from the Collector. Licences (on

payment of fixed fees) will be granted for the retail sale of manufactured tobacco of class A. The number and the nature of such licences will be determined by rules to be framed under the Act. A monopoly vendor or his lessee is, however, not precluded from selling this class of tobacco, and he will not be required to take out a separate licence for this purpose. The monopoly licence will thus cover the exclusive privilege of selling by retail all tobacco, other than manufactured tobacco of class A, together with the privilege (not exclusive) of selling manufactured tobacco of class A. Manufactured tobacco of class A is not brought within the monopoly system for the reason that it consists mostly of imported tobacco and is consumed by a class of customers who cannot be served conveniently by the monopoly vendors and their lessees.

It is not intended to restrict the use of tobacco, although a limit of private possession has to be fixed, in order to bring home offences to those acting in contravention of the Act.

All sums due to the Government under the Act are recoverable as arrears of land revenue. The officers of the Land Revenue Department will be responsible for the disposal of vends, issue of licences and collection of revenue. The preventive work, investigation of cases and compounding of offences will be the duty of the Officers of the Excise Department to be notified as Tobacco officers.

5. The revenue from tobacco is estimated roughly as likely to be about Rs. 50 lakhs in the first year rising later to Rs. 100 lakhs. It is estimated that the cost of the additional establishment required for the provisions of the Bill will be about Rs. 7·14 lakhs per annum.

6. The question for consideration is whether legislation will be undertaken on the lines of the Bill and whether the requisite sanction of the Government of India may be obtained.

7. The question whether the Government will undertake legislation on the lines of the Bill was submitted for orders and the minutes recorded by the Hon'ble Members and Ministers and His Excellency are also annexed (Appendix II).

8. Mention may also be made in this connexion of the fact that a Bill for the imposition of a fee for licence to sell tobacco (as a revenue measure) has been passed by the Bengal Legislative Council.

A Bill to impose and levy licence fees on the sale of tobacco was introduced in the United Provinces Legislative Council but was rejected.

Extracts of relevent sections from the two Bills are annexed (Appendix III).

H. R. UZIELLI—7-6-35.

APPENDIX I.

BILL No. OF 1935.

DRAFT BILL.

A Bill for the imposition and levy of licence fees on the sale of tobacco in the Presidency of Madras.

Preamble. WHEREAS it is expedient to impose and levy licence fees on the sale of tobacco in the Presidency of Madras;

AND WHEREAS the previous sanction of the Governor-General has been obtained to the passing of this Act;

It is hereby enacted as follows:—

Short title, extent and commencement. 1. (1) This Act may be called the Madras Tobacco Act, 1935.

(2) It shall extend to the whole of the Presidency of Madras.

(3) This section shall come into force at once; and the Local Government may from time to time by notification in the *Fort St. George Gazette* apply all or any of the remaining provisions of this Act to the whole or any portion of the Presidency of Madras from such date as may be specified in the notification and may cancel or modify any such notification.

Definitions. 2. In this Act, unless there is anything repugnant in the subject or context,

(1) " Collector " means the Collector of the district and includes any person appointed by the Local Government under sub-section (1) of section 5 to exercise all or any of the powers or to perform all or any of the duties of a Collector under this Act;

(2) " Commissioner " means the member of the Board of Revenue appointed by the Local Government to exercise the powers and perform the duties of the Commissioner under this Act;

(3) " grower " means a person who in the Presidency of Madras grows tobacco, by himself or by members of his household or by his servants, agents or tenants;

(4) " hawker " means a person licensed to sell tobacco by retail under the provisions of this Act, who goes from place to place or from house to house, carrying or exposing for sale tobacco or exposing samples of tobacco to be afterwards delivered;

(5) " import " means to bring into the Presidency of Madras, by land, sea or air;

(6) " Licensed vendor " means a wholesale vendor, monopoly vendor, retail vendor or hawker;

(7) " Magistrate " means a Presidency Magistrate, a magistrate of the first or second class or a magistrate of the third class specially authorized in this behalf by the District Magistrate:

(8) " Manufactured tobacco " includes cigars, cheroots, cigarettes, cigarette tobacco, pipe tobacco, bidis, snuff and any other preparation or mixture of tobacco and is of two classes, namely,

Class A comprising cigars, cheroots, cigarettes, cigarette tobacco and pipe tobacco; and

Class B comprising all other kinds of manufactured tobacco;

(9) " manufacturer " means a person who in the Presidency of Madras manufactures by machinery or manual labour " manufactured tobacco ";

(10) " monopoly vendor " means a person to whom the exclusive privilege is granted under the provisions of this Act of selling by retail in any area tobacco other than manufactured tobacco of class A;

(11) " place " includes a house, building, shop, tent and vessel;

(12) " retail sale " means a sale other than a wholesale sale, and " retail vendor " means a person licensed to sell tobacco by retail under the provisions of this Act;

(13) " sale " or " selling " includes any transfer otherwise than by way of gift;

(14) " tobacco " includes " manufactured tobacco " and the leaf, stalks and stem of the tobacco plant;

(15) " Tobacco Officer " means the Commissioner, a Collector or any other officer or person appointed under section 5;

(16) " tobacco revenue " means revenue derived or derivable from any fee, fine or confiscation imposed or ordered and all sums accruing to Government, under the provisions of this Act; and

(17) " wholesale sale " means a sale of tobacco to traders in that commodity for the purpose of trade, and " wholesale vendor " means a person licensed to sell tobacco wholesale under the provisions of this Act.

3. Subject to the control and direction of the Local Government, the Commissioner shall superintend the working of this Act and the collection of tobacco revenue in all areas in the Presidency of Madras to which this Act is applied. **Duties of Commissioner.**

4. Subject to the control and direction of the Local Government and of the Commissioner, Collectors of districts shall be responsible for the collection of tobacco revenue and the carrying out of the provisions of this Act in all areas in their respective districts to which this Act is applied. **Collectors charged with the carrying out of the provisions of the Act.**

5. (1) The Local Government may, by notification in the *Fort St. George Gazette*, appoint in any district or portion of a district any person other than the Collector of the district to exercise all or any of the powers and perform all or any of the duties conferred **Appointment of Special Collectors and other Tobacco Officers.**

or imposed by this Act on a Collector, subject to such control and direction, if any, in addition to the control and direction of the Local Government and of the Commissioner, as the Local Government may from time to time direct.

(2) The Local Government, or subject to the general or special orders of the Local Government, the Commissioner, may appoint any person, by name or by virtue of his office, to be a Tobacco Officer and assign to him such powers and duties under this Act as they or he may think fit.

Prohibition of import of tobacco without licence.

6. No person other than a manufacturer or licensed vendor, shall import tobacco, in excess of such quantities as the Local Government may from time to time prescribe, except under, and in accordance with the terms and conditions of, a licence granted by the Commissioner.

Prohibition of sale of tobacco without licence.

7. Save as provided in section 11, no person shall sell or expose for sale any tobacco except under, and in accordance with the terms and conditions of, a licence granted by the Collector:

Provided that a grower may, without licence, sell wholesale tobacco grown by him (other than manufactured tobacco) to another grower or a manufacturer or licensed vendor:

Provided further that a manufacturer may, without licence, sell manufactured tobacco wholesale to a licensed vendor.

Explanation.—The supply of tobacco by a club to its members or by a hotel to its guests or customers on payment of any price, fee or subscription shall be deemed to be a sale within the meaning of this section.

Possession of tobacco in excess of the quantity prescribed by Government prohibited.

8. No person, not being a grower, manufacturer, or licensed vendor shall have in his possession any quantity of tobacco in excess of such quantities as the Local Government may from time to time prescribe.

Grant of licence to monopoly vendor.

9. The Commissioner may at his discretion grant to any person on such conditions and for such period as the Commissioner may deem fit the exclusive privilege of selling by retail any tobacco other than manufactured tobacco of class A in any specified area.

No monopoly vendor shall exercise such privilege until he has received a licence in that behalf from the Collector.

Monopoly vendor may let or assign.

10. A monopoly vendor may let or assign the whole or any portion of his privilege; but no such lessee or assignee shall exercise any such privilege unless and until the monopoly vendor has applied to the Collector for the grant to such lessee or assignee of a licence as a retail vendor or hawker and such lessee or assignee has received such licence.

Monopoly vendor or lessee or assignee authorised to sell manufactured tobacco of Class A without separate licence.

11. A monopoly vendor or his lessee or assignee may sell by retail without a separate licence manufactured tobacco of Class A within the area for which such monopoly vendor, lessee or assignee has received a licence under section 9 or section 10 as the case may be, so long as such licence is in force.

Form and conditions of licences, etc.

12. Every licence under this Act shall be granted—

(*a*) on payment of such fees, if any,

(*b*) for such area, if any,

(*c*) for such period,

(*d*) subject to such restrictions and on such conditions, and

(*e*) shall be in such form and contain such particulars,

as the Commissioner may, by general or special order, direct.

Counterpart agreement to be executed by monopoly vendors.

13. A monopoly vendor may be required to execute a counterpart agreement in conformity with the tenor of his licence, and to give such security for the performance of his agreement as the Collector may require.

Power to recall licences, etc.

14. (1) The Collector may cancel or suspend any licence granted under this Act—

(*a*) if any fee or other due payable by the holder thereof be not duly paid; or

(*b*) in the event of any breach by the holder of such licence or by his servants or by any one acting with his express or implied permission on his behalf, of any of the terms or conditions of such licence; or

(*c*) if the holder thereof is convicted of any offence against this Act, or the Madras Abkari Act, 1886, or of any cognizable and non-bailable offence, or of any offence under the Dangerous Drugs Act, 1930, or under the Merchandise Marks Act, 1889, or under sections 478 to 489 of the Indian Penal Code or is punished for any offence referred to in item 8 of the Schedule in section 167 of the Sea Customs Act, 1878; or

(*d*) where a licence has been granted on the application of a monopoly vendor under this Act, on the requisition in writing of such monopoly vendor; or

(*e*) if the conditions of the licence provide for such cancellation or suspension at will.

(2) Where the licence of a monopoly vendor is cancelled or suspended under sub-section (1), any licence granted to his lessee or assignee under section 10 on the requisition of the monopoly vendor shall be deemed to have been cancelled or suspended, as the case may be.

(3) Where a licence is cancelled or suspended under sub-section (1) or is deemed to have been cancelled or suspended under sub-section (2), the holder of the

licence shall not be entitled to claim from Government any compensation for such cancellation or suspension, nor shall such holder be entitled to claim the refund of any fee paid to, or deposit made with, the Government, in respect of the licence.

Explanation.—Nothing contained in this sub-section shall be deemed to affect the rights *inter se* of a monopoly vendor and his lessee or assignee in cases falling under sub-section (2).

Recovery of fees, etc.

15. All fees, fines and other sums payable to Government direct under any of the provisions of this Act or of any licence granted under it, and all amounts due to the Local Government by a monopoly vendor may be recovered from the person primarily liable to pay the same, or from his surety (if any), as if they were arrears of land revenue and in case of default made by a monopoly vendor, the Collector may take the monopoly under management at the risk of the defaulter or may declare the monopoly forfeited and resell it at the risk and loss of the defaulter. When a monopoly is taken under management under this section, the Collector may recover any moneys due to the defaulter by any retail vendor or hawker as if they were arrears of land revenue.

Issue of warrants.

16. (1) The Commissioner, a Collector or any other Tobacco Officer duly empowered in this behalf or a magistrate may issue a warrant—

(*a*) for the arrest of any person whom he has reason to believe to have committed an offence punishable under this Act, or

(*b*) for the search, whether by day or by night, of any place in which he has reason to believe that any tobacco is kept, sold or exposed for sale contrary to the provisions of this Act.

(2) All warrants issued under this section shall be executed in accordance with the provisions of the Code of Criminal Procedure, 1898, by a Police Officer or by a Tobacco Officer duly empowered in this behalf or if the officer issuing warrant deems fit, by any other person.

Power of entry, search, seizure and detention.

17. (1) The Commissioner, a Collector or any other Tobacco Officer duly empowered in this behalf may—

(*a*) enter and search, at any time, by day or by night, any place in which he has reason to believe that any tobacco liable to confiscation under this Act is kept or concealed;

(*b*) seize any tobacco or any other article which he has reason to believe is liable to confiscation under this Act; and

(*c*) detain and arrest any person whom he has reason to believe to have committed an offence punishable under this Act.

Searches how made.

(2) All searches made under sub-section (1) shall be made in accordance with the provisions of the Code of Criminal Procedure, 1898.

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Procedure for arrest without warrant.

(3) The provisions of section 61 of the Code of Criminal Procedure, 1898, shall apply to all arrests without warrant made under sub-section (1).

Officers bound to assist.

18. All village officers and servants and all officers of the departments of Excise, Police and Revenue shall be bound—

(*a*) to give immediate information to a Tobacco Officer of the commission of any offence, or of the intention or preparation to commit any offence punishable under this Act which may come to their knowledge;

(*b*) to take all reasonable measures in their power to prevent the commission of any such offence which they may know or have reason to believe is about to be committed; and

(*c*) to assist any Tobacco Officer in carrying out the provisions of this Act.

Tobacco Officer to have powers of investigation.

19. (1) Every Tobacco Officer not below such rank as the Local Government may determine shall, within the area for which he is appointed, have power to investigate all offences punishable under this Act.

(2) Every such officer shall in the conduct of such investigation exercise the powers conferred by the Code of Criminal Procedure, 1898, upon an officer in charge of a police station for the investigation of a cognizable offence:

Provided that—

(*a*) if such officer is of opinion that there is not sufficient evidence or reasonable ground of suspicion to justify the forwarding of an accused to a magistrate, or that the person arrested may be discharged with a warning, such officer shall release him on his executing a bond, with or without sureties, to appear if and when so required before a magistrate and shall make a full report of the case to his official superior and be guided by the order which he shall receive on such report; and

(*b*) the powers of such officer shall be subject to such further modifications and restrictions as the Local Government may determine.

Offences under the Act to be bailable.

20. (1) All offences punishable under this Act shall be bailable.

(2) Any Tobacco Officer having power under section 19 to investigate an offence punishable under this Act shall have power to grant bail in accordance with the provisions of the Code of Criminal Procedure, 1898, to any person arrested without warrant for an offence punishable under this Act.

Articles seized.

21. When any article has been seized by a Tobacco Officer exercising powers under section 19, such officer, after such inquiry as may be necessary—

(*a*) if it appears that such article is required as evidence in the case of any person arrested, shall forward the article to the magistrate to whom such person is forwarded or for his appearance before whom bail has been taken;

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(*b*) if it appears that such article is liable to confiscation but is not required as evidence in any such case, shall send the article with a report of the particulars of the seizure to his superior officer; and

(*c*) if no offence appears to have been committed shall return the article to the person from whose possession it was taken and make a report to his superior officer.

Penalty for failure to keep proper records and accounts.

22. Whoever omits to keep such records or books of account as may be prescribed by any rule made under this Act shall be punishable with fine which may extend to two hundred rupees and in the case of a continuing omission with an additional fine which may extend to ten rupees for every day during which such omission continues after conviction for the first such omission.

Penalty for obstructing officers in the performance of duties.

23. Whoever intentionally obstructs a Tobacco Officer in the exercise of any powers conferred or the performance of any duties imposed by this Act shall be punishable with imprisonment which may extend to three months, or with fine which may extend to two hundred rupees or with both.

Penalty for import, sale or possession of tobacco in contravention of this Act.

24. Whoever, in contravention of this Act or of any rule or order made thereunder or of any terms or conditions of a licence imports, sells, exposes for sale or keeps any tobacco shall be punishable with fine which may extend to five hundred rupees.

Penalty for vexatious search or arrest.

25. Any person empowered under section 16 or section 17 who—

(i) without reasonable grounds of suspicion, enters or searches, or causes to be searched any place, or

(ii) vexatiously and unnecessarily seizes the property of any person on the pretence of seizing or searching for anything liable to confiscation under this Act, or

(iii) vexatiously and unnecessarily detains, searches or arrests any person

shall be punishable with fine which may extend to two hundred rupees.

Penalty for vexatious delay in forwarding an arrested person to a magistrate.

26. Any Tobacco Officer or other person who vexatiously and unnecessarily delays forwarding to a magistrate any person arrested under this Act and not released by him on bail shall be punishable with fine which may extend to fifty rupees.

Penalty for offences not otherwise provided for.

27. Whoever is guilty of any act or intentional omission in contravention of any of the provisions of this Act or of any rule or order made under this Act, and not otherwise provided for in this Act, shall be punishable for each such wilful act or omission with fine which may extend to two hundred rupees.

Confiscation.

28. Whenever an offence has been committed which is punishable under this Act, all tobacco in respect of which such offence has been committed and every box, receptacle, package, or covering in which such tobacco is contained and other contents of such box, receptacle, package or covering shall be liable to confiscation.

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Procedure in confiscation.

29. (1) When in any case tried by a magistrate, the magistrate decides that any article is liable to confiscation under section 28, he may, after hearing the person, if any, claiming any right thereto and the evidence, if any, which he produces in support of his claim, order confiscation or may give the owner the option of paying such fine as the magistrate deems fit in lieu of confiscation.

(2) When an offence has been committed which is punishable under this Act and the offender is not known or cannot be found or when any article liable to confiscation under this Act and not in the possession of any person cannot be satisfactorily accounted for, the case shall be enquired into and determined by the Tobacco Officer who may order confiscation :

Provided that no such order shall be made before the expiration of one month from the date of seizure of the article or without hearing the person, if any, claiming any right thereto and the evidence, if any, which he produces in support of his claim.

Power to compound offences.

30. (1) The Commissioner, a Collector or any other Tobacco Officer specially empowered in this behalf may accept from any person whose licence is liable to be cancelled or suspended under section 14 or who is reasonably suspected of having committed an offence punishable under sections 6, 7, 8, 22, 24 or 27, a sum of money not exceeding two hundred rupees in lieu of such cancellation or suspension or by way of composition for the offence which may have been committed, as the case may be; and in all cases in which any property has been seized as liable to confiscation under this Act may release the same on payment of the value thereof as estimated by such officer.

(2) On the payment of such sum of money, or such value, or both, as the case may be, to such officer, the accused person, if in custody, shall be discharged, the property seized shall be released, and no further proceedings shall be taken against such person or property.

Cognisance of offences.

31. (1) No Magistrate shall take cognizance of any offence punishable under this Act except—

(i) upon the complaint or report of the Commissioner, a Collector or any other Tobacco Officer empowered in this behalf or of an Excise or Police officer, or

(ii) upon his own knowledge or suspicion.

(2) Except with the sanction of the Local Government, no magistrate shall take cognizance of any offence punishable under this Act, unless the prosecution is instituted within six months from the date on which the offence is alleged to have been committed.

Protection of persons acting in good faith and limitation of suits and prosecutions.

32. (1) No suit, prosecution or other legal proceeding shall be instituted against any person for anything which is in good faith done or intended to be done under this Act or any rules or orders made thereunder.

(2) No suit shall be instituted against the Secretary of State for India in Council and, notwithstanding anything contained in sub-section (2) of section 31, no prosecution or suit shall lie against any Tobacco Officer in respect of anything done, or alleged to have been done, under this Act or any rules or orders made thereunder unless the suit or prosecution is instituted within four months from the date of the act complained of.

Power to frame rules.

33. (1) The Local Government may make rules for the purpose of carrying out the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing provision, the Local Government may make rules—

(*a*) for determining the number and nature of licences of each description to be granted in any municipality, town or other local area;

(*b*) declaring in what cases or classes of cases and to what authorities appeals shall lie from orders, whether original or appellate, passed under this Act or under any rule made thereunder, or by what authorities such orders may be revised, and prescribing the time and manner of presenting appeals, and the procedure for dealing therewith;

(*c*) for the grant of batta to witnesses and of compensation for loss of time to persons released by any Tobacco Officer under section 19 on the ground that they have been improperly arrested, and to persons charged before a magistrate with offences punishable under this Act and acquitted;

(*d*) for the disposal of articles confiscated and of the proceeds thereof;

(*e*) prescribing the powers and duties under this Act to be exercised and performed by Tobacco Officers of the several classes; and

(*f*) providing for and regulating the delegation of powers conferred by this Act.

(3) All rules made under this section shall be subject to the condition of previous publication.

(4) All rules made under this section shall be published in the *Fort St. George Gazette* and on such publication shall have effect as if enacted in this Act.

STATEMENT OF OBJECTS AND REASONS.

No tax is now levied on tobacco in the Madras Presidency. The Taxation Inquiry Committee in paragraph 193 of their report (Volume I) has observed :—

"The absence of any internal taxation on tobacco is a feature which distinguishes the fiscal system of India from that of almost every other civilized country in the world. The considerations which have led in other countries to the selection of tobacco as one of the principal subjects for consumption taxation apply with equal force to India. It is a typical instance of a conventional luxury whose use goes down to the poorest classes and it is an article the consumption of which can be varied greatly both in quality and quantity according to the means of the consumer."

It is accordingly proposed to raise some revenue from this source to the financial advantage of the Presidency.

The Bill provides that no person shall sell or expose for sale any tobacco, except under a licence granted by the Collector. But exception is made in the case of growers and manufacturers, who will be free to sell wholesale tobacco grown or manufactured by them to other growers or manufacturers or licensed vendors. Manufactured tobacco is divided into two classes :—

(i) Class A comprising cigars, cheroots, cigarettes, cigarette tobacco and pipe tobacco, and

(ii) Class B comprising all other kinds of manufactured tobacco.

The Bill provides for the grant of licences for the exclusive privilege of selling by retail in defined areas all forms of tobacco except manufactured tobacco of Class A. The monopoly holder may lease or assign the privilege, but neither he nor his lessee or assignee can exercise the right of retail vend, unless and until he has received a licence in that behalf from the Collector. Licences (on payment of fixed fees) will be granted for the retail sale of manufactured tobacco of Class A. The number and the nature of licences will be determined by rules to be framed, after the Bill has become law. A monopoly vendor or his lessee or assignee will, however, not be precluded from selling this class of tobacco; and he will not be required to take out a separate licence for this purpose. The monopoly licence will thus cover the exclusive privilege of selling by retail all tobacco, other than manufactured tobacco of Class A together with the privilege (not exclusive) of selling manufactured tobacco of Class A. Manufactured tobacco of Class A is not brought within the monopoly system for the reason that it consists mainly of imported tobacco and is consumed by a class of customers, who cannot be served conveniently by the monopoly vendors and their lessees.

It is not intended to restrict the use of tobacco, although a limit of private possession has to be fixed in order to bring home offences to those acting in contravention of the provisions contained in the Bill.

All sums due to the Government under the Bill are made recoverable as arrears of land revenue. The officers of the Land Revenue Department will be responsible for the disposal of vends, issue of licences and collection of revenue. The preventive work, investigation of cases and compounding of offences will be entrusted to the officers of the Excise Department, whom it is proposed to notify as Tobacco Officers.

NOTES ON CLAUSES.

Clause 1.—The object of sub-clause (3) is to make it possible to exclude, if necessary, any backward tract, such as the Agency and the Laccadives and Amindivi Islands, from the scope of the Bill.

Clauses 3–5, 16–21, 28, 29, 31 *and* 32.—These clauses which relate to the appointment of officers, arrests, search, seizure, investigation of cases, confiscation, and cognizance of offences and suits have been adopted from the Bombay (District) Tobacco Act, 1933.

Clause 6.—Cigarettes and cheroots are imported wholesale by private persons, and if this practice becomes general, the revenue from licence fees will suffer. It is, therefore, proposed to limit the quantity, which can be imported without a licence by a person other than a manufacturer or licensed vendor, for his own consumption. The quantity will be fixed by rule. No tobacco, in excess of this quantity, can be imported without a licence.

Clause 7.—This clause prohibits the sale of tobacco to the public without a licence and, read with clause 12, enables the grant of wholesale or retail licences, subject to such conditions (including the payment of vend fees) and restrictions as may be necessary.

Clause 8.—This clause is necessary for the detection of cases of unlicensed sales. Detection at the time of the actual sale of tobacco will be almost an impossible task, without a considerable increase in the preventive staff. It is, therefore, proposed to prohibit the possession of tobacco, in excess of a quantity to be prescribed, and to make such possession an offence.

Clauses 9 *and* 10.—These clauses empower the Commissioner to grant a monopoly of selling certain classes of tobacco in specified areas. They follow sections 16 and 22 of the Madras Abkari Act, 1886.

Clause 11.—This clause enables the monopoly vendor or his lessee, if he so desires, to sell, without a separate licence, those classes of tobacco, which are not covered by his monopoly vend licence. This is necessary in order to meet the demand of consumers, particularly in villages, of manufactured tobacco such as cigarettes and cheroots, which are not covered by the monopoly vend licence.

Clauses 12, 13 *and* 14.—These follow sections 24, 25 and 26 of the Madras Abkari Act, 1886.

Clause 15.—This clause follows section 28 of the Madras Abkari Act. It provides that all sums due to the Government under the Bill shall be recoverable as arrears of land revenue. It also gives power to resell the monopoly at the risk and loss of the defaulter.

Clauses 22 *to* 27.—These clauses prescribe penalties for offences.

Clause 30.—This follows section 67 of the Madras Abkari Act, 1886.

Clause 33.—This empowers the Government to make rules to implement the Act.

H. R. UZIELLI—10-4-35.

APPENDIX II.

Minutes recorded by Hon'ble Members, Ministers and His Excellency the Governor.

I should like, if possible, to introduce the Bill in the next session of the Legislative Council.

C. A. S[OUTER]—9-5-35.

No objection to the main principle of the Bill. But I anticipate that the Government of India may object to any restrictions or licences for imports.

G. T. H. B[RACKEN]—9-5-35.

I agree to the provisions of the Bill.

A. T. P[ANNIRSELVAM]—9-5-35.

This is a very important Bill and in order to avoid the possible difficulty of getting it passed by the Legislative Council, whose term will come to an end in a year or so and whose members will naturally be looking forward to the next elections, I may suggest that this may be discussed in the Cabinet, if His Excellency is pleased to so order.

K. V. R[EDDI]—10-5-35.

I join with my Hon'ble Colleague C-1 in his request for a Cabinet discussion. It appears now that the measure will be unpopular: what looks like a well-reasoned protest has already appeared in the press from one of the noisiest of our M.L.Cs.—Mr. Krishnayya Choudari. A new tax, which is estimated to yield fifty lakhs in the first year itself, would be represented as a large and untimely addition to the existing burden of taxation and used as a weapon against the party in power in the coming elections.

S. K[UMARASWAMI REDDIYAR]—12-5-35.

I agree with Hon'ble M-3.

P. T. R[AJAN]—14-5-35.

The first point that has to be clarified is whether, as excise on tobacco is a Federal source of revenue, we can retain the revenue under this Bill even after Federation is inaugurated.

Secondly, any taxation being unpopular especially in these days of economic depression before we can venture on a project like this, a case has to be made out showing the need for additional taxation. Even after the grant of land revenue remissions we have had a series of balanced budgets. No Government should tax the people more than is necessary to carry on the administration. If any schemes contemplated by the Provincial Economic Council are accepted by Government then would be the time to take up this question in earnest.

Thirdly, it is a matter for consideration whether it would be wise to increase our resources by a crore before the financial relations between the provinces and the centre are finally settled.

Lastly, the position in 1932 is different from what it is now and any Council at the fag-end of its existence would be reluctant to support any measure of taxation which would affect the masses.

As the proposal raises several vital issues I submit that His Excellency may be pleased to order Cabinet discussion.

At this stage I do not propose to go into the details of the draft Bill. As I was engaged with the Select Committee on the City Municipal Amending Bill which completed its labours only last night at 6-30 p.m., I regret I was not able to deal with this file earlier.

R. R[ANGA RAO]—1-6-35.

Cabinet discussion.

E[RSKINE]—6-6-35.

APPENDIX III.

EXTRACTS FROM THE BENGAL AND UNITED PROVINCES BILLS.

(1)

The Bengal Tobacco (Sales Licensing) Bill, 1935.

* * * *

Wholesale and retail sale of tobacco.

3. (1) A person shall be deemed to sell tobacco wholesale when he sells to any one person within forty-eight hours a quantity of any of the articles mentioned in the first column of the Schedule which is in excess of the quantity mentioned in the corresponding item in the second column of the said Schedule.

(2) The Local Government may, by notification in the *Calcutta Gazette*, alter, delete or add to all or any of the items in the Schedule, except to reduce the quantities mentioned in the second column thereof, and any such alteration, deletion or addition shall take effect as if it had been made by this Act;

(3) A person shall be deemed to sell tobacco retail when he sells tobacco otherwise than wholesale.

Prohibition of wholesale and retail sale of tobacco or exposing or keeping of tobacco for sale without licence.

4. No person shall sell wholesale or retail, or for the purpose of sale, expose or keep, any tobacco except under a licence granted under section 5 and in conformity with the conditions of such licence:

Provided that a person who, either himself or with the aid of members of his family or by labour paid in cash or in kind, grows tobacco, either on his own land or on the land of another in return for a share of the produce, may, without such a licence either himself or through a member of his family acting on his behalf, sell or for the purpose of sale, expose or keep, any tobacco so grown or any preparation or admixture thereof:

Provided further that the Local Government or, subject to the prescribed conditions, the prescribed authority may exempt any person from taking out such a licence.

Licence to sell, expose or keep for sale.

5. (1) The prescribed authority may, on the application of any person, and on payment of the prescribed fee which shall not in any one financial year exceed six rupees for a licence to sell wholesale or three rupees for a licence to sell retail, grant to such person a licence for all or any of the purposes referred to in section 4.

(2) Every such licence shall be in the prescribed form and contain the prescribed particulars and shall be granted for the prescribed period and subject to the prescribed conditions.

Penalty for sale without licence.

6. (1) Whoever sells, or, for the purpose of sale, exposes or keeps, tobacco except under a licence granted under section 5 shall be punished with fine which may extend to fifty rupees.

(2) When any person is convicted under this section, the Court may direct that he shall pay, in addition to the fine imposed on him, the fee payable for the licence which he should have obtained under this Act and such sum shall be recoverable as if it were a fine imposed on him under sub-section (1).

Penalty for breach of condition of licence.

7. Whoever, being the holder of a licence under this Act, commits a breach of any of the conditions subject to which the licence was granted shall be punished with fine which may extend to twenty-five rupees.

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SCHEDULE.

[*See section* 3 (1).]

(a) Tobacco leaves or stalks	Twenty seers.
(b) Ball tobacco	One maund.
(c) Cigarettes	One thousand.
(d) *Biris*	One thousand.
(e) Cigars or cheroots	Two hundred and fifty.
(f) Pipe tobacco	Six pounds.
(g) Cigarette tobacco	Six pounds.
(h) *Jarda*	One seer.
(i) *Dokta*	One seer.
(j) *Surti*	One seer.
(k) *Gundi*	One seer.
(l) Snuff	One seer.
(m) Any other kind of tobacco	The prescribed quantity

(2)

The United Provinces Tobacco Bill, 1935.

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Prohibition of sale without licence.

6. No person *other than a public servant acting in discharge of his duty* shall sell, or keep or expose for sale, any tobacco except under and in accordance with

the terms and conditions of a licence granted under section 7:

Provided that a grower of tobacco may without licence sell tobacco (other than *bidis*, cigarettes and cigars) grown by him within the United Provinces.

Provided also that when any tobacco (other than bidis, cigarettes or cigars) has been delivered by way of payment of rent for agricultural land to any person entitled to receive it, such person may sell it without licence.

Grant of licences.

7. (1) Any person requiring a licence for the sale of tobacco, whether wholesale or retail or by a hawker, *street vendor, or canvasser* may make an application to the Collector or a tobacco officer empowered in this behalf and the Collector or tobacco officer shall grant him a licence on payment of a fee *to be fixed by such Collector or tobacco officer in the prescribed manner within the limits* specified in the second schedule to this Act:

Provided that a person to whom a licence for sale by wholesale has been granted shall, without payment of any additional fee, be deemed to have been granted licence for sale by retail also.

(2) Every licence shall be in such form and for such period and shall be subject to such conditions and restrictions as may be prescribed.

Suspension or revocation of licences.

8. (1) Subject to such conditions as may be prescribed the authority granting a licence may suspend or cancel it,

(a) if any fee payable under the licence is not duly paid; or,

(b) if there be a breach of any of the conditions of the licence either by the licensee or by anyone acting on his behalf with his express or implied permission.

(2) A licensee shall not be entitled to any compensation for the cancellation or suspension of his licence under sub-section (1) nor to refund of fee paid in respect of it.

Penalty for contravention of the Act.

9. Whoever in contravention of this Act or of any rule or order made under this Act or of the terms and conditions of a licence sells, or keeps or exposes for sale, any tobacco, shall be punishable on conviction with a fine not exceeding *fifty rupees* and, if a licence has not been granted to him, shall also be liable to pay the appropriate fee which would have been payable by him, if a licence had been granted to him for the sale in respect of which he has been convicted, and such fee shall be recoverable as if it were a fine imposed on him under this section.

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Schedule II.

[Section 7.]

Class of trader.	*Licence fee per annum.* *Minimum.* *Rs.*	*Maximum.* *Rs.*
A.—Wholesale traders ..	90	150
B.—Retail trader	5	15
C.—Hawkers	*a fixed fee of Re.* 1	
D.—Street vendor	*Ditto.*	
R.—Canvasser	*a fixed fee of annas* 8 *subject to a maximum of Rs.* 5 *in the case of a licensee who employs more than ten canvassers within any municipality, notified area, town area, cantonment or a town having a population of not less than* 4,000 *notified by Government under section* 1 (2) *(ii).*	

APPENDIX IV.

Letter to the Secretary to the Government of India, Finance Department (Central Revenues), dated 27th May 1932, No. 3340 D/31-14.

[Tobacco—Excise duty—Sir Alexander Tottenham's letter No. C. 296-Cus.-1/30, dated 11th February 1932.]

I am directed to say that the Madras Government have studied the whole question of a tobacco excise afresh in the light of the observations contained in the letter of the Government of India quoted above. They consider that the imposition of an excise duty should be limited to cigars, cheroots and cigarettes manufactured in what are in the real sense factories. There would not be much difficulty in defining factories. It would be impossible to excise roughly-cured tobacco sold in the bazaars; and it is very doubtful whether it would be feasible to excise either bidis or snuff. This Government would leave the taxation of these articles to a system of monopoly vend. The excise duty could be either (i) on the amount of raw material used or (ii) on the number of cigars, cheroots and cigarettes manufactured; the latter would be the simpler course.

2. Articles which are neither excised nor imported may be taxed either (*a*) by licences granted on payment of fixed fees, or (*b*) by tender for or auction of the right of monopoly vend in defined areas. This Government do not favour the former system. If it is to be purely regulative and designed merely to apply the minimum of control with a low revenue return it is hardly worth attempting. If the licence fees are to be high enough to yield an appreciable income and based on turnover, an expensive preventive staff would be required to detect unlicensed sale. This Government would therefore prefer a system of monopoly vend for the taxation of articles which are neither excised nor imported. Auction of the monopoly is preferable to disposal by tender. This Government see no valid reason why the monopoly vend system should be restricted to towns or villages with a population in excess of some specified size. They consider that the system should cover all areas, though it may be desirable to exclude backward tracts at first. In this Presidency the monopoly of vend could be sold (preferably for a period of two or three years at a time) (i) in the Madras City and municipalities, for each ward by the Revenue Divisional Officer or Tahsildar; (ii) in 'towns' other than municipalities,—(the definition of a 'town' would present little difficulty)—for the whole town by the Tahsildar or Deputy Tahsildar; and (iii) in rural areas, for each revenue village by the Revenue Inspector. The advantage of fixing a small unit is that the vend monopoly renter will be able to secure a better control of retail sales in his area. Local retailers would be interested in securing the monopoly of vend; competition would be stimulated among them; and thus a considerable revenue might be expected. There would be no restriction on the number of tobacco shops which may be opened or on the number of hawkers who may sell tobacco in the monopoly area. Hawkers' 'beats' would be defined and every shopkeeper and hawker would be authorized by the vend monopoly renter to sell tobacco.

3. As regards excised or imported articles, their retail sale may be permitted under licences granted on payment of fixed fees. It would probably be convenient in 'towns' and rural areas to restrict the grant of these licences to the vend monopoly renters or their nominees. This restriction would be unnecessary in Madras City and municipalities. The fees may be graduated: nominal in rural areas and towns: higher in municipalities and Madras City.

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4. The Madras Government are unable to accept the Government of India's suggestion to levy a transport tax. It might be fairly simple to tax transport of tobacco by rail, but it would be impossible to control transport by road or water without an elaborate and oppressive system of inspection and a large staff. This Government have no hesitation in condemning the idea as both difficult to work and also unnecessary, since a combined excise and vend monopoly system will adequately cover the taxation of all articles.

5. As regards the proposal to tax 'pan,' this Government presume that the term 'pan' includes not only betel-leaf but also arecanut. The betel-leaf (unlike tobacco) is consumed green just as it comes from the vine. This Government consider that it would clearly be more difficult to enforce a monopoly of vend of betel-leaves than of tobacco, which is not consumable in any form until it has passed through a curing process however rough. The consumption of betel is moreover more general than the consumption of tobacco, and this fact would enhance the difficulty of enforcing a monopoly. On principle there can be no objection to the taxation of 'pan' which would not apply to the taxation of tobacco. But in view of the difficulties in applying a monopoly of vend, this Government would prefer to postpone consideration of the proposal until some experience has been gained of the taxation of tobacco.

6. The Government of India state that they do not consider it practicable to undertake central legislation on this subject in the immediate future and ask whether this Government consider it practicable to introduce in the provincial legislature in the near future any measure of the initiation of the levy of some form of excise on the vend of tobacco. In reply I am directed to invite attention to paragraph 9 of Mr. Pate's D.O. No. 1182 D/30-8, dated 5th January 1931, in which this Government referred to the danger of strengthening the civil disobedience movement by the levy of the tax at the present time, and desired that the responsibility should be left to Ministers responsible to the legislature under the future methods of Government in India. This Government still adhere to this position, and would prefer not to undertake provincial legislation at present unless they are compelled to do so by overwhelming financial necessity.

Order in Cabinet.

Decided that the Bill be introduced in the October Session of the Legislative Council with statement of the financial position with regard to Part II Schemes for 1936–37.

E[rskine]—21–6–35.

Revenue Department.

NOTE FOR THE CABINET MEETING, DATED 20TH SEPTEMBER 1935.

[Subject.—*The Madras Tobacco Bill*, 1935.]

The Madras Tobacco Bill was discussed at the meeting of the Cabinet held on the 19th June 1935, and it was decided that the Bill should be introduced in the October session of the Legislative Council with a statement of the financial position with regard to Part II schemes for 1936–37. A copy of the Note for the Cabinet on that occasion which contains a copy of the Bill is attached.

The Bill required the previous sanctions of His Excellency the Governor and His Excellency the Governor-General. After obtaining the sanction of His Excellency the Governor, the Bill was forwarded to the Government of India with the request that the previous sanction of the Governor-General might be obtained. The Government of India replied that they were prepared to recommend to the Governor-General the grant of previous sanction to the Bill only if clause 6 of the Bill were omitted and consequential amendments made in the other clauses.

2. When the letter of the Government of India was circulated for orders, the Hon'ble Members and Ministers recorded the following minutes:—

I agree that clause 6 may be omitted.

C. A. S[outer]—23–8–35.

I agree. This decision, I presume, includes consequential amendments if any.

G. T. H. B[racken]—23–8–35.

A. T. P[annirselvam]—26–8–35.

S. K[umaraswami Reddiyar]—29–8–35.

P. T. R[ajan]—30–8–35.

Clause 6 may be omitted and the consequential amendments made.

In my opinion there will be not less than half-a-million shops where tobacco manufactures—cigars, cigarettes and bidis—are sold in our province where the smoking habit is very extensive and widespread. If the monopoly to sell manufactured tobacco is sold, it would mean that a large number of people would lose their

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livelihood and be thrown out of employment. This aspect of the case merits the serious attention of Government. The only solution I can suggest is to work out a scheme of fixed licence fees varying with the estimated volume of sales as for example Rs. 5 in a panchayat, Rs. 50 in major municipalities and Rs. 300 in the City of Madras. The number of licences can be limited according to the requirements of each area. This would prevent profiteering and discourage illicit sales and the villagers buying raw tobacco and rolling their cigars at home. If such a system is adopted there would be no need to employ a large additional excise staff costing seven and odd lakhs. The licences can be issued from taluk offices on payment of the prescribed fees and the existing police and excise staff can for the present until the revenue comes up to a figure somewhere near the Board's estimate, be entrusted with the responsibility of detecting breaches of the law. As the licences would be available at reasonable rates there would be no encouragement for people to resort to illicit sales. In my judgment this would be more profitable to Government than the proposals in the draft Bill.

I take it that chewing tobacco and tobacco powder (scented) used in pan would be exempt. Otherwise there would be serious trouble.

As regards the purposes for which the revenue from this measure is to be utilized, I would suggest that 50 per cent be paid to local bodies and 50 per cent earmarked for *compulsory* elementary education. I make this suggestion with a full sense of responsibility. District Boards and especially municipalities have never been allotted sufficient revenues to be self-supporting. They have to depend very largely on Government grants. I believe this position has been purposely maintained so as to retain control over local boards and force them to carry out by a threat that the non-statutory grants would be stopped, by orders of Government. These local bodies are responsible for maintaining communications, medical institutions, public health staff and for providing education, elementary and secondary. In short, they provide the primary amenities to 46 millions of His Majesty's subjects. As long as normal conditions prevailed all went well. But since 1931 local bodies have lost about 30 lakhs in toll revenue and owing to the financial stringency Government grants have been drastically cut down. The view of the Finance Department is that Government have been giving these grants as a matter of charity and no one has a right to complain, if at a time of financial stringency Government are unable to continue these gifts at the usual scale. I am not slow to recognize that local bodies have not at present any legal right to demand these payments, but Government have a higher duty to perform towards these local institutions the moral obligation to provide them with sufficient funds to discharge the responsibilities placed on them by law. After all local bodies are part of Government. Local self-governing institutions in this province and perhaps in our sister provinces also are in a peculiar position. Their financial difficulties are not due to the present economic depression, but on account of the loss in toll revenue and substantial fall in Government grants. They have never been allotted sufficient resources to carry on the administration even in normal times. We had to apply a drastic remedy and do away with Taluk Boards to prevent a financial breakdown of District Boards. District Boards, which had to borrow from Government or draw on their railway cess accumulations to balance their budget, are now just able to pay the permanent establishments and are still not in a position to spend anything more than the Government grant on trunk roads. The result is that our main roads are rapidly deteriorating. The position of municipalities is still worse. Nothing could be done so far to rehabilitate their crippled resources. Recently when I was drawing up a ten-year programme for protected water-supply and drainage, finance was found to be the only obstacle. In all civilized countries schemes of this nature are financed from loan funds. They cannot be paid for from revenue. Now in spite of the half-grant from Government, these schemes have to be constructed on the instalment system spread over ten or more years. By that time a town would have expanded and deviations from the original estimates would be necessary. Water and drainage taxes have to be paid for years before the tax-payers get the benefit and they are naturally reluctant to vote for such schemes whose benefit some of them may not live to enjoy. For the purpose of raising a loan even the average grants from Government cannot be taken into account as they are liable to be stopped. Thus there is a complete impasse. I have taken this opportunity to place the position before His Excellency in detail. My point is that local bodies and municipalities should be allowed sufficient resources to meet their standing charges in normal times. In days of economic depression every one has to suffer including Government and no one can complain.

It may be said that my proposals do not give any assistance to provincial finances which is necessary. Indirectly there will be relief, for, as the resources of local bodies improve, Government grants can be gradually reduced and in areas where compulsion is introduced, the schemes can be entirely financed from the tobacco tax. Thus as the receipts from the proposed legislation improve, Government can

benefit by the reduction of grants and provision for elementary education. Municipalities will then be in a position to raise loans to complete their protected water-supply and drainage schemes economically and within a period of two or four years. I trust it will not be considered that I am pleading for the local bodies as Minister in charge. I sincerely believe my proposals if accepted would help both the Government as well as the local bodies whose interests are one and the same, and at the same time ensure a safe passage for the Bill in the Council.

If we ask the Council to vote for the Bill in order to ensure the continuance of the revenue remissions, I can easily foresee the result. The vote will be against the imposition of the tobacco tax and when the time comes, there would be a demand for revenue remissions and the Council would prefer to give up Part II schemes altogether.

It is not quite fair on the eve of the general elections and the inauguration of the Reforms to ask the Party in power to support a taxation measure which will affect every villager, for the benefit of a future Government.

We are supporting this measure because the reserved half and His Excellency are keen on passing it, knowing full well that there would be a serious reaction at the time of the coming elections. My suggestions are intended to make the Bill as less objectionable as possible to the electorate.

It is agreed that the Bill may be introduced in the October session. I submit that His Excellency may be pleased to order that the changes and suggestions made by me may be discussed at the Cabinet meeting on 19th September 1935.

S. R[ANGA RAO]—3-9-35.

His Excellency has ordered that the points raised by the Hon'ble the Chief Minister should be discussed at the Cabinet meeting on the 19th September 1935.

3. The scheme of licensing the sale of tobacco contemplated in the Bill was decided upon, after prolonged examination of the question. The scheme provides for the division of tobacco into (i) "Manufactured tobacco," and (ii) all other forms of tobacco. "Manufactured tobacco" is divided into two classes, viz., class A, comprising cigars, cheroots, cigarettes, cigarette-tobacco and pipe-tobacco, and class B, comprising all other kinds of manufactured tobacco. The Bill provides for the grant of licences for the exclusive privilege of selling in retail, in defined areas, all forms of tobacco, except manufactured tobacco of class A. As regards manufactured tobacco of class A, licences on payment of fixed fees will be granted for its retail sale. The system of monopoly vend was decided upon as the cheapest and the most practicable form of licensing retail sale. Attention is invited to the following extract from the minute of the late Finance Member (Sir Hopetoun Stokes), dated 29th October 1930:—

*   *   *   *   *   *

"It is obviously desirable to evolve some system which will be reasonably cheap, even though it may not be theoretically perfect. It seems to me the only means of doing this is to go back, in one shape or the other, to the old vend monopoly farm which used at one time to be in vogue in connexion with the abkari revenue, and to rely mainly on the monopoly renter to protect his own interests and to bring to book persons who infringe it.

*   *   *   *   *   *

It will be open to monopoly vend renter to open in his area as many shops as he likes.

*   *   *   *   *   *

Actually, I suppose, what he will do would be to arrange with the *existing* local shop-keepers and either grant himself licences to them, or obtain for them licences from the Collector, which should be issued free of fee. Similarly persons hawking beedis, etc., in a monopoly vend area would be bound to obtain a licence to do so either from the monopoly vend renter, or through him, from the Collector. In both cases I should prefer that the monopoly vend renter should issue his own licences.

*   *   *   *   *   *

The principal agent for preventing malpractices would be the monopolist and his employees, and I do not anticipate that it would be necessary to entertain, so far as Government is concerned, a large peripatetic preventive staff. * *."

The following is an extract from the views of the Board of Revenue in the matter:—

"It (the Board) recommends that the village, whatever its size, and in towns the ward should be the unit for which the monopoly should be sold. The advantage of fixing this small unit would be that the local retailers in villages would be interested in securing the monopoly of vend and the area would be so small that the successful bidder would be able to control the retail sale of tobacco by sub-concessionaires in the main village and its hamlets: while in towns, the unit is small enough to permit of a fair amount of control of retail sales by the vend monopolist who will probably find it to his interest to work in combination with pre-existing retailers of tobacco.

* * * * * *

It seems however clear that a smaller staff will be required to control and safeguard a revenue derived in this way than would be required by the alternative pure licensing system which appears to be favoured by the representatives of most of the Local Governments. A purely regulative system designed to apply in the first instance the minimum control, while bringing in practically no revenue, would require a considerable staff to enforce the taking of licences by retailers of all kinds and seems in any case hardly worth attempting. A licensing system with a scale of fees high enough to yield an appreciable income and based on turnover would equally involve a large excise establishment as well as an inquisition into the business of a very large number of petty shop-keepers which would probably excite the deepest resentment of retailers. If a pure licensing system were to be adopted the third alternative of graduating licence fees on a population basis would perhaps be the most workable; but this seems to be subject to the criticism that there exist no data for assessing the value of such licences. Under the vend monopoly system in each village or ward the concessionaire will be the person most interested in detecting and reporting unauthorized sales which will affect his pocket and the duty of the controlling Excise staff will mainly be the investigation and detection of cases brought to its notice.

* * * * * *

4. The provision for the grant of monopoly, included in the Bill (see clause 9 of the Bill), is not a mandatory provision. It is merely permissive and it is open to the Government to grant licences on fixed fees for all forms of tobacco, even if the Bill is left in its present form.

5. The Bill does not exempt any form of tobacco (whether chewing tobacco or scented tobacco powder) from the licensing system, tobacco under clause 2 (14) being defined as including manufactured tobacco and the leaf, stalks and stem of the tobacco plant.

The great bulk of tobacco, consumed in India, is not manufactured tobacco at all. It is sold in a partially cured state like any vegetable in the bazaar. The product so sold is mainly used for chewing. The roughly cured leaf can either be chewed or rolled into a cigar and smoked. The question is whether it is practicable to distinguish and exempt chewing tobacco from the licensing system.

6. The Board of Revenue reported that it expected the major portion of the revenue (50 lakhs rising to a crore) to be derived from the sale of the monopoly for the retail vend of tobacco, and this monopoly, under the Bill as it stands, will cover all forms of tobacco, other than manufactured tobacco of Class A, which roughly corresponds to imported tobacco. The Board also stated that imported tobacco forms a very small proportion of the tobacco consumed in this Presidency. The bulk of the revenue from licence fees is thus expected from indigenous tobacco, of which chewing tobacco and scented tobacco powder forms a not inconsiderable part. If these latter are exempted from licence fees, the Bill may not produce any appreciable revenue.

7. The points for decision are—

(a) whether the sanction of the Governor-General should be obtained to the Bill in its present form,—with the omission of clause 6 and consequential amendments as suggested by the Government of India;

(b) whether the scheme of licensing the retail sale of tobacco contemplated in the Bill will be altered and if so in what respects;

(c) whether any class of tobacco will be exempted from the licensing scheme; and

(d) whether any announcement will be made in the Legislative Council at the time at which the Bill is introduced or at any subsequent stage, with regard to the purposes for which the tobacco revenue should be utilized.

H. R. UZIELLI—12-9-35.

Order in Cabinet.

Decided that—

(a) clause 6 should be omitted from the Bill and consequential amendments made;

(b) the Bill should be further amended so as to permit the adoption at the discretion of Government of either a system of fixed fee licences or the system of monopoly vend already embodied in the Bill;

(c) no class of tobacco will be exempted from the licensing scheme; and

(d) no announcement will be made with regard to the earmarking of the tobacco revenue for specific purposes.

The intention is to institute the fixed fee licence system as soon as the Bill has been passed into law but to render possible without further legislation a subsequent change over to the monopoly vend system. An announcement to this effect will be made at the time of introduction of the Bill.

The redrafting should be put in hand immediately and completed as expeditiously as possible so that the sanction of the Governor-General can be obtained before the October meeting of the Legislative Council.

The question of a suitable scale or of suitable rates of fixed licence fees should be examined and submitted for the consideration of the Government together with an estimate of the revenue likely to be realized therefrom.

E[RSKINE].

Demi-official from H. R. UZIELLI, Esq., C.I.E., I.C.S., Secretary to Government, Revenue Department, to J. F. HALL, Esq., C.I.E., O.B.E., I.C.S., Member, Board of Revenue (Separate Revenue), dated 23rd September 1935, No. 2870-D/35-2.

I am to enclose for your information a copy of the letter from the Government of India, Legislative Department, No. 261/35-P., dated 13th August 1935, and a copy of the telegram that is being sent in reply. The Government have agreed to the omission of clause 6 of the Bill relating to the prohibition of the import of tobacco without a licence, and to the consequential amendments as detailed in the telegram.

2. The Government have also decided that the fixed fee licence system should be introduced in respect of all forms of tobacco as soon as the Bill has become law, and that the system of monopoly vend for which provision has been made in clause 9 of the Bill, should not be instituted at present. Clause 9 will however be left in the Bill as it is, so as to render possible, without further legislation, a subsequent change over to the monopoly vend system in respect of tobacco other than manufactured tobacco of class A, if and when the Government decide to introduce that system. It is therefore unnecessary at present to work out the details regarding vend monopoly units.

3. I am desired to request the Board of Revenue to examine the question of fixing a suitable scale or suitable rates of fixed fees for licences for the sale of the various forms of tobacco and to submit proposals *urgently* for the consideration of the Government, together with an estimate of the revenue likely to be realized therefrom.

From the Board of Revenue (Land Revenue and Settlement), Reference P. No. 2857/35-2, dated 17th November 1935.

Please see the demi-official to Mr. Hall above and the reference of the Board of Revenue (Separate Revenue). The proposals of the Board are dealt with in the sectional notes below.

2. *Estimate of the number of vendors of tobacco.*—The Board estimates from the figures submitted by Collectors and a limited number of Excise officers that there are about 70,000 sellers of manufactured tobacco, another 70,000 sellers of tobacco, other than manufactured tobacco and 2,500 hawkers.

T.R.T.—22-11-35.

P. K. GNANASUNDARA MUDALIYAR—23-11-35.

3. *Scale of fees.*—In his closing speech at the Legislative Council on the motion to introduce the Bill, the Hon'ble Member stated that at any rate in the first year of introduction the maximum of tax should not be more than Rs. 5. The Board states that if this rate be adopted provisionally as the maximum fee for sellers of manufactured tobacco and for hawkers, the minimum fee for sellers of tobacco, other than manufactured tobacco, should be Rs. 2. No separate scale has been suggested by the Board for wholesale sale of tobacco or for large firms dealing in tobacco products like Messrs. Spencer & Co., the Imperial Tobacco Company, etc., or for large cities like the City of Madras, Madura, Trichinopoly, etc. The fees levied in the Bengal and Bombay Presidencies are:—

	Bengal:—	
Whole sale	In any one financial year	Not exceeding Rs. 6.
Retail	Do.	Do. Rs. 3.
	Bombay:—	
Whole sale	Annually or for any less period	Fixed rate Rs. 15.
Retail or Hawker	In any case where the aggregate price realized from sales in any year does not exceed Rs. 200.	Do. Rs. 2.
	In any other case	A fee calculated at the rate of Re. 1 per cent on the aggregate price realized from sales in any year.
Broker	Annually or for any less period	Rs. 2.

It is for consideration whether rates similar to those in the Bombay Presidency may not be adopted.

T.R.T.—22-11-35.

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The fees suggested by the Board are—

	RS. (Presumably per annum.)
1. Manufactured tobacco	5
2. Tobacco other than manufactured tobacco	2
3. Hawker	5

This does not provide for separate rates of fees for wholesale vendors and retail vendors. Such a distinction seems to be necessary and a wholesale vendor can certainly bear a higher rate of fee. The Bombay Act provides for a wholesale fixed rate of Rs. 15. During the debate in the Legislative Council, Mr. Arasu suggested that a wholesale dealer should be taxed Rs. 10 or Rs. 15. Rupees 15 does not seem a high figure for a wholesaler.

The Board's proposal makes a distinction between manufactured tobacco and other tobacco, and fixes the fee for the former at Rs. 5 and for the latter at Rs. 2. It is presumed that if a man sells both, as in most cases he does, he will take out two licences and pay Rs. 7.

During the debate in the Legislative Council, Mr. Reid criticized the distinction made between various classes of tobacco and said that tobacco products of all kinds were handled by the same merchants and dealers.

Manufactured tobacco includes snuff. Snuff shop-keepers in the mufassal are as much petty dealers as the sellers of leaf tobacco used for chewing. There appears to be no case for taxing snuff at Rs. 5 and leaf tobacco at Rs. 2. Both are in the same footing. If a man sells snuff and leaf tobacco, he will have to pay Rs. 7, however petty a dealer he may be.

The Board proposes Rs. 5 for a hawker. This seems to be too much for a railway platform vendor with a tray containing a few rolls of bidis, etc.

Quite so.

H.R.U.—24-11-35.

A The Board's proposal makes no distinction between a petty dealer who earns a few rupees per mensem and a big company like, for example, Spencers. It is ridiculous that Spencers should pay only Rs. 5 and rank with petty shop-keepers in the mufassal.

The Bombay retail rate depends on the volume of sales. It is Re. 1 per cent on the aggregate price realized from sales in any year, subject to a minimum of Rs. 2. This method cannot presumably be adopted here, as the Government are committed to a system of fixed fee licences. But if it is not adopted, the objection at **A** above will continue, though it may perhaps be possible to fix the 'fixed' fee for big firms like Spencers at a rate higher than for others by taking the population as the basis. The use of tobacco in one form or other is widespread, and as the dealers' profits presumably depend on the number of consumers, it is not unreasonable to take the population as the basis for fixing the rates of fees.

H.R.U.—24-11-35.

It is suggested that the distinction between manufactured tobacco and other tobacco need not be made for the purpose of fixing fee and that the Presidency be divided into three classes, viz.:—

(1) **Madras City.**
(2) Municipalities and other urban villages having a population of 50,000 and over.
(3) Other municipalities and villages having a population of less than 50,000.

The rate of retail vend may be Rs. 15, Rs. 10 and Rs. 5, respectively, per annum irrespective of the kind of tobacco sold. The rate for wholesale vend may be Rs. 15 and that for a hawker, Rs. 2.

P. K. GNANASUNDARA MUDALIYAR—23-11-35.

The Board of Revenue makes a distinction in the levy of fees between manufactured tobacco and tobacco other than manufactured tobacco.

I do not think that this distinction can be made in practice.

The retailer in the villages does not only sell raw tobacco, but he also sells snuff, bidis and cigarettes. According to Mr. D. M. Reid in his speech in the Legislative Council on the introduction of the Bill, in the eyes of the tobacco trade, all tobacco shreds wrapped in paper are cigarettes, and their price may vary from Rs. 2-8-0 a hundred to 8 annas a hundred.

Cigarettes in many districts are now smoked widely, and it is impossible to state definitely that certain persons will not sell snuff, bidis and/or cigarettes all of which are manufactured tobacco. Most retailers will almost certainly sell snuff and bidis, in addition to the raw leaf.

In these circumstances, under the Board's proposals, a retailer in the mufassal, who sells leaf tobacco and snuff, or leaf tobacco and a few bidis or cigarettes, will have to take out two licences (i) for sale of manufactured tobacco and (ii) for sale of tobacco other than manufactured tobacco, which will cost him Rs. 7, while a large emporium such as Messrs. Spencer & Co., Mount Road, will only have to pay a fee of Rs. 5 for a licence, as it only deals in manufactured tobacco. Such a position would be entirely anomalous and open to serious criticism.

2. The most appropriate way of levying fees for the sale of tobacco is to levy it on turnover as is now done in Bombay subject to a minimum fee of Rs. 2.

Every seller of tobacco would under such a system pay fees in accordance with the size of his business (which is fair).

The objection to such a system in this Province is that it necessitates the maintenance and scrutiny of accounts, and this is likely to be unpopular, and would also cause trouble to petty retailers. In fact one member of the Legislative Council has already attacked strongly the provisions of clause 22 of the Bill, which makes the non-maintenance of accounts a penal offence, and it seems most unlikely that the Council would agree to the regular maintenance of accounts by tobacco sellers. Moreover the Government have accepted the principle of a *definite* fixed fee, and the levy of fees on turnover is not probably sufficiently definite to obtain the approval of the Council.

3. Leaving this system aside, the other alternative is that suggested by Assistant Secretary, viz., to fix the fee according to the population of the area in which the shop is situated.

The division proposed seems suitable and the fees suggested do not appear excessive, but the Government have stated that, in the first year at any rate, they will not levy a fee exceeding Rs. 5.

That being the case, the maximum fee to be levied must be Rs. 5.

It seems therefore necessary to divide the Province somewhat differently.

4. The number of villages in this Province is 51,826. Of these 37,962 contain a population of under 1,000, and 13,864 have a population of 1,000 and over. The population of 28,306 villages is under 500 and it appears probable that there are few tobacco sellers in such villages, the residents obtaining their supplies from hawkers or the larger centres or shandies.

I would suggest that in all towns and villages with a population of 1,000 and more, the fee should be Rs. 5 and in other areas, it should be Rs. 2. It would not be equitable to levy the same fee in the smaller villages, as in the larger.

5. Hawkers visit villages and shandies, and also sell in towns. A hawker, who sells in the towns and large shandies makes more than those who sell in smaller areas, but without an elaborate investigation it will not be possible to distinguish between different kinds of hawkers. The fee for hawkers may be put at Rs. 3, i.e., slightly higher than the fee for the smaller villages.

6. A wholesale vendor may pay Rs. 15. The Government's *promise* to limit the fee to a maximum of Rs. 5 related only to retail sale.

7. The objection to a uniform fixed fee for all sellers in the same locality is that the small trader will have to pay the same as the seller of the more expensive forms of tobacco, viz., the owner of a small soda water, bidi, snuff, and betel leaf bunk will have to pay as much as a large emporium, although his turnover will be less, but this cannot be avoided under a fixed fee system.

8. What the revenue will be from the levy of fixed fees on the scale suggested, it is impossible to say. The Board's letter shows that there is no information, even approaching within reasonable distance of reality, regarding the number of sellers of tobacco in a district, let alone the Province.

The revenue may therefore be far below Rs. 10 lakhs which the Government aim at—according to the Board's scheme it is only just over Rs. 5 lakhs.

H. R. UZIELLI—25-11-35.

4. *Estimate of revenue.*—At the rates proposed by the Board, it estimates the gross revenue at Rs. 5 lakhs as shown below:—

	RS.
70,000 × Rs. 5 (sellers of manufactured tobacco)	3,50,000
70,000 × Rs. 2 (sellers of tobacco, other than manufactured tobacco)	1,40,000
2,500 × Rs. 5 (hawkers)	12,500
Total ...	5,02,500

T.R.T.—22-11-35.

The Government expect a revenue of 10 lakhs (presumably net). According to the Board's proposal, the net revenue will be less than 3½ lakhs. If this is all the revenue to be realized, it seems hardly worthwhile to proceed with the Bill, in the face of the opposition which it has evoked.

P. K. GNANASUNDARA MUDALIYAR—23-11-35.

H.R.U.—25-11-35.

5. *Issue of licences.*—The Board considers that it will be better to entrust the issue of licences in villages to touring officers of some kind, making it widely known that licences can be obtained on application to such itinerant officers and that for this purpose, the Excise Sub-Inspectors would probably be the better type of officer to employ. For municipalities and other urban areas, the Board considers that the work may be entrusted to Assistant Inspectors.

T.R.T.—22-11-35.

The suggestion may be accepted, to begin with.

P. K. GNANASUNDARA MUDALIYAR—23-11-35.

Yes. But it is going to cost 1½ lakhs—to collect according to the Board's estimate 5·02 lakhs?

H. R. UZIELLI—25-11-35.

6. *Staff.*—The Board states that there are 57 Excise circles in the Presidency and that if for each circle an Assistant Inspector is sanctioned on a temporary basis at present he will be able to attend to the issue of licences in the municipalities and urban areas and supervise the work of the Sub-Inspectors on whom would be laid the duty of seeing that all licences are issued in the villages. The cost of 57 Assistant Inspectors each with two peons will be Rs. 1,64,000 nearly a third of the revenue expected at present:—

And also keep his eyes and ears open for other abkari crime.

P.K.G.—23-11-35.

	RS. PER ANNUM.
Fifty-seven Assistant Inspectors, pay at Rs. 125 per mensem.	85,500
Travelling allowance at Rs. 60	41,040
One hundred and fourteen peons, pay Rs. 12 per mensem ...	16,416
Travelling allowance at Rs. 10 per mensem per peon	13,680
Contingencies, clothing, tour charges and rewards	7,000
Total ...	1,63,636

The Board states that a more economical but less efficient way of administering it must be sought, that it is separately exploring the possibilities of entrusting the work to the

A Land Revenue staff and that it will submit a report to the Government on this point in due course. The Board may be asked to submit this report soon.

T.R.T.—22-11-35.

P.K.G.—23-11-35.

For the revenue anticipated the Board's proposals regarding staff appear very expensive. The Board may be asked to expedite its report referred to at **A** above.

H.R.U.—25-11-35.

7. *Form of licences.*—The Board considers that if the licences are printed on stamp papers, each touring officer of the class employed can be entrusted with a suitable number of licences and will have to account for the stamp papers or the corresponding cash and that accounting and returns will be comparatively simple and the work of issuing the licences and seeing that all sellers have got them can be spread over ordinary tours throughout a year.

T.R.T.—22-11-35.

This can be taken up as soon as we know in what form the Bill will emerge from the Legislative Council.

P. K. GNANASUNDARA MUDALIYAR—23-11-35.

The file may be sent to Finance for remarks before circulation.

P.K.G.—23-11-35.

H.R.U.—25-11-35.

FINANCE (ACCOUNTS) DEPARTMENT.

Rates of fees.—The fees suggested by the Board are—

	RS. PRESUMABLY PER ANNUM.
(*a*) Manufactured tobacco	5
(*b*) Tobacco other than manufactured tobacco	2
(*c*) Hawkers	5

The Board of Revenue considers it highly desirable that the agency of the Excise Department should be employed from the very first to control this item of revenue but the Board is emphatically of the opinion that the whole extra staff suggested by it (at a cost of Rs. 1·64 lakhs) must be employed if the Government are not to lose under 'Excise' what they are trying to gain from tobacco. The Board states at the same time that a more economical but less efficient way of administering it must be sought, that it is separately exploring the possibilities of entrusting the work to the Land Revenue staff and that it will submit a report to the Government on this point in due course. The Revenue Department propose to ask the Board of Revenue to expedite its report. For purpose of estimating the net revenue from the tobacco tax the cost of the staff at present proposed may be taken into consideration.

The financial effect of the Board's proposals is as follows:—

	RS.	RS.
Receipts.		
70,000 shops at Rs. 5 (sellers of manufactured tobacco) ..	3,50,000	
70,000 shops at Rs. 2 (sellers of tobacco other than manufactured tobacco)	1,40,000	
2,500 shops at Rs. 5 (hawkers)	12,500	5,02,500
Charges.		
Fifty-seven Assistant Inspectors pay at 125 per mensem	85,500	
Travelling allowance at Rs. 60	41,040	
One hundred and fourteen peons pay at Rs. 12 per mensem ..	16,416	
Travelling allowance at Rs. 10 per mensem per peon	13,680	
Contingencies, clothing, tour charges and rewards	7,000	
	1,63,636 or 1,64,000	1,64,000
Net receipts ..		3,38,500 or 3,50,000 roundly.

The net receipts will be reduced if the average pay of the posts is taken into account.

2. The Revenue Secretary considers that no distinction in the levy of fees between manufactured tobacco and tobacco other than manufactured tobacco can be made. He suggests differential rates of fees on the basis of the population of the area of vend.

The following are the rates suggested by the Revenue Secretary:—

	RS. PER ANNUM.
A. Wholesale rates	15
B. Retail rates—	
(1) In villages with a population of below 1,000 (number 37,962)	2
(2) In towns and villages with a population of 1,000 and more (number 13,864)	5
(3) Hawkers (2,500 persons)	3

Assuming that there are two shops in each village with a population of below 1,000 and an average of five shops in villages with a population of 1,000 and more, the receipts on the basis of the Revenue Secretary's proposal will be as follows:—

	RS.
2 × 37,962 shops at Rs. 2	1,51,848
5 × 13,864 at Rs. 5	3,46,600
Two thousand and five hundred hawkers at Rs. 3 each ...	7,500
Total ...	5,05,948 or 5·06 lakhs.

As pan and bidi shops exist in several streets in each town, the receipts under the Revenue Secretary's proposal will be greater than Rs. 3·47 lakhs for the second item.

3. *Necessity for proceeding with the Bill.*—On the basis of the sale of vend monopoly, the Board originally anticipated that the rough estimated amount of revenue would be about Rs. 50 lakhs in the first year, rising later to Rs. 100 lakhs, and the cost of additional establishments required for enforcing the provisions of the Bill was estimated at Rs. 7·14 lakhs. When the Bill was introduced in the Legislative Council, the Government estimated the receipts from tobacco taxation at only Rs. 10 lakhs presumably net. The present proposals are expected to give a net receipt of 3½ lakhs. The Board has observed that if

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the Government are to realize a gross revenue of Rs. 5 lakhs only, it would have been disposed to suggest that the Bill be not proceeded with in the face of the storm of opposition which it is meeting. The Revenue Department also considers that if this is all the revenue to be realized, it seems hardly worthwhile to proceed with the Bill in the face of the opposition which it has evoked.

It may be observed that even $3\frac{1}{2}$ lakhs per annum is not a small sum; but what is more important is that it is a potential source of increased revenue. What the Government are committed to is that at any rate in the first year of introduction the maximum of tax should not be more than Rs. 5. It would no doubt be possible to increase the rate of fees later on in the light of experience and it would be possible to change over to vend monopoly system the option to introduce which has been retained in the Bill. If the Bill is passed it would commit the Legislative Council to the principle of taxation of tobacco. This department may therefore suggest that the Bill may be proceeded with.

V.V.—2-12-35.

C.E.J.—5-12-35.

4. *Details of the rates.*—The Government's promise to limit the fee to a maximum of Rs. 5 related only to retail sale; and this department may agree with the wholesale rate of Rs. 15 per shop suggested by the Revenue Secretary. As regards retail rates suggested by him, they may be accepted for the first year of the levy of taxation. It might be possible to levy a higher rate from the second year of the levy of taxes, somewhat on the following lines:—

V.V.—2-12-35.

C.E.J.—5-12-35.

The Bill if passed will certainly make changes in rates dependent on a vote of the Council.

V.V.—2-12-35.
C.E.J.—5-12-35.

	RS. RATE PER ANNUM.
Villages and towns having a population not below 10,000 and not exceeding 15,000	10
Towns above 15,000	15

It may also be considered whether higher rate of fee can be levied for the shops in the City of Madras.

It is possible that shops in the outlying portions or outskirts of the towns or cities may not be able to pay the above rate. It may be necessary, if the higher rates of fees suggested by this department are adopted, to give power to the authority concerned to reduce rates in the case of shops deserving the concession. It is a matter of detail which can be examined in due course.

5. *Date of effect.*—It is provided that the Local Government may from time to time by notification apply any of the provisions of the Act (except section 1 which comes into force from the date of the passing of the Act) to the whole or any portion of the Presidency of Madras from such date as may be specified in the notification. The Select Committee of the Legislative Council begins to meet on the 10th instant and the Council cannot consider the Bill earlier than 28th January 1936 when it begins to meet. Some time will be required for settling the preliminaries and it may not be possible to bring the Act into force earlier than the 1st April 1936.

Revised estimate for 1935–36 *and budget estimate for* 1936–37.—No alteration would therefore be required in the revised estimate for the current year.

As regards the question of the effect of the Bill on the budget estimate for 1936–37, no credit can be taken until the Bill is passed.

As regards the expenditure on the staff no provision can be made until the Bill is actually passed in the Legislative Council. Any proposals as regards staff would therefore have to be provided for as a further demand for grant for 1936–37, or a supplementary demand obtained in due course.

V.V.—2-12-35.

M.S.—2-12-35.

At the Cabinet meeting held on 20th September 1935, the proposal to levy a fixed fee licence system in respect of sale of tobacco has been approved and it has been decided that the Madras Tobacco Bill should be proceeded with. In the course of the debate in the Legislative Council on 30th October 1935, Hon'ble Member C-3 announced that he should be prepared to say that at any rate in the first year of introduction of the tax, the maximum of tax should not be more than Rs. 5. As a result of the concession proposed above, the *gross* revenue from the tax is now estimated by the Board at only about Rs. 5 lakhs. The Revenue Secretary proposes an alternative method of assessing the tax and it appears that in accordance with his proposal, the receipts from the tax may amount to the same figure as proposed by the Board, if not a larger sum. The tax may be increased in future years and there is also

the possibility of adopting the monopoly vend system. This will be an important source of revenue for the Government in future. This department may urge that the Bill should not be dropped at the present stage.

C.K.V.—4-12-35.
C.E.J.—5-12-35.

2. As regards the rates of tax to be levied, this department may suggest that the proposal of the Revenue Secretary, may be accepted subject to the remarks that the rate of Rs. 5 proposed for the retail sale should be revised in the later years, if possible, especially in the case of shops in large towns which derive a large profit from the retail sale of tobacco.

C.K.V.—4-12-35.
C.E.J.—5-12-35.

3. The cost of collection of the tax is estimated by the Board at 1·64 lakhs. This is a very large sum, but the Board is considering more economical methods of administering the tax and will submit a report to Government in due course. If it is possible to revise the cost of supervising and collecting agency, the net receipts from the tax will increase.

The detailed examination of the staff required for collecting the tax will be made after the further report called for from the Board of Revenue is received.

C.K.V.—4-12-35.
C.E.J.—5-12-35.

V. VARADACHARI—2-12-35.

C. A. SUNDARAM AYYAR—3-12-35.

T. A. SRINIVASARAGHAVA AYYANGAR—3-12-35.

C. K. VIJAYARAGHAVAN—4-12-35.

This department would advise that the Bill be proceeded with. Even if only a net revenue of $3\frac{1}{2}$ lakhs were obtained, that is better than nothing. The staff of additional Inspectors of Excise would be of some value in helping to safeguard our Excise revenues; the principle of taxing tobacco would become an accepted fact and have possibilities of expansion as experience in working the Act accrues and knowledge of the tobacco trade is gained. Then also the passing of the Act will considerably strengthen this Government's case in the Neimeyer enquiry.

As regards details this department may agree with the Revenue Secretary.

C. E. JONES—5-12-35.

REVENUE DEPARTMENT.

The rates of licence fees to be fixed for the sale of tobacco are to be embodied in a schedule to the Tobacco Bill. The Select Committee on the Bill meets on 10th December 1935. The Government's proposals as to the rates of fees may be placed before the Select Committee.

P. K. GNANASUNDARA MUDALIYAR—7-12-35.

As the Select Committee meets on 10th December 1935, the file is marked *special.*

H. R. UZIELLI—7-12-35.

It is unnecessary to note in detail. The Bill must be proceeded with. As regards the revenue, all estimates seem to me speculative and must be so when we have no census of shops. I confess I am more optimistic than the Board.

C. A. S[OUTER]—9-12-35.

I agree. Even if the amount is not much in the first year it is an expanding source of Revenue.

I agree with the Revenue Member C-3 that the Board is rather too pessimistic about revenue. As regards expenditure, if we limit the thing to shop licences, we must cut down the cost of collection. It should not be difficult for village officers to prepare a list of tobacco-vendors. It is not essential that the licence fee should be collected on April 1st—as long as the amount is paid within the year, there is no loss of revenue. If one or more persons take out licences in a village, we can trust them to complain of unlicensed vendors. Except in large towns, I doubt if any special staff will be necessary and in any case the special staff ought to finish the business in two or three months at most. It will not take long to go round the shop streets.

G. T. H. B[RACKEN]—9-12-35.

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NOTE FOR THE CABINET MEETING, DATED 25TH JANUARY 1936.

The Madras Tobacco Bill, as originally drafted, provided for the grant of a monopoly for the retail sale in defined areas of all forms of tobacco, except certain classes of manufactured tobacco, and for the grant of licences on payment of fixed fees for the retail sale of the excepted forms of manufactured tobacco. At the meeting of the Cabinet held on 20th September 1935, it was decided that the Bill should be so amended as to permit the adoption, at the discretion of the Government, of either a system of fixed fee licences or the system of monopoly vend embodied in the Bill. The intention was to institute the fixed fee licence system as soon as the Bill had been passed into law, but to render possible, without further legislation, a subsequent change over to the monopoly vend system. The provisions relating to the monopoly vend were accordingly retained in the Bill, and with certain alterations, it was introduced into the Legislative Council.

2. Objection was taken in the Legislative Council to the inclusion of the provision for the introduction of the monopoly vend system by executive order of the Government at some future date, when the Government only intended at present to levy fixed licence fees. Objection was also taken to the fact that the rate of licence fees to be levied was left to the discretion of the Commissioner, acting under the control of the Government, and it was contended that the rate of fixed fees must be prescribed by the Legislative Council and be included in a schedule to the Act.

3. The Bill was referred to a Select Committee. The Committee invited all persons and bodies interested in the Bill to submit written memoranda regarding it. It will be seen that there is a general attack on the proposal to levy fees on the sale of tobacco. It should be noted, however, that the provisions of the Bill, as originally introduced in the Legislative Council, which are the subject of the attack, are not the same as those which the Government had decided to enforce on the Bill becoming law. The Government decided to enforce only the provisions for the levy of fixed fees on the licences for the sale of tobacco and agreed not to bring the provisions relating to the grant of a monopoly for the sale of certain classes of tobacco. There is thus a material difference between the provisions of the Bill, which has formed the subject of criticism, and the modified provisions which the Government have alone decided to enforce. The Select Committee has considered the detailed objections which have been raised to the provisions of the Bill and has altered the Bill in several respects.

4. *Omission of provisions relating to monopoly vend and the maintenance of accounts.*—The main detailed objections received by the Committee were directed towards the provisions relating to the grant of a monopoly for the sale of certain classes of tobacco and to the clause providing a penalty for failure to keep accounts. The Government having agreed to the deletion of these provisions, the Select Committee has deleted them and has made consequential alterations in the remaining clauses.

5. *Fixation of maximum rates of licence fees.*—The Committee has also included a schedule to the Bill prescribing the maximum rates of licence fees leviable under the Bill. The rates are—

	PER ANNUM.
	RS.
Wholesale vendor...	25
Retail vendor, broker or commission agent	5
Hawker	1

6. The other important alterations made by the Select Committee are as follows:—

(*a*) *Provisions relating to the grower.*—The Bill, as introduced in the Legislative Council, permitted a grower to sell without licence tobacco grown by him wholesale only to another grower, manufacturer or licensed vendor. The Select Committee considers that the Bill should not have the effect, directly or indirectly, of imposing any fresh taxation upon the grower and has accordingly altered the clause relating to the grower so as to permit him to sell without licence, tobacco grown by him to any one he likes, either by himself or through any member of his family or through his servant. The Committee has also exempted any association of growers from the necessity of taking out a licence.

(*b*) *Possession of tobacco in excess of a prescribed quantity.*—The clause prohibiting possession of tobacco in excess of a prescribed quantity, by a person other than a grower, manufacturer or licensed vendor, was included in the Bill because it was considered that it would be an almost impossible task to detect cases of unlicensed sales at the time of the actual sale of tobacco. The Select Committee considers that this clause is likely to lead to abuse, and has accordingly deleted it.

(*c*) *Inclusion of Brokers and Commission Agents.*—The Select Committee has included provisions applying the Bill to Brokers and Commission Agents, as defined by it.

(*d*) *Grounds on which licences may be cancelled or suspended.*—The Bill, as introduced, provided for the cancellation or suspension of a licence at will and also if the holder thereof was convicted of any offence under the Madras Abkari Act, the Dangerous Drugs Act or the Merchandise Marks Act or of any cognizable and non-bailable offence or of certain offences under the Penal Code and the Sea Customs Act. The Committee has deleted these provisions.

(*e*) *Issue of warrants.*—The Committee has confined the power to issue warrants to the Commissioner, a Collector or a Magistrate and has deleted the provision enabling the Government to empower any other tobacco officer to issue a warrant.

(*f*) *Search or arrest without warrant.*—The Committee has redrafted the clauses relating to search and arrest without warrant so as to impose the following restrictions:—

(i) A search can be made without warrant only if the delay occasioned by obtaining a search warrant will prevent the execution thereof and only after recording reasons.

(ii) An arrest can be made without warrant only if the person refuses to give his name and residence or gives a false name and residence.

(*g*) *Amount of fine for unlicensed sale.*—The Committee has reduced the amount of fine which may be imposed for the sale of tobacco without licence from Rs. 500 to Rs. 200.

(*h*) *Penalty for vexatious search or arrest.*—The Committee has added imprisonment also as a penalty for vexatious search or arrest.

7. The Select Committee has stated in its report that the alterations to the Bill made by it ought to disarm any opposition to the Bill and that such alterations have made the Bill useful and easily workable.

8. The Committee has also made the following suggestions:—

(i) A tobacco officer should be a member of the Revenue Department and should not be of a status less than that of a Revenue Inspector.

(ii) Licences should be obtainable as easily as possible and should be sold in every taluk office, municipal or local board office and police station and by headmen and karnams. Steps should be taken to see that they are obtainable at every post office also.

The agency for the administration of the Act is under examination in consultation with the Board of Revenue.

9. The Finance Secretary has noted as follows:—

"The changes made in Select Committee will render enforcement of the provisions of the Bill more difficult and evasion far too easy. It is doubtful if we will get 5 lakhs per annum."

10. The following minutes have been recorded by the Hon'ble Members and Ministers:—

I do not share Finance Secretary's pessimism. Licensees will see to it that unlicensed persons do not sell. In view of the general opposition to the Bill anything more stringent than the Committee has proposed will have little chance of success. As it is, we may have a difficult time unless the Party Whips get really busy.

G. A. S[OUTER]—17-1-36.

We may accept the recommendations of the Select Committee, except perhaps in the matter of making licences available in local board and municipal offices, police stations and post offices. Taluk Officers and Revenue Inspectors and Village Officers should suffice to provide the necessary facilities for obtaining the licences except perhaps in big cities where special agencies (sic). Too many of these agencies would make it difficult to keep a proper register of licensees or to efficiently check them. In other respects it is best to follow the line of least resistance suggested by Hon'ble Member C-3.

A. T. P[ANNIRSELVAM]—17-1-36.

I think we may accept the changes made by the Select Committee, excepting the provision regarding the grant of licences by Postmasters.

K. V. R[EDDI]—18-1-36.

I do not think any amendments need be moved by the Government to the Select Committee's proposals.

S. K[UMARASWAMI REDDIYAR]—18-1-36.

If we can't get even Rs. 5 lakhs per annum, I do not think it worthwhile to push the Bill through. Anyhow no amendment need be moved by Government to the Select Committee's proposals.

P. T. R[AJAN]—20-1-36.

I have no suggestions to make on the Select Committee's report.

S. R[ANGA RAO]—20-1-36.

Cabinet discussion on January 24th.

E[RSKINE]—20-1-36.

11. Orders are requested as to whether—

(i) the Bill will be proceeded with, and

(ii) the alterations made by the Select Committee in the Bill will be accepted.

H. R. UZIELLI—20-1-36.

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Order in Cabinet.

The Bill will be proceeded with and the alterations made by the Select Committee in the Bill will be accepted, subject to the following amendments which will be moved by the Member in charge of the Bill:—

In clause 7—

In the first proviso *for* " any tobacco grown by him " *read* " any tobacco not being manufactured tobacco, grown by him," and in the second proviso *for* " tobacco grown by the members of such firm or association " *read* " tobacco not being manufactured tobacco, grown by the members of such firm or association."

E[RSKINE]—25–1–36.

REVENUE DEPARTMENT.

Consulted Law (Drafting) on the amendments. That department is of opinion that the comma before the words " not being manufactured tobacco " may be omitted.

P. K. GNANASUNDARA MUDALIYAR—27–1–36.

Please see the order in Cabinet above. Notice of the amendments to the Bill may now be sent. An office copy and a fair copy of the notice for the Hon'ble Member's signature are submitted below. Notice for presentation of the Select Committee's report has already been sent to the Secretary, Lgislative Council, on 15th January 1936.

T.R.T.—27–1–36.

P.K.G.—27–1–36.

H. R. UZIELLI—27–1–36.

C. A. S[OUTER]—27–1–36.

Submitted that a copy of the report of the Select Committee together with a copy of the Bill as amended by the Committee may now be forwarded to the Board of Revenue. The Board may also be requested to submit draft rules for carrying out the provisions of the Bill and for the matters covered by the rule-making power conferred on the Government, with reference to the orders of the Government. A draft memorandum is submitted.

T.R.T.—29–1–36.

P.K.G.—29–1–36.

H.R.U.—29–1–36.

It is understood from the Council office that if the report of the Select Committee on the Tobacco Bill is to be presented at the next meeting of the Legislative Council commencing from 25th February 1936, a fresh notice should be sent to the Council office.

For orders whether a notice will be sent.

P.K.G.—7–2–36.

H.R.U.—7–2–36.

Yes, but the date has not yet been settled. The notice should be in general terms that the Bill will be introduced during the Session.

C. A. S[OUTER]—7–2–36.

A notice to the Council office with a fair copy for the Hon'ble Member's signature is submitted.

P.K.G.—10–2–36.

H.R.U.—10–2–36.

C. A. S[OUTER]—10–2–36.

In his speech at the Legislative Council meeting held on 2nd March 1936 the Hon'ble the Revenue Member stated that as it was now intended to have a comprehensive survey of the Finances of this Presidency and that until that survey was completed, it would be unnecessary to bring in this Bill. He therefore proposed not to introduce the Bill at present. The papers may be recorded.

T.R.T.—16–3–36.

P.K.G.—17–3–36.

DETAILED NOTES

ANNEXURE G. EXPENDITURE.

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ANNEXURE G-I.

(See paragraphs 29-33 of the Report and item 1 in Annexure C-III.)

FINANCE (REFORMS) DEPARTMENT.

Reduction in the salaries of members of Civil Services—Powers of the Provincial Government under the new constitution.

The Public Services are classified as follows:—

(a) The All-India Services.

(b) The Provincial Services.

(c) The Subordinate Services.

The position under the new constitution in regard to the authority competent to reduce the pay of each of the services is examined in the following paragraphs.

2. *The All-India Services.*—Under section 247 (1) of the Government of India Act, 1935, the conditions of service of all persons appointed to a Civil Service or to a civil post by the Secretary of State shall, as respects pay, leave, pensions, etc., be such as may be prescribed by the Secretary of State. By virtue of section 250 (1) and (2), the provisions of section 247 (1) and the rules made thereunder shall apply to persons appointed, before the introduction of Provincial autonomy, by the Secretary of State in Council and to persons, who, though not appointed by the Secretary of State in Council or by the Secretary of State, hold or have held 'reserved' posts (i.e., posts filled or to be filled by persons appointed by the Secretary of State in Council or the Secretary of State).

Under the proviso to section 247 (1) read with section 250, no rule made under the sub-section shall have effect so as to give such person as is mentioned above less favourable terms as respects remuneration than were given to him by the rules in force on the date on which he was first appointed to his service or was appointed to his post. In relation to any person who was appointed before the commencement of Part III of the Act, the above provision shall be construed as a provision that no such rule shall have effect so as to give less favourable terms than were given to him by the rules in force immediately before the coming into operation of that rule—vide section 250 (3) of the Act.

Thus, there is no provision in the Government of India Act, 1935, giving power to any authority to reduce the pay of persons of the following categories:—

(1) A person who was appointed by the Secretary of State in Council before 1st April 1937.

(2) A person who may be appointed by the Secretary of State after 1st April 1937.

(3) A person who, though not appointed by the Secretary of State in Council or the Secretary of State holds or has held a 'reserved' post.

The pay of such persons can be reduced only by an Act of Parliament.

3. *Provincial and Subordinate Services.*—Persons appointed to these services are now under the rule-making powers of the Provincial Government and will continue to be so under the new constitution—section 241 (2). Under section 241 (3), in the case of a person who was a member of any of these services before the commencement of Part III, no order which alters or interprets to his disadvantage any rule by which his conditions of service are regulated shall be made except—

(a) by an authority which would have been competent to make such an order on the 8th March 1926; or

(b) by some person empowered by the Secretary of State to give direction in that respect.

As regards (b), in the absence of any delegation by the Secretary of State, it may be assumed for present purposes that the sanction of the Secretary of State will be required to reduce the pay of a person whose case is not governed by (a).

It is clear from (a) above that the Provincial Government has full powers to reduce the pay of any person who may be appointed on or after 1st April 1937.

The question then arises as to who was the competent authority to reduce the pay of persons appointed before the 1st April 1937. As the above provision in the Government of India Act, 1935, follows more or less the provision in rule 9 of the Classification Rules (read with rule 4 of the Delegation Rules), the interpretation of that rule will have to be examined.

Government of India's views.—In their letter No. F. 13 (3)-Ex. I/35, dated 21st August 1935, the Government of India expressed their view on this point as follows:—

"The power of Local Governments to make rules under the second sentence of the substantive part of rule 2 of the Fundamental Rules, read with clause (*a*) of the proviso thereto, is confined to the making of rules modifying or replacing any of the Fundamental Rules and as the Fundamental Rules contain nothing relevant to the actual rates of pay to be drawn by particular establishments, the required rules could never have been made by the Local Government under rule 2 of the Fundamental Rules. Power to make rules of the nature in question was conferred on Local Governments for the first time on the 9th March 1926 by rule 4 of the Civil Services (Governors' Provinces) Delegation Rules, 1926."

They have further stated that reduced rates of pay cannot be applied to persons who were in service before the 9th March 1926 even on promotion to higher posts.

Under section 241 (3) interpreted in accordance with these views an officer who was in service before the 1st April 1937 should be allowed to draw the old scale of pay throughout his official career and no reduction can be made in his pay without the sanction of the Secretary of State.

The Local Government can according to this interpretation reduce the pay of only such Government servants as may join service on or after the 1st April 1937.

Madras Government's views.—This Government have taken the view that the only restrictions on the power of the Provincial Government to fix the rates of pay of posts included in Provincial and Subordinate Services are those prescribed in the Audit Resolution of the Government of India, Finance Department, No. 1449-E., dated 29th September 1922, and Schedule III to the Devolution Rules, and that the Provincial Government had therefore the power before the 9th March 1926 to reduce the pay of members of these two services. The protection will thus extend, in respect of the posts which they hold—

(1) to persons who held the post before the 1st April 1921 in the case of Transferred departments; and

(2) to persons who held the post before the 29th September 1922 in the case of Reserved departments.

This Government also consider that Government servants have no accruing rights in respect of promotions under the Government of India Act, 1919, and that they have therefore no protection in respect of higher posts or even in regard to selection grades fixed for the services which include the posts held by them, as promotion to selection grade is made on merit and not merely on grounds of seniority.

In this connexion, the effect of Fundamental Rule 23 has to be considered. Under this rule, a person holding a post, the pay of which is changed, has the right to remain on his old scale of pay; and no Fundamental Rule can be altered to the disadvantage of a person who was in service on the 1st January 1922. So, in the case of a person who was in service on or before 1st January 1922, the pay of the post which he now holds cannot be reduced without the sanction of the Secretary of State.

The Government of India have held that in cases where the old and the new scales of pay after revision consist of a number of grades, Fundamental Rule 23 gives power to a Government servant to elect to remain in one of the grades of the old scale till his promotion to a higher grade in the new scale, i.e., his pay at the time of revision will remain unaltered until in due course he is promoted to a higher rate of pay in the new scale—see paragraph (2) under Fundamental Rule 23 inserted by Correction Slip No. 3 in the II List of corrections to the Audit Manual, dated 2nd June 1930.

To sum up, the position according to the Madras Government's views is as follows:—

(*a*) *Reserved Departments.*—An officer who held a post in a Provincial or Subordinate Service before the 29th September 1922 should be allowed to draw the old rates of pay and no reduction can be made therein without the sanction of the Secretary of State.

(*b*) *Transferred Departments.*—An officer who held a post in a Provincial or a Subordinate Service before the 1st April 1921 cannot be reduced without the sanction of the Secretary of State.

In either case, a person who was in Government service on or before the 1st January 1922 is protected under Fundamental Rule 23 in respect of the time-scale applicable to the post held by him; and in cases where the old and new scales of pay consist of a number of grades, the protection will apply only to the particular grade held by an officer until he is promoted in due course to a higher rate of pay in the new scale.

The protection will not hold good in respect of selection grades applicable to the post held by an officer or of higher posts.

T.E.V.—31-12-36.

T. A. SRINIVASARAGHAVA AYYANGAR—1-1-37.

C. E. JONES—3-1-37.

ANNEXURE G-II.

(See paragraph 35 of the report and item 2 in Annexure C-III.)

Time-scales of pay for temporary posts.

PUBLIC (SERVICES) DEPARTMENT.

The following are the minutes recorded by the Hon'ble Members and Ministers:—

When this file was circulated to me last May, I had a discussion with the Deputy Secretary, Finance, and asked him to have an enquiry made as to what has been the cost for the last three years of counting temporary service towards increment in temporary posts which lasted for less than two years. The result is given in the statement. This statement shows the cumulative value of the increments which will be earned by officers if their services in temporary posts are allowed to count for increments. The total cost comes to about two and a half lakhs of rupees and this I presume will be spread over a very large number of years.

It will, I think, be noticed from the noting that all the more important administrative departments of Government are against the proposal of Finance. Only the Director of Public Instruction has given his approval to it. The proposal put forward by Finance is one for the reduction of expenditure over the present cost of the various departments. So far as Deputy Collectors are concerned, whose case I have urged in my note it is not one for any extra cost over present practice. I quite agree with Finance that so far as the Survey and Settlement Departments and the Public Works Department are concerned where a large number of temporary posts is created, there is no reason to depart from present practice. At the same time, I must urge that there is equally no reason to depart from present practice in regard to Deputy Collectors. If such a departure is made, the ultimate savings on this account will amount to about one and three-quarters lakhs which is a very large proportion of the total of 2½ lakhs as shown in the statement. In other words, this proposal will hit Deputy Collectors far more than anybody else, and it is these officers I consider who should not be hit by such a proposal, for practically in every case in which a temporary appointment is made of Deputy Collectors, the temporary man, as I have already stated, performs exactly the same duties in divisional charge the senior man was doing before he was put on special duty. I very much doubt whether for the ultimate savings of some Rs. 2½ lakhs it is worth while to create what must be a large amount of dissatisfaction and I think that it would be the best policy to let matters go on as they are now going. If it were a matter of absolute financial necessity, I should not press my point so strongly, but I do not think that our finances will not be able to continue to bear the cost which they are now bearing in regard to these appointments. I have given this matter prolonged consideration and with all the good will in the world towards reducing expenditure, I do not think that in this case such reduction is either politic or justified. I must therefore adhere to the view which I once before expressed.

C. A. S[OUTER]—7-10-36.

The argument that the temporary man appointed to act as Deputy Collector performs exactly the same duties as the permanent man applies equally to all temporary appointments, I think, and is not in any way special to Deputy Collectors. But I agree that the position about temporary appointments is unsatisfactory and that logically all or practically all should be on the appropriate scale of the permanent appointments. This means some additional expenditure spread over a number of years. To offset this I suggest for consideration a rule that the first three months of acting appointments in a service should not count either for probation or increment. During this period the acting men (whether in an ordinary acting or temporary appointment) are more or less learning their job and therefore not worth the full pay of the job. Logically this period should not count for increments at least. I do not know if there will be technical difficulties in the Service Rules, but this might form as a solution without much additional financial commitment.

G. T. H. B[RACKEN]—31-10-36.

I take it that the three months suggested by Hon'ble Member C-4 (Finance) is cumulative, in other words, an officer who has put in three monhts of service either at one stretch or in instalments, if he has to revert at the end of three months will not have to start again his three months when next he is made to act. This will not prove much of a hardship to the officers. I have therefore no objection to Hon'ble Member C-4's suggestion though personally I am in favour of conceding all the concessions which the officers of the cadre are entitled to even from the first day of their appointment.

A. T. P[ANNIRSELVAM]—2-11-36.

I am not sure if it is worth while to change the existing practice during the remaining five months of the regime of the present Government. It is very likely that the whole question of the salaries of the Provincial Services will come before the new Government very early for consideration and though no radical changes are likely to be accepted by His Excellency the Governor it will be of some satisfaction to the new Ministers if they are able to make a few changes. I prefer to wait till April 1937, without making any changes at present.

K. V. R[EDDI]—2–11–36.

Temporary men also should, I think, be given the time-scale of pay. I agree with Honourable Member C-4 (Finance) that the first three months should not count for increments. The three months will, I presume, be cumulative. Inasmuch as there is no immediate necessity to change the present practice, this question may be left to the new Government.

M. A. M[UTHAYYA CHETTIYAR]—25–11–36.

I agree with the views of Honourable Member C-4 (Finance).

P. T. R[AJAN]—27–11–36.

I agree with Honourable the third Minister.

R. R[ANGA RAO]—29–11–36.

The decision may well be left to the new Government. Meanwhile the feasibility of Honourable Member C-4's suggestion may be examined.

E[RSKINE]—3–12–36.

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ANNEXURE G-III.

(See paragraph 36 of the report and item 3 in Annexure C-III.)

Reduction of numbers and pay of village establishments.

REVENUE DEPARTMENT.

* * * * * *

2. The village establishments are the basis of the present system of Land Revenue Administration. The cost of the establishments is at present about 119 lakhs. The following is a brief history of the revision of the pay and scale of the establishments effected from time to time.

* * * * * *

7. *Revision of pay.*—When the Salaries Committee was appointed in 1919, one of the questions remitted to it for consideration was the revision of the pay of the village establishments throughout the Presidency. The scales of pay in force at the time were as follows:—

Class of village officers.	Ryotwari areas.	Proprietary areas.
	RS.	RS.
Headmen	4 to 15	4 to 12
Monigars	2 to 15	4 to 6
Karnams	4 to 16	4 to 15
Assistant karnams	6 to 12	5 to 9
Triune officers	6 and 8	2 to 7
Menials	3 to 8	3 to 6

The cost of the village establishments, both ryotwari and proprietary, was at the time about 70 lakhs.

8. The Salaries Committee made the following recommendations in respect of ryotwari areas:—

(1) *Ryotwari areas.*—The pay of village menials of all classes should be raised to Rs. 8 per mensem generally and to Rs. 10 per mensem in the districts of Malabar and South Kanara and in towns where there are mills and factories.

(2) The pay of karnams should be raised to Rs. 15 generally and to Rs. 18 where there is an assistant karnam and Rs. 20 where there were two or more assistant karnams.

(3) The pay of the headmen was an honorarium and need not be enhanced.

(4) The monigars should be abolished and where the collection work was difficult one or more process-servers might be appointed, the cost being defrayed by the levy of process fees.

(5) A reduction of karnam's charges would result rather in confusion and additional expense than in saving but a reduction of the number of village menials might well be made in those villages where there were four or more vettis or four or more talaiyaris.

In G.O. No. 499, Finance, dated 1st June 1920, the Government accepted most of these recommendations. The financial effect of this revision of pay was an increase in expenditure of about Rs. 36 lakhs per annum.

9. *Proprietary areas.*—As regards the village establishments in proprietary areas, the Salaries Committee stated:—

"It cannot be reasonably maintained that their official duties are calculated to occupy their full time. The salaries at present paid to them appear to the Committee to suffice for the work they do for the State and the Committee does not recommend any increase in their case."

The Board of Revenue in 1921 urged that the rise in the cost of living rather than the work they do for Government should be the criterion in considering the question of increased pay. The Board pointed out that the village officers in proprietary estates were under a statutory obligation to do work for the proprietors, while the proprietors were under no legal obligation to remunerate them and that on the other hand the Government had, by enfranchising village service inams, accepted responsibility for paying their salaries. The Board accordingly submitted proposals for the revision of the pay of the village establishments in proprietary estates also. Memorials were also received from these establishments for increased pay, while in two districts reports were received of threatened strikes.

10. On 6th August 1921, the Legislative Council passed the following resolution:—

"That this Council recommends to the Government that the pay of the village munsifs and monigars be raised to not less than Rs. 15 a month."

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11. In G.O. No. 1482, Revenue, dated 15th August 1922, the Government issued the following orders regarding the pay of headmen in ryotwari areas and that of village officers in proprietary estates:—

"*Ryotwari areas.*—The pay of the headmen on Rs. 5 to Rs. 12 will be raised to a uniform rate of Rs. 15 while that of the officers on Rs. 15 and above will remain unchanged. The pay of all the triune officers in ryotwari villages will be fixed at a uniform rate of Rs. 12.

"*Proprietary estates.*—The pay of the headmen and karnams will be revised in accordance with the following scale:—

Present pay. RS.	Sanctioned pay. RS.
4 and 5	8
6	9
7	10
8 to 11	12
12 and above	No increase.

"The pay of assistant karnams on Rs. 5, Rs. 6 and Rs. 7 will be raised to Rs. 8 while that of the officers on Rs. 8 and Rs. 9 will remain unchanged. The pay of the triune officers now drawing Rs. 7 and below will be raised to a uniform rate of Rs. 8 while that of the officers on Rs. 15 will remain unchanged. The pay of monigars will remain unchanged. The talaiyaris and vettis in receipt of pay of Rs. 5 and below will be paid at a uniform rate of Rs. 6 while those receiving a pay of Rs. 6 and above will get no increase."

The financial effect of these orders was a further increase in expenditure of about Rs. 30 lakhs per annum.

12. *Retrenchment.*—In the meantime, to counteract the increased cost of village establishments, the Board of Revenue directed enquiries as to the feasibility of a reduction of menials and the abolition of assistant karnams and monigars and grouping of light karnams' and headmen's charges and reduction of nirgantis. The savings effected up to the end of 1923 by these methods was about Rs. 18 lakhs.

13. In February 1924, the Legislative Council passed by a large majority the following resolution:—

"That this Council recommends to the Government that the policy of grouping villages be discontinued both in ryotwari and zamindari areas and that the villages amalgamated during the last two years be divided into their original units and the village officers and menials who were removed consequent on such amalgamation be restored to their offices."

14. *Restoration.*—It was considered at that time that the reduction of village offices was an administrative mistake and that the old units should be restored as far as necessary. At the same time it was proposed that a reduction should be made in the emoluments of village officers so that the total cost of the establishments should not exceed the budget provision. A Bill for the restoration of the village offices was accordingly introduced and was passed into law. In G.O. No. 1231, Revenue, dated 30th July 1926, the Board of Revenue was requested to proceed with the restoration of village officers and the menials on the lines indicated below:—

(*a*) All villages which had been grouped or amalgamated since June 1920 as a measure of retrenchment should be re-divided or re-grouped into their original units and the offices abolished on account of such grouping or amalgamation should be revived.

(*b*) Similarly all village offices which had been abolished without grouping or amalgamation of villages since June 1920 as a measure of retrenchment should be restored.

The above instructions were not to apply to assistant karnams or monigars; nor to the menials, if any, whose posts had been abolished as being unnecessary for administrative reasons previous to the retrenchment effected by grouping villages.

15 *Reduction in pay to meet the extra cost of restoration.*—The following reductions in pay were ordered to counterbalance the cost of restoration:—

In ryotwari areas, the pay of headman was reduced by Rs. 2, that of karnam by Re. 1 and that of menials by 8 annas, but the pay of the headmen and karnams who were getting Rs. 15 and above prior to the revision of pay was left unaltered. In proprietary estates the pay of headmen and karnams was reduced by Re. 1 in each grade and the standard rate of pay for menials was to be Rs. 6, but the pay of talaiyaris then drawing Rs. 8 was reduced by Re. 1 and the pay of the village officers whose pay was not raised at the revision was left unaltered.

16. The financial effect of the restoration *plus* reductions in pay (as reported by the Board of Revenue in 1931) was as follows:—

	RS.
Ryotwari villages—excess expenditure	82,035
Proprietary villages—savings ...	1,16,973
Net saving	34,938

17. *Further reductions in pay during retrenchment campaign of* 1931–32.—In 1931–32 the Retrenchment Committee examined the question again. They were strongly opposed to any reduction in the number of village establishments. They, however, recommended the following permanent reductions in pay:—

Rate of pay.	Amount of cut per mensem. A. P.
(1) Below Rs. 6	No cut.
(2) Rs. 6 and not exceeding Rs. 12	4 0 each.
(3) Above Rs. 12	8 0 each.

Orders were issued in G.O. No. 934, Revenue, dated 30th April 1932, accepting the recommendation of the Retrenchment Committee and imposing the cut in pay in the case of future entrants only.

18. *Growth of expenditure under village establishments.*—A statement showing the actuals of the growth of expenditure under village establishments in ryotwari and proprietary villages is annexed—vide Appendix I. It will be observed from the statement that the total expenditure in 1919–20 the year prior to the revision of salaries effected in 1920 was Rs. 70·30 lakhs. The expenditure in 1923–24, the year in which the revision sanctioned with effect from 15th August 1922, was completely introduced, was Rs. 121·52 lakhs after taking into account the savings due to the grouping of villages. The expenditure in 1930–31 the year in which the restoration was completely effected was Rs. 119·20 lakhs. There is a saving of about Rs. 50,000 on account of the cut in pay imposed in 1932. This saving will gradually increase as new incumbents take up the posts.

19. *Suggestion for economies and additional sources of revenue.*—The following suggestions have been made for effecting economies and finding additional sources of revenue:—

(1) Grouping of light karnams and headmen's charges.

(2) Amalgamation of the office of karnam and headman in light villages.

(3) Reduction of the pay of village officers and menials.

* * * * * *

21. *Grouping of villages—Arguments against grouping.*—The chief grounds urged in 1924, against the grouping of villages were—

(1) As pointed out by the Salaries Committee, the regrouping of villages has a very prejudicial effect on administration upsetting as it does the village administration. In the interests of the Government themselves, the village machinery should so function as to have intimate knowledge of the jurisdiction. This is not possible in large villages. If the work is beyond the means of the village machinery the discharge of duties becomes capricious and even supervision cannot take proper stock of the quality of its work.

(2) There is no more fertile source of corruption than the work of regrouping. The village officers naturally will do all they can to retain the offices held by them hereditarily for a long time and every temptation is put in the way of the officers who have to recommend the retention of one out of two men to accept some return for their recommendation.

(3) Politically every man who is turned out of the post is a potential centre for discontent. The number of men so turned out of employment is very large and it is to be feared that some at least of them will be actively discontented.

(4) The grouping destroys the village individuality and the village ceases to be a unit, for example, for executing kudimaramat works. There is nothing so incapable of amalgamation as different village units which have nothing in common with each other.

(5) Most of the villagers are illiterate and depend on the village officers for help in many transactions. To expect a villager to walk six miles on the off-chance of seeing the karnam at his house and finding him at leisure to listen to his business, is hard.

(6) In several districts all regrouping necessary and permissible in the interests of administration has already been effected.

(7) Whole villages are left without any Government officer to take charge of Government property.

22. *Arguments for grouping.*—The grouping was defended in the Legislative Council in 1924, on the following grounds:—

(1) The regrouping was done as a measure of retrenchment to cut down the cost of administration.

(2) The Legislative Council members themselves suggested regrouping as a measure of economy.

(3) Village officers are not whole-time servants.

(4) The Legislative Council threw out the cess Bills intended to provide means for the increased salaries.

(5) The staff before regrouping was too large for the collection of revenue.

(6) No instances of bad grouping were brought to the notice of the Government.

23. When regrouping was effected in 1921–23, there was a saving of Rs. 10,08,012 in ryotwari villages and Rs. 1,04,880 in proprietary villages. The scheme may thus result in considerable reduction in the expenditure on general administration.

24. *Board's recent views on the subject.*—In connexion with the present examination, it was suggested to the Board that there was *prima facie* room for retrenchment in the case of village establishments by the clubbing of small villages as was done in 1921–23 and that there might be a number of villages of extremely small size which could be clubbed with adjacent villages without detriment to the efficiency of village administration. After discussing the subject at a meeting of the Full Board, the Board of Revenue has reported that the number of small villages suitable for grouping is certain to be very small in the Presidency and does not justify a further tinkering with the village as the proper unit for general administrative purposes; and that if economy has to be effected in village establishment charges, it would be preferable to reduce the pay of the village officers rather than attempt a regrouping of small villages; but that either course would lead to discontent and apprehension, which would not be confined to the village officers immediately concerned.

With collection work more difficult than it used to be, a reduction of village establishments is perhaps more undesirable now than in the past.

25. *Amalgamation of the office of karnam and headman in light villages—Employment of triune officers—Proprietary Estates—Ryotwari villages.*—At the instance of the Board of Revenue the Government in G.O. No. 1620, Revenue, dated 1st November 1923, authorized it to sanction the employment of triune officers in proprietary villages, if such villages could be managed by a single officer without sacrificing the interest of the administration. The Board suggested a similar procedure in the case of ryotwari villages also, but the Government doubted the desirability of the course. The Government stated that the headman made the collections and remittances while the karnam kept the accounts and that the two were a check on one another not only for the safety of the Government revenue but also for safeguarding the ryot. The Government called for opinion of the Full Board. The Board saw no reason to change its view and reported as follows:—

> "The division of functions under which the headman makes collections and remittances while the karnam keeps the accounts, has no doubt certain theoretical advantages but these advantages are rarely realized in practice. For every case in which one village officer saves Government funds by checking the delinquencies of the other, there are 20 cases in which false charges of misappropriation are brought owing to the quarrels of the two. And these all have to be investigated at the cost of Government. On the other hand, there are decided advantages in making one man responsible instead of two, who if they are friends conspire together to defraud the public, and if they are enemies disturb the peace of the village by their intrigues and are a constant source of trouble to the authorities.
>
> The matter is, after all, mainly one of simple arithmetic. A karnam costs Rs. 180 per annum. To employ unnecessarily merely to safeguard collections to the extent of, say Rs. 1,800 per annum is to pay for an embezzlement insurance a premium of 10 per cent. The alternative is the formation of huge groups, which are a nuisance to all concerned. If real economy of establishment in poor districts is desired, the employment of triune officers is the simplest way of achieving it."

The question was not pursued further as it had by that time been decided to stop further reduction of village establishments and to proceed with the scheme for the restoration of the village offices which had been abolished. It can be taken up again, if economy is desired.

26. *Reduction in the pay of village officers and menials—Statistics of number and pay of village officers.*—A statement is given in Appendix II to this note comparing the numbers and rates of pay of village officers and menials in Ryotwari tracts and Proprietary Estates during 1919–20, 1929–30 and 1935–36. It will be seen that the average pay per head for all classes of village officers and servants has increased from Rs. 63 to Rs. 118 (87 per cent) in Ryotwari areas and from Rs. 53 to Rs. 81 (53 per cent) in Proprietary Estates.

27. *Suggestions for reductions in pay.*—As already observed in G.O. No. 934, Revenue, dated 30th April 1932, the Government on the recommendation of the Retrenchment Committee made a small reduction in the pay of new entrants. A suggestion has now been made that the following reductions in pay may be made in the case of both old incumbents and new entrants, the cut ordered in G.O. No. 934, Revenue, dated 30th April 1932, being absorbed in the reductions now proposed:—

Ryotwari Villages.

1 Headmen and monigars	A reduction of Rs. 2 each per mensem, the minimum pay being fixed at Rs. 11 each per mensem.
2 Karnams and assistant karnams	A reduction of eight annas each per mensem.

3 Talaiyaris and nirgantis	A reduction of eight annas each per mensem in the case of salaries above Rs. 6.

Proprietary Villages.

1 Headmen and monigars	A reduction of Re. 1 each per mensem.
2 Village accountants and assistant karnams	A reduction of eight annas each per mensem.
3 Talaiyaris and vettis	A reduction of four annas each per mensem in the pay of all talayaris and vettis drawing above Rs. 4 per mensem.

If these deductions are made there will be a saving of Rs. 8·77 lakhs on the basis of figures for 1936–37 as detailed in Appendix III to this note.

28. *Case for reduction.*—In justification of the reductions proposed, the following facts have been put forward:—

Headmen and monigars.—Prior to 1920–21 headmen were mostly paid in ryotwari tracts at rates varying from Rs. 5 to Rs. 7 a month and the rate varied according to the beriz of the village. Monigars who assisted the headmen in collection work were paid mostly Rs. 5 a month. The Salaries Committee of 1919 considered that the salary of the headmen could not be regarded as pay but was an honorarium for out of pocket expenses. The Committee did not recommend any increase in their "honoraria." In pursuance of a resolution passed by the Legislative Council in 1921, the Government decided in 1922 to increase the pay of headmen and monigars to not less than Rs. 15 per mensem and to effect savings by grouping villages. In 1924, in pursuance of another resolution of the Legislative Council the scheme of grouping villages was revived. The Village Offices Restoration Act was passed and the old units of villages were restored. To meet the extra cost of restoration, it was decided to reduce the pay of headmen by Rs. 2. The minimum pay thus stood at Rs. 13. The Retrenchment Committee of 1931–32 suggested only a small reduction of eight annas which was applied only to new entrants.

The raising of the honorarium in 1922 was due to agitation set up by some headmen. The post of village headman is sought after eagerly as it gives prestige and power and puts the holders of the post in contact with Government officials. The headman also possesses property in the village. It is therefore considered that a larger reduction of the "honorarium" will not be unreasonable especially in view of the present low prices, and that there is no need to restrict the reduction to new entrants only.

Karnams and assistant karnams.—The Salaries Committee recommended in 1920 that the pay of karnams and assistant karnams should be raised to an amount that would represent approximately the same proportion of their cost of living as their present pay did before the recent rise in the level of prices and that as far as practicable the calls on their time should be limited in order to give them a reasonable opportunity of supplementing their salaries by outside work. The pay of karnams which was either Rs. 8 or Rs. 10 in most cases was raised to a minimum of Rs. 15 and that of assistant karnams which was mostly Rs. 6 or Rs. 8 was also raised to Rs. 15. In 1926, to meet the cost of restoration, the pay was reduced by Re. 1. The Retrenchment Committee recommended a small reduction of eight annas in 1931-32. Karnams have ample opportunities of corruption and it is necessary to pay them an adequate salary if corruption is not to increase. Their status in the village is entirely different from that of headmen. It may not be possible to effect any further reductions in their pay but the reduction by eight annas recommended by the Retrenchment Committee may be applied to all incumbents old and new.

Menials.—The pay of village menials was in most cases raised from Rs. 4 to Rs. 8 in 1921. To meet the cost of restoration effected in 1926, the pay was reduced by eight annas. The Retrenchment Committee of 1931–32 recommended a small reduction of four annas (for new entrants). In view of the fact that the village menials reside in their own villages and are not full-time servants a further reduction of annas eight may not be unreasonable, especially in view of the present era of low prices.

The increase in the case of village officers of proprietary estates has not been so large as in the case of village officers in ryotwari areas. A smaller reduction has therefore been suggested in the salaries of village officers in proprietary estates.

The total saving which can thus be effected about 8·77 lakhs as shown in Appendix III to this note—a comparatively large amount but not a large percentage of the existing cost.

29. *Case against reduction.*—As against the above arguments, it may be stated that the matter was considered so recently as 1931 by the Retrenchment Committee at a time of great financial difficulty and in spite of reductions being made in other directions, the committee suggested nothing except a small reduction which was applied to new entrants only. Further as observed by the Board of Revenue, although it is preferable (if economy is desired) to reduce pay rather than attempt a grouping of villages, either course is likely to lead to discontent and apprehension which would not be confined to the village officers immediately concerned.

H. R. Uzielli—30-8-36.

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APPENDIX I.

Statement showing the growth of expenditure under village establishments including water superintendents, lascars, overseers, etc.

Year.	Ryotwari villages.	Proprietary villages.	Total.	
	RS.	RS.	RS.	
1918–19 ..	55,03,491	14,58,476	69,61,967	
1919–20 ..	55,60,341	14,70,190	70,30,351*	(a)
1920–21 ..	91,70,312	14,58,367	1,06,28,679	
1921–22 ..	95,66,211	15,01,013	1,10,67,224	
1922–23 ..	97,25,009	20,11,569	1,17,36,576	
1923–24 ..	96,25,584	25,26,588	1,21,52,172	(b)
1924–25 ..	92,80,977	25,14,035	1,17,95,013	
1925–26 ..	92,62,971	22,50,051	1,15,13,022	
1926–27 ..	93,50,948	23,75,553	1,17,26,501	
1927–28 ..	94,45,396	23,74,747	1,18,20,143	
1928–29 ..	94,02,394	23,83,409	1,17,85,803	
1929–30 ..	94,98,221	23,80,925	1,18,79,146	
1930–31 ..	95,37,987	23,82,229	1,19,20,216	(c)
1931–32 ..	95,52,107	23,97,359	1,19,49,466	
1932–33 ..	95,25,589	23,91,750	1,19,27,339	
1933–34 ..	95,16,824	23,85,577	1,19,02,401	
1934–35 ..	95,03,087	23,87,636	1,18,90,723	

(a) Expenditure prior to the revision sanctioned in 1920.
(b) Expenditure when the revision sanctioned with effect from 15th August 1922 was completely given effect to.
(c) Expenditure when the restoration was completely effected.

* Includes also a small amount paid towards hill, etc., allowances.

APPENDIX II.

Statement comparing the number of village officers and menials and their rates of pay in 1919–20, 1929–30 and 1935–36.

—	1919–20. Number and rate of pay.	1919–20. Total cost per annum.	1919–20. Average cost per annum.	1929–30. Number and rate of pay.	1929–30. Total cost per annum.	1929–30. Average cost per annum.	1935–36. Number and rate of pay.	1935–36. Total cost per annum.	1935–36. Average cost per annum.
		RS. LAKHS.	RS.		RS. LAKHS.	RS.		RS. LAKHS.	RS.
Ryotwari— Munsifs (Headmen).	1 (50) 2 (25) 5 (20) 10 (15) 156 (12) 1 (11) 210 (10) 1 (9) 667 (8) 3,360 (7) 6,539 (6) 5,208 (5) 1 (4)			1 (50) 2 (25) 6 (20) 10 (15) 3 (14) 16,350 (13) 5 (12)			1 (50) 2 (25) 5 (20) 1 (19½) 9 (15) 1 (14½) 1 (14) 1 (13½) 14,615 (13) 1,737 (12½) 4 (12)		
	16,161	11·82	73	16,377	25·56	156	16,377	25·41	155
Monigars ..	1 (15) 3 (10) 8 (8) 3 (7) 18 (6) 1,030 (5) 21 (4) 1 (3) 5 (2)			1 (13) 16 (12) 1 (10) 17 (5)			1 (13) 1 (12½) 16 (12) 1 (10) 17 (5)		
	1,090	·66	61	35	·04	103	36	·04	104
Triune officers.	3 (8) 2 (6)								
	5	·004	86	Nil	..	..	Nil	..	..

—	1919–20. Number and rate of pay.	1919–20. Total cost per annum.	1919–20. Average cost per annum.	1929–30. Number and rate of pay.	1929–30. Total cost per annum.	1929–30. Average cost per annum.	1935–36. Number and rate of pay.	1935–36. Total cost per annum.	1935–36. Average cost per annum.
		RS. LAKHS.	RS.		RS. LAKHS.	RS.		RS. LAKHS.	RS.
Ryotwari—cont. Karnams ..	8 (16) 397 (15) 13 (14) 830 (12) 1 (11) 3,625 (10) 1 (9) 9,365 (8) 1 (7½) 2 (6) 1 (4)			4 (25) 10 (20) 3 (18) 7 (16) 403 (15) 13,924 (14) 13 (12) 5 (8)			3 (25) 2 (24½) 9 (20) 5 (18) 3 (17½) 7 (16) 372 (15) 34 (14½) 12,548 (14) 1,406 (13½) 8 (12) 2 (11¾) 5 (8)		
	14,244	15·29	107	14,369	24·20	168	14,404	24·17	168
Assistant karnams.	1 (12) 9 (10) 805 (8) 12 (7) 267 (6)			1 (18) 513 (14) 1 (12)			1 (18) 474 (14) 43 (13½) 4 (12)		
	1,094	·99	90	515	·87	169	522	·87	167
Talaiyaris ..	12 (7) 80 (6) 1,166 (5) 21,698 (4) 7 (3)			965 (9½) 19,305 (7½) 4 (6)			850 (9½) 123 (9¼) 17,699 (7½) 1,908 (7¼) 3 (6) 2 (5) 5 (4)		
	22,963	11·18	49	20,274	18·48	91	20,590	18·70	91
Vettis and Nirgantis.	30 (8) 15 (7) 130 (6) 2,489 (5) 30,523 (4) 2 (3)			2,179 (9½) 25,836 (7½) 1,055 (7½)			2,053 (9½) 136 (9¼) 24,184 (7½) 3,066 (7¼) 1 (6) 2 (4)		
	33,189	16·23	49	29,070	26·69	92	29,442	26·92	91
Total—Ryotwari.	88,746	56·17	63	80,640	95·84	119	81,371	96·11	118
Total—Proprietary (below).	29,073	15·52	53	29,792	24·22	81	29,806	24·14	81
Grand total ..	117,819	71·69	61	110,432	120·06	109	111,177	120·25	108
Proprietary— Headman ..	40 (12) 32 (10) 75 (9) 86 (8) 331 (7) 1,212 (6) 2,938 (5) 1,474 (4)			1 (16) 2 (14) 39 (12) 193 (11) 325 (9) 1,198 (8) 6,588 (7) 107 (6) 423 (5) 142 (4)			1 (16) 1 (14) 1 (13½) 34 (12) 5 (11¾) 177 (11) 16 (10¾) 1 (9¾) 298 (9) 27 (8¾) 1,085 (8) 117 (7¾) 5,966 (7) 616 (6¾) 99 (6) 14 (5¾) 432 (5) 143 (4)		
	6,188	3·88	63	9,018	7·75	86	9,033	7·74	86
Monigars ..	1 (6) 97 (5) 97 (4)			1 (7) 19 (5)			1 (7) 20 (5) 1 (4)		
	195	·11	54	20	·01	61	22	·01	61

	1919–20.			1929–30.			1935–36.		
	Number and rate of pay.	Total cost per annum.	Average cost per annum.	Number and rate of pay.	Total cost per annum.	Average cost per annum.	Number and rate of pay.	Total cost per annum.	Average cost per annum.
		RS. LAKHS.	RS.		RS. LAKHS.	RS.		RS. LAKHS.	RS.
Proprietary—*cont.* Triune officers.	2 (7) 2 (6) 766 (5) 2,831 (4) 1 (2)								
	3,602	1·82	51	Nil	..	..	Nil	..	..
Village accountants.	68 (15) 81 (12) 73 (11) 155 (10) 182 (9) 163 (8) 1,086 (7) 2,868 (6) 1,456 (5) 539 (4)			68 (15) 35 (14) 80 (12) 529 (11) 2 (10) 1,082 (9) 2,670 (8) 2,876 (7) 374 (6) 104 (5) 83 (4)			67 (15) 2 (14½) 30 (14) 5 (13½) 71 (12) 10 (11¾) 479 (11) 50 (10¾) 2 (10) 1 (9¾) 997 (9) 91 (8¾) 2,426 (8) 240 (7¾) 2,524 (7) 357 (6¾) 337 (6) 43 (5¾) 104 (5) 83 (4)		
	6,671	4·98	75	7,903	7·52	95	7,919	7·51	95
Assistant karnams.	1 (9) 1 (7) 38 (8) 63 (6) 98 (5)			38 (8) 158 (7) 1 (5)			1 (13½) 36 (8) 2 (7¾) 149 (7) 6 (6¾) 1 (5¾) 1 (5)		
	201	·14	70	197	·17	86	196	·17	86
Talaiyaris ..	7 (6) 18 (5) 3 (4½) 681 (4) 10,312 (3)			64 (7½) 8 (7) 10,381 (6) 2 (4) 990 (3)			58 (7½) 8 (7¼) 6 (7) 2 (6¾) 9,375 (6) 941 (5¾) 8 (4) 1,006 (3)		
	11,021	4·06	37	11,445	7·90	69	11,404	7·83	69
Vettis ..	3 (6) 2 (5) 852 (4) 338 (3)			1,206 (6) 3 (4)			1,076 (6) 144 (5¾) 12 (4)		
	1,195	·53	44	1,209	·87	72	1,232	·88	71
Total—Proprietary.	29,073	15·52	53	22,792	24·22	81	29,806	24·14	81

APPENDIX III.

Statement showing the savings expected if cut in pay of village establishments is given effect to.

Ryotwari Village Service.

Particulars.		Savings per mensem.	Savings per annum.
Headmen	13,455 × 2 = 2,634 × 1½ = 4 × 1 =	26,910 3,951 4	.. .
		30,865	3,70,380

Ryotwari Village Service—cont.

Particulars.		Savings per mensem.	Savings per annum.
Monigars	1 × 2 = 14 × 1 = 1 × ½ =	2 14 ½	
		16½	200
Karnams and assistant karnams	12,344 × ½ = 2,296 × ¼ =	6,172 574	
		6,746	80,952
Talaiyaris	812 × ½ = 161 × ¼ = 16,218 × ½ = 2,994 × ¼ =	406 40¼ 8,109 748½	
		9,303¾	1,11,645
Vettis	1,944 × ½ = 244 × ¼ = 28,503 × ½ = 4,239 × ¼ =	972 61 10,751½ 1,059¾	
		12,844¼	1,54,131
Nirgantis	1 × ¼ = 793 × ½ = 135 × ¼ =	¼ 396½ 33¾	
		430½	5,166
		Total ..	7,22,474 or 7·23 lakhs.

Proprietary Estates Village Service.

Particulars.		Savings per mensem.	Savings per annum.
Headmen	2 × 1 = 1 × ½ = 23 × 1 = 16 × ¾ = 170 × 1 = 22 × ¾ = 1 × ¾ = 276 × 1 = 35 × ¾ = 873 × 1 = 150 × ¾ = 5,261 × 1 = 810 × ¾ =	2 ½ 23 12 170 16½ ¾ 276 26¼ 873 112½ 5,261 607½	
		7,381	88,572
Monigars	1 × ¾ =	¾	9
Village accountants	158 × ½ = 14 × ¼ = 446 × ½ = 67 × ¼ = 2 × ½ = 1 × ¼ = 789 × ½ = 116 × ¼ = 2,043 × ½ = 326 × ¼ = 2,325 × ½ = 473 × ¼ =	79 3½ 223 16¾ 1 ¼ 394½ 29 1,021½ 81½ 1,162½ 118¼	
		3,130¾	37,569
Assistant karnams	34 × ½ = 4 × ¼ = 132 × ½ = 17 × ¼ =	17 1 66 4¼	
		88¼	1,059
Talaiyaris	50 × ¼ = 5 × ¼ = 8,011 × ¼ =	12½ 1¼ 2,002¾	
		2,016½	24,199
Vettis	963 × ¼ =	240¾	
		240¾	2,889
		Total ..	1,54,206 or 1·54 lakhs.
		Grand total ..	8·77 lakhs.

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ANNEXURE G-IV.

(See paragraph 37 of the report and item 4 in Annexure C-III.)

Closure of the Forest College.

DEVELOPMENT DEPARTMENT.

It will be seen from the Principal's letter that we may not expect more than 23 students a year in the college for each of the classes. To obviate the loss to the college by having to train a smaller number of students it is for consideration whether it will not be desirable at this juncture to train a large number of forest apprentices and keep them in reserve for future vacancies. Direct recruitment to the cadre of foresters may be suspended for a time and the additional men who may be trained may be absorbed as foresters in vacancies as they occur. It is too late to admit fresh students into the college this year but from 1937 and 1938 we may perhaps admit 30 students every year and the college may be closed for three or four years. There are likely to be at least twelve vacancies in the cadre of the Indian Forest Service and Madras Forest Service due to retirement during the year 1940–42. If the college is closed during this period the instructors, etc., in the college may be transferred to the regular line. The question of reopening the college may be considered when the whole lot of trained men have been or are about to be absorbed in the department. For orders.

S.A.R.—20-8-36.

The question of closure of the college was discussed at great length only recently—*vide* G.O. No. 1539, dated 8th November 1934, and the conclusion was that in view of the proposals then under consideration for levy of fees from students at the college the proposal to close the college should be deferred—*vide* Hon'ble Member's notes on pages 60, 61 and 62 of Government Order *ibid*.

We may expect about 15 students from outside and 9 from Madras. The fees will amount to Rs. 22,500+6,750 or 29,250 a year.

	RS.
Rents, etc., may amount to	1,500
Total revenue	30,750
Expenditure	98,000 nearly.

There will be a net expenditure of about Rs. 68,000 to Rs. 70,000 in the maintenance of the college.

If the Central India States had continued to send their students to Coimbatore, we would get Rs. 6,000 a year in the shape of fees. This is not going to alter very much the net cost to this Government.

R. RAMASWAMI AYYANGAR—20-8-36.

If Indian States in Central India prefer to send their men to Dehra Dun for training, I don't see how we can object. In the interests of our own forests we have to continue our college though it costs a good deal every year. The position may have to be reviewed after a year or two in order to decide whether the college should be continued or closed down.

C. J. PAUL—12-9-36.

FINANCE (ACCOUNTS) DEPARTMENT.

The case relates to the financial position of the Forest College, Coimbatore. A short history of the college showing the purpose for which it was started and is being maintained is given in paragraphs 1 and 2 of the Development Department notes on page 15 of G.O. No. 1539, Development, dated 8th November 1934.

2. In 1922, the Government of Madras suggested to the Government of India that the spheres of the Dehra Dun and Coimbatore Colleges might be divided so that the former might cater for the Punjab, North-West Frontier Province, the United Provinces, Bengal and Assam, while the latter might cater for Bombay, Central Provinces, Bihar and Orissa, Feudatory States, Central India States and the States of Hyderabad, Mysore, Travancore and Cochin. This suggestion was accepted by the Government of India and is in force till the present day.

3. The number of students admitted to the college subsequent to the arrangements referred to above is as shown below:—

Course.	Students from outside Provinces, etc.	Students from Madras Government.	Private.
1923–25	22	4	..
1924–26	24	5	..
1925–27	21	8	..
1926–28	23	9	..
1927–29	19	8	..
1928–30	13	2	..
1929–31	16	..	..
1930–32	17*	..	2
1931–33	20	..	1
1932–34	6	21	2
1933–35	8†	16	1†
1934–36	9†	8†	1†

* Excludes and student discharged as unfit.
† Latest figures available.

4. In their letters Nos. F. 42-1/34-F., Department of Education, Health and Lands, dated 12th October 1934, and F. 2-2/36-F., Department of Education, Health and Lands, dated 1st June 1936, the Government of India have stated that with effect from 1st April 1937 students from Central Provinces, Bihar and Orissa and the Feudatory States in Bihar and Orissa and from the Indian States in Central India will be sent to Dehra Dun College. It will be seen that, hereafter students from Bombay, the States of Hyderabad, Mysore and Cochin and the Madras students only will be trained in the Coimbatore College and that the number of students from outside Madras will decrease year after year.

5. When the question of the temporary closure of the college was considered last, the fee income was estimated at Rs. 27,000 and the excess of expenditure over receipts at Rs. 73,823. Now it is anticipated that the fee receipts would be reduced by Rs. 12,750, with effect from 1937–38.

6. It is observed that on an average nine students of this Government will be trained in a year. On this basis the total number of students for a year will be 18 (9 for the junior and 9 for the senior class). If all these students are sent to Dehra Dun, the expenditure will only be Rs. 27,000 per annum on account of fees. To this will have to be added, the expenditure on account of travelling allowance of the students to Dehra Dun, if that is admissible. The objections to sending Madras students to Dehra Dun are that Dehra Dun is far away from Madras and that the Madras candidates found themselves at Dehra Dun almost in a foreign country, a land of which they did not know the language.

7. In 1934 when the question of closing the Forest College was considered the Hon'ble Member in charge of Forests remarked as follows:—

> 'I should rather think that this a matter that should be left to the Ministers under the coming reforms and that we should not tie their hands by ordering the closure which is to take place some two years after they take charge.'

The Development Secretary has remarked that the position may have to be reviewed after a year or two to decide whether the college should be continued or closed down. Development may be requested to submit this to the orders of the new Government after it takes charge.

V. VARADACHARI—4-10-36.

After orders were passed by Hon'ble Member for Finance in his note on page 62 of G.O. No. 1539, Development, dated 8th November 1934, there is definite information to the effect that students from Central Provinces, Bihar and Orissa and Central India will not send their students to Coimbatore. The financial position of the college will therefore grow worse and as pointed out by the Principal, Forest College, the decision of the Government of India will not strengthen the arguments against closing down the college.

As pointed out in paragraph 6 above, the requirements of this Government are only nine men a year and it is possible to have them trained at Dehra Dun at a cheaper cost.

The Development Department may be requested to submit the question of closing down the Forest College for the orders of the new Government after they take charge.

D. W. DODWELL—5-10-36.

C. E. JONES—7-10-36.

1st April is too early a date. The question may be raised again on 1st October 1937. This will mean that the course for 1937–39 will have been begun before a decision is possible. But even were the question raised on 1st April 1937, the matter may not be decided by 1st August when the new session begins at the college. The Ministers will be new and may not decide before gaining some experience of the conditions of the department.

R. RAMASWAMI AYYANGAR—11-10-36.

The question should be put up to new Government for orders in April 1937.

C. J. PAUL—14-10-36.

ANNEXURE G-V.

(See paragraph 38 of the report and item 5 in Annexure C-III.)

Reduction in the number of sub-registry offices.

REVENUE DEPARTMENT.

The following suggestions have been made :—

(a) reducing the number of offices or giving them more work,

(b) concentration of work (as for instance in the Madras City) in one or two offices where such a course is possible,

(c) utilizing the agency of the Revenue Department for registration work,

(d) extension of the process of photo-copying of documents to other areas, and

(e) examination of the system prevailing in other Provinces and the feasibility of its adoption in the Madras Presidency—e.g., employment of pensioners as sub-registrars.

(a) *Possibility of reducing the number of offices or giving them sufficient work to justify their pay.*—The Inspector-General of Registration, while conceding that there are lightly worked offices, does not recommend any reduction in the number of offices on the ground that several of these Sub-Registrars exercise magisterial powers and attend to treasury work and that some are notaries public and are in charge of stamp depots. All the sub-registrars are also *ex-officio* registrars of births and deaths.

As regards the feasibility of giving the lightly worked officers more work, the Inspector-General suggested that the following items of work might be taken over by sub-registrars :—

(i) disposal of applications for transfer of registry,

(ii) disposal of applications for assignment of land and house-sites, and

(iii) disposal of cases under the Land Encroachment Act (Madras Act III of 1905).

The Board of Revenue was consulted and it was not agreeable to the suggestion and its remarks are extracted below :—

"The exercise of revenue functions by sub-registrars involves a measure of authority over village officers and revenue inspectors which the Board is unwilling to concede to officers of the Registration department. Further, sub-registrars would have to function also as dependent deputy tahsildars; and the Inspector-General of Registration is not likely to accept the position that his officers should be subordinate to tahsildars."

The Revenue Secretary's remarks on the proposal are appended below :—

"The Board's view may be accepted. The dual control which is involved in registration officers doing revenue work is undesirable."

The Finance Department agreed with the Revenue Department in regard to the question of entrusting to sub-registrars certain items of revenue work. As regards the reduction in the number of sub-registry offices, the Finance Secretary observed as follows :—

". . . From the statistics of registration for the various offices, the Inspector-General can easily see where there is a *prima facie* case for reduction in the number of offices. He can then examine the possibility of closing an office or two by re-distribution of the territorial limits of the remaining offices.

With reference to the above, the Revenue Secretary's note is extracted below :—

"There are two ways of improving the financial conditions in the Registration Department, (a) by increasing the fees—a matter which has been dealt with above and (b) by reducing the number of offices.

Both of these are matters which will have to be left to the new Ministries under the Reforms for decision. I submit that until a Ministry decides to reduce the number of offices in order to make the department produce more revenue, it is unnecessary to give the Inspector-General of Registration the labour of examining the question of what offices could or could not be closed. If the Inspector-General starts an examination of this kind, it will become known that there is some idea of closing offices, and the Government and the Inspector-General are likely to be inundated with petitions from various localities urging this or that office should not be closed. This seems to be undesirable. The Inspector-General is alive to the necessity of

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recommending for closure unnecessary offices, as he has recently sent up proposals for the closure of two offices * which the Collectors have proposed should *not* be closed.

Until a Ministry decides that it wants to increase its revenue by reducing expenditure on registration by a closure of office—a policy against the desirability of which there are strong arguments—all that seems to be necessary is to tell the Inspector-General to submit to the Government where he considers it necessary any proposals which he has for the closure of individual offices."

P.T.R.—31-1-37.

* Arikkulam-Malabar district.
Tandarai-North Arcot district.

This suggestion was accepted both by the Hon'ble the Minister and the Finance Member.

(b) *Concentration of work as for instance in the Madras City in one or two offices, where such a course is feasible.*—The Inspector-General of Registration reported that concentration of work had been tried in the Madras City, Madura, Tanjore, Calicut, Coimbatore, etc., and that experience showed that the scheme was not successful and that the Government had to sanction the creation of new offices to meet the convenience of the parties. He considered that the advantages, if any, that might be obtained from concentration were more than counterbalanced by difficulties that would be caused both to the department and the public by such concentration.

This view was accepted by the Government and it has been decided not to pursue the suggestion further.

(c) *Utilizing the agency of the Revenue Department.*—Both the Board of Revenue and the Inspector-General of Registration who were consulted in the matter are against the proposal. The Board's reasons in support of its view are given below :—

(i) Tahsildars and Deputy Tahsildars are touring officers and cannot, therefore, exercise personal care over the registration records;

(ii) Stationary Sub-Magistrates are appointed only in areas where the *quantum* of magisterial work is so heavy as to require a whole-time officer;

(iii) Taluk Sarishtadars and Head Accountants are already overworked and are in immediate charge of sub-treasury work and taluk offices; and

(iv) the proposal involves a dual control over the officers—a scheme fundamentally objectionable and likely to lead to inter-departmental friction.

The Revenue Secretary's note on this is as hereunder :—

"It seems pretty clear that Revenue officers cannot do registration work. They have not got the time. They had not the time even in 1884 (and work has increased markedly since then) and it was this that led to the establishment of the Registration department."

The Board's view was accepted by the Government.

(d) *Extension of the process of photo-copying of documents to other areas.*—The Inspector-General of Registration estimates the cost of the scheme for each district at Rs. 26,600 non-recurring made up as follows :—

	RS.
Plant and machinery	6,752
Buildings	14,650
Cost of ten steel cabinets taking North Malabar Registration district as the standard at Rs. 130 each	5,200
Total ...	26,602

If the system is to be extended, the Inspector-General would extend it to North Malabar as this district has been working at a deficit. He would however defer the question until the Government decide as to which of the two methods of the photo-copying, i.e., cine-film or photostat—should be retained permanently, i.e., in September 1938, when a further report as to the financial results of the working of the systems now tried experimentally in certain districts, is due.

The following is the note of the Revenue Secretary on this point :—

"The Government so recently as in April 1936 decided to defer a decision on the mechanical systems of copying until further experience had been gained of the system for three more years. There is no reason for a modification of that decision.

The question of introducing mechanical systems of copying is connected with the question of unemployment among the educated classes; and before deciding to introduce some mechanical copying system throughout the department, the Government will have to decide whether they are prepared to add to this unemployment problem by throwing large numbers of educated men out of work.

This is an important question; and it may be left to be decided when the three years' further experimental period sanctioned in G.O. No. 908, Revenue, dated 23rd April 1936, terminates."

ANNEXURE G-V.

(See paragraph 38 of the report and item 5 in Annexure C-III.)

Reduction in the number of sub-registry offices.

REVENUE DEPARTMENT.

The following suggestions have been made:—

(a) reducing the number of offices or giving them more work,

(b) concentration of work (as for instance in the Madras City) in one or two offices where such a course is possible,

(c) utilizing the agency of the Revenue Department for registration work,

(d) extension of the process of photo-copying of documents to other areas, and

(e) examination of the system prevailing in other Provinces and the feasibility of its adoption in the Madras Presidency—e.g., employment of pensioners as sub-registrars.

(a) *Possibility of reducing the number of offices or giving them sufficient work to justify their pay.*—The Inspector-General of Registration, while conceding that there are lightly worked offices, does not recommend any reduction in the number of offices on the ground that several of these Sub-Registrars exercise magisterial powers and attend to treasury work and that some are notaries public and are in charge of stamp depots. All the sub-registrars are also *ex-officio* registrars of births and deaths.

As regards the feasibility of giving the lightly worked officers more work, the Inspector-General suggested that the following items of work might be taken over by sub-registrars:—

(i) disposal of applications for transfer of registry,

(ii) disposal of applications for assignment of land and house-sites, and

(iii) disposal of cases under the Land Encroachment Act (Madras Act III of 1905).

The Board of Revenue was consulted and it was not agreeable to the suggestion and its remarks are extracted below:—

"The exercise of revenue functions by sub-registrars involves a measure of authority over village officers and revenue inspectors which the Board is unwilling to concede to officers of the Registration department. Further, sub-registrars would have to function also as dependent deputy tahsildars; and the Inspector-General of Registration is not likely to accept the position that his officers should be subordinate to tahsildars."

The Revenue Secretary's remarks on the proposal are appended below:—

"The Board's view may be accepted. The dual control which is involved in registration officers doing revenue work is undesirable."

The Finance Department agreed with the Revenue Department in regard to the question of entrusting to sub-registrars certain items of revenue work. As regards the reduction in the number of sub-registry offices, the Finance Secretary observed as follows:—

". . . From the statistics of registration for the various offices, the Inspector-General can easily see where there is a *prima facie* case for reduction in the number of offices. He can then examine the possibility of closing an office or two by re-distribution of the territorial limits of the remaining offices.

With reference to the above, the Revenue Secretary's note is extracted below:—

"There are two ways of improving the financial conditions in the Registration Department, (a) by increasing the fees—a matter which has been dealt with above and (b) by reducing the number of offices.

Both of these are matters which will have to be left to the new Ministries under the Reforms for decision. I submit that until a Ministry decides to reduce the number of offices in order to make the department produce more revenue, it is unnecessary to give the Inspector-General of Registration the labour of examining the question of what offices could or could not be closed. If the Inspector-General starts an examination of this kind, it will become known that there is some idea of closing offices, and the Government and the Inspector-General are likely to be inundated with petitions from various localities urging this or that office should not be closed. This seems to be undesirable. The Inspector-General is alive to the necessity of

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recommending for closure unnecessary offices, as he has recently sent up proposals for the closure of two offices * which the Collectors have proposed should *not* be closed.

* Arikkulam-Malabar district.
Tandarai-North Arcot district.

Until a Ministry decides that it wants to increase its revenue by reducing expenditure on registration by a closure of office—a policy against the desirability of which there are strong arguments—all that seems to be necessary is to tell the Inspector-General to submit to the Government where he considers it necessary any proposals which he has for the closure of individual offices."

P.T.R.—31-1-37.

This suggestion was accepted both by the Hon'ble the Minister and the Finance Member.

(b) *Concentration of work as for instance in the Madras City in one or two offices, where such a course is feasible.*—The Inspector-General of Registration reported that concentration of work had been tried in the Madras City, Madura, Tanjore, Calicut, Coimbatore, etc., and that experience showed that the scheme was not successful and that the Government had to sanction the creation of new offices to meet the convenience of the parties. He considered that the advantages, if any, that might be obtained from concentration were more than counterbalanced by difficulties that would be caused both to the department and the public by such concentration.

This view was accepted by the Government and it has been decided not to pursue the suggestion further.

(c) *Utilizing the agency of the Revenue Department.*—Both the Board of Revenue and the Inspector-General of Registration who were consulted in the matter are against the proposal. The Board's reasons in support of its view are given below:—

(i) Tahsildars and Deputy Tahsildars are touring officers and cannot, therefore, exercise personal care over the registration records;

(ii) Stationary Sub-Magistrates are appointed only in areas where the *quantum* of magisterial work is so heavy as to require a whole-time officer;

(iii) Taluk Sarishtadars and Head Accountants are already overworked and are in immediate charge of sub-treasury work and taluk offices; and

(iv) the proposal involves a dual control over the officers—a scheme fundamentally objectionable and likely to lead to inter-departmental friction.

The Revenue Secretary's note on this is as hereunder:—

"It seems pretty clear that Revenue officers cannot do registration work. They have not got the time. They had not the time even in 1884 (and work has increased markedly since then) and it was this that led to the establishment of the Registration department."

The Board's view was accepted by the Government.

(d) *Extension of the process of photo-copying of documents to other areas.*—The Inspector-General of Registration estimates the cost of the scheme for each district at Rs. 26,600 non-recurring made up as follows:—

	RS.
Plant and machinery	6,752
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Total ...	26,602

If the system is to be extended, the Inspector-General would extend it to North Malabar as this district has been working at a deficit. He would however defer the question until the Government decide as to which of the two methods of the photo-copying, i.e., cine-film or photostat—should be retained permanently, i.e., in September 1938, when a further report as to the financial results of the working of the systems now tried experimentally in certain districts, is due.

The following is the note of the Revenue Secretary on this point:—

"The Government so recently as in April 1936 decided to defer a decision on the mechanical systems of copying until further experience had been gained of the system for three more years. There is no reason for a modification of that decision.

The question of introducing mechanical systems of copying is connected with the question of unemployment among the educated classes; and before deciding to introduce some mechanical copying system throughout the department, the Government will have to decide whether they are prepared to add to this unemployment problem by throwing large numbers of educated men out of work.

This is an important question; and it may be left to be decided when the three years' further experimental period sanctioned in G.O. No. 908, Revenue, dated 23rd April 1936, terminates."

This view was accepted by the Finance Department, the Hon'ble the Minister in charge and the Hon'ble the Finance Member.

(e) *Examination of the system prevailing in other Provinces and the feasibility of its adoption in the Madras Presidency—e.g., employment of pensioners as sub-registrars.*—The Inspector-General reported that in the Punjab there were honorary sub-registrars and that in Burma retired officers of the Registration department were entrusted with the duties of the sub-registrar. The Inspector-General was however of the opinion that the employment of retired officers would greatly add to the already increasing unemployment among young men who are qualified and are easily available for appointment as sub-registrars.

From the point of view of efficiency, it is considered that the employment of pensioners may not be a success. The most important argument against the employment of pensioners is that of consequent unemployment among educated young men. The Inspector-General's view was therefore accepted. The Finance Department also concurred in this view. The Hon'ble the Minister and the Hon'ble the Finance Member have approved the Inspector-General's recommendation that no change in the existing system of appointment of sub-registrars is necessary.

H. R. UZIELLI—24-2-37.

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ANNEXURE G-VI.

(See paragraph 39 of the report and item 6 in Annexure C-III.)

Reduction in the number of holidays.

PUBLIC (GENERAL) DEPARTMENT.

The suggestions of the Director of Industries are—

(i) that the holiday on the penultimate Saturday of every month should be abolished, and

(ii) that the duration of special holidays such as Easter should be brought into line with those enjoyed by the Commercial Community.

2. *Suggestion (i) above.*—If this suggestion is accepted, there will be a saving of 12 working days and the proposal to increase the number of working hours daily on office days from 6 to 6½, which is under separate consideration, will save about 23 working days in a year. If the working hours are increased as proposed, there is not much justification for abolishing the holiday on the penultimate Saturday in view especially of the fact that the commercial houses work only up to 2 p.m. on all Saturdays. The question of abolishing that holiday may therefore be deferred pending a decision on the question of increasing the office hours.

Suggestion (ii).—The number of statutory holidays at present is 80 and general non-statutory holidays 18 including 12 holidays on penultimate Saturdays. Any reduction of the statutory holidays requires consultation of the Commercial Community.

If the holidays on penultimate Saturdays are excluded there are only six special holidays which the Commercial Community do not enjoy, viz., Empire day, Easter (two days) and Christmas (three days). The Empire day need not perhaps be disturbed.

Easter—Two non-statutory holidays.—These holidays were added to the statutory holidays on the recommendation of the Committee of 1914 ' with a view to make the holidays of somewhat greater use for being spent away from the scene of work than they are at present.'

Christmas—Three non-statutory holidays.—Before the appointment of the Committee of 1914 there were two non-statutory holidays for Christmas. The Committee suggested an addition of three more non-statutory holidays on the ground that under the arrangements then existing those who were employed at long distances from their homes and wished to visit them were unable to reach their destinations before Christmas Day and they might have to leave on their return journey before New Year's Day. The Government however allowed only one more non-statutory holiday for Christmas.

It is only during Easter and Christmas holidays that the Government servants can enjoy some rest. On other holidays including Sundays most Government servants will be working to clear off arrears. It may therefore be in the best interests of Government not to reduce these holidays.

3. Sectional holidays may, I suggest, continue without reduction.

V. P. ECHUNNI MENON—15-2-37.

I am against the adoption of either of the suggestions of the Director of Industries. I do not think that any change in the directions indicated by him would result in Government employees on the whole turning out a larger quantity or a better quality of work than under present conditions.

C. F. BRACKENBURY—19-2-37.

As regards the penultimate Saturday I would follow existing practice. The alternation of a half-holiday every week does not appeal to me.

As regards cutting down non-statutory holidays, there is much to be said for it, and I can't see why we should not here follow the custom in Commercial houses. I think, however, that this is a matter which had better be left to the new Government. What is really required is for Government offices to follow commercial practice in *a day's work*. On paper, at any rate, our hours are shorter than those in business firms and I can see little justification for this. Our clerks come to office too late and all the talk of earlier hours interfering with their morning meals carries little weight when their relations in business firms find no difficulty.

C. A. S[OUTER]—19-2-37.

The penultimate Saturday full holiday sometimes causes inconvenience to non-officials. There is a good deal to be said for following the commercial practice of Saturday half holidays instead. I favour the cutting down of the number of non-statutory holidays. On the whole I agree that the matter had best be left over for the new Government to decide, especially as holidays for 1937 have already been notified.

G. T. H. B[RACKEN]—20-2-37.

ANNEXURE G-VII.

(See paragraph 40 of the report and item 7 in Annexure C-III.)

Reduction of the Rates of Travelling Allowances to Members of the New Legislature.

LEGAL DEPARTMENT.

With the advent of the Reforms, the number of members of the Lower House will be greatly increased while a second Chamber will also be constituted. The number of meetings of both the Chambers and their Committees will be large. It is estimated that if the present rate of travelling allowance to Members of Legislative Council is to be continued, the expenditure under this head alone will be very great. It is for consideration, therefore, whether the present rate of travelling allowance to Members of Legislative Council should be allowed to the members of the future Legislature. The Secretary, Legislative Council, is requested to consider the question and to offer his remarks on the subject at an early date.

K. V. RAJAGOPALAN—19–8–36.

P. APPU NAIR—19–8–36.

COUNCIL OFFICE.

* * * * * *

3. The following allowances are now paid to the members of the present Legislative Council:—

(1) Three first-class fares by railway to and fro,

(2) mileage by road at 8 annas per mile, and

(3) daily allowance at Rs. 10.

4. The Civil Service Regulations containing rules relating to salary, pension and travelling allowance were issued by the Government of India and applicable to Government servants. Part XI of the Civil Service Regulations containing Articles 995 to 1163 related to travelling allowances. The rules for the travelling allowance of members of pre-reformed provincial Legislative Councils were embodied in Article 1148 of the Civil Service Regulations. As these rules were not exhaustive the Government of Madras framed rules for the use of the members of the Madras Legislative Council and they were printed as Part V of the Madras Legislative Council Manual, Edition 1916, pages 226–228. It is in accordance with the rules published in this manual that the non-official additional members of the pre-reformed Council drew travelling allowance for attending the meetings of the Legislative Council. Rules 1 and 3 of the rules say—

Rule 1.—The following allowances may be drawn by additional members of the Legislative Council:—

(i) Travelling allowance admissible to an officer of the first class under Civil Service Regulations, etc.,

(ii) a daily allowance of Rs. 10, etc.

Rule 3.—Officers of the first class are entitled under the Civil Service Regulations to double first class fare for journeys by railway, etc.

In January 1921, when the reformed Council of 132 members came into existence, the same set of travelling allowance rules was reproduced in Volume II of the Legislative Council Manual and the allowances paid to the members of the pre-reformed Council were paid to the members of the reformed Council. In January 1922 the Civil Service Regulations were replaced by Fundamental Rules and the regulations relating to travelling allowance which found place in Articles 996 to 1163 of the Civil Service Regulations have been omitted from the Fundamental Rules as they were left to be laid down by Local Government under Fundamental Rule 44. In G.O. No. 739, Finance, dated 1st September 1922, the Government issued revised travelling allowance rules entitled the "Madras Travelling Allowances Rules" and Annexure VII to these rules contained special rules for high officials and Members of the Legislative Council. In these rules also the allowances applicable to Members of Legislative Council were the same as those provided for officers of the I grade. In G.O. No. 383, Finance, dated 2nd May 1923, the Government reduced the rate of travelling allowance payable to non-official members from four first-class fares to three and one-fifth first-class fares. The rate of daily allowance and mileage remained unchanged. In 1931, in accordance with the recommendation of the Retrenchment Committee the rates of travelling

allowance of Government servants were reduced—Please see G.O. No. 616, Finance, dated 30th September 1931. Simultaneously, orders were issued in G.O. No. 370, Law (Legislative), dated 16th October 1931, reducing the rate of travelling allowance of Members of Legislative Council also as follows:—

(1) Railway fare 3 first class fares in the place of three and one-fifth first class.

(2) Mileage 8 annas a mile in the place of 12 annas a mile.

(3) Daily allowance Rs. 7 in the place of Rs. 10.

These allowances were the same as those allowed to officers of first grade—vide Annexure I to G.O. No. 616, Finance, dated 30th September 1931.

5. In G.O. No. 184, Law (Legislative), dated 9th June 1932, the Government issued the following amendment to the Travelling Allowance Rules of the Members of Legislative Council:—

Insert the following as clause (*d*) to rule 3 of the Travelling Allowance Rules:—

"When a member is unable to attend the meeting of the Legislative Council owing to illness after arrival in Madras he should send intimation of the fact to the Secretary, Legislative Council, accompanied by a medical certificate from a Registered Medical Practitioner."

In this connexion the Hon'ble the President observed that the Members of Legislative Council would feel insulted or inconvenienced by the retention of the words "accompanied by a medical certificate from a registered medical practitioner". The Law (Legislative) Department were addressed that in order to avoid resentment by members it would be better if the rule 3 (*d*) was deleted or at least the last portion of it, viz., "accompanied by a medical certificate from a Registered Medical Practitioner". A conference attended by the Hon'ble the President, the Leader of the House and the Finance Member was held on the 7th August 1933 for the purpose of discussing the question about the insistence of medical certificate from Members of the Legislative Council under rule 3 (*d*) of the Travelling Allowance Rules. It was resolved at the conference among other things:—

(1) that rule 3 (*d*) should be abrogated;

(2) that the rule regulating the payment of daily allowance to non-official members should be the same for non-resident as well as resident members, that is to say, that the daily allowance should be drawn by a non-official member whether he is resident or non-resident at the place of the meeting of the Legislative Council or a committee of the Council only for each day of attendance at a meeting of the Council or Committee (the fact of attendance to be established by such means as the Hon'ble the President considers necessary; and

(3) that the old rate of daily allowance of Rs. 10 per day be restored instead of the present rate of Rs. 7.

It is this circumstance that led to the drawal at present by Members of Legislative Council of a higher rate of daily allowance than that admissible to officers of first grade. Orders amending the Travelling Allowance Rules accordingly were issued in G.O. No. 358, Law (Legislative), dated 11th Septebmer 1933.

6. The Public (Political) Department in their U.O. No. 9945-1, dated 28th April 1936, requested the Secretary to Council to state if he saw any objection to the proposal to amend rule 7 (*a*) of the Travelling Allowance Rules on the subject of furnishing certificate in respect of mileage drawn for road journeys on the lines similar to the certificate furnished by Government servants. It was replied that as it was not known what modifications the present Travelling Allowance Rules would undergo when the Reforms come in, in April 1937, there was no need to make any more changes. Orders were issued however in G.O. No. 116, Legal, dated 20th August 1936, amending rule 7 (*a*) requiring the furnishing of the certificate. It will thus be seen that for the purposes of travelling allowance the Members of Legislative Council have all along been treated exactly similar in rank to that of first class officers of Government.

7. As pointed out on the foregoing notes when the Reforms Council came into existence in 1921 the allowances paid to members of the pre-reformed Council were paid to members of the present Council consisting of nearly three times the number. Similarly therefore when the new Council comes in in April 1937, the same rate of travelling allowance now paid to the members of the present Council should be paid to the members of the future Council also. It may be mentioned in this connexion that more than anything else the dignity and convenience of the members of the Legislature should be taken into account. In March 1922 replying to a cut motion on "Demand (IX)—Legislative Bodies" under travelling allowance Mr. Moir, the Finance Member, spoke as follows:—

"The only question is whether the existing allowances are necessary. May I say on this point that we regard the double first class fare as contract allowance to cover all the incidental expenditure. We do not, in Finance, propose to challenge the assumption that double first class is a reasonable way of meeting all the incidental contingencies. I can only venture to point out from the point of view of the Finance Department that if any suggestion is made by which expenditure could be cut down, we would gladly accept such a suggestion; but the Finance Department, I may repeat, does not wish to do anything or to urge anything which would interfere with the convenience or the comfort or place any undue financial strain on any member of this House, either present or future."

8. As members of a dignified body they must be treated in rank at least similar to that of first grade officers of the Government and any attempt to reduce the allowances which might lead at the presumption of lowering them in status below that of a first grade officer of Government may be resented by the members of both the Houses.

K.V.—1-9-36.

Under section 72 of the Government of India Act, 1935, provision has been made for travelling allowance and daily allowance to the members of the Provincial Legislature as soon as the Assembly and the Council begin to *function* at such rates and upon such conditions as were immediately before the commencement of the new Act as applicable in the case of Members of the Legislative Council of the province. So, the new members will receive as travelling allowance and daily allowance the same rates of travelling allowance and daily allowance as are now received by the Members of Legislative Council. Provision has also been made to determine from time to time by an Act of the Provincial Legislature travelling allowance and daily allowance or the salaries and allowance of the members of the Assembly and the Council.

2. The Legal Department in their note seem to suggest that because there will be great increase in the number of members in the Legislative Assembly and because of the Second Chamber that will be constituted and also because the number of meetings of the two Chambers as well as their Committees will be large, the expenditure on travelling allowance to members will be very great and that some ways and means should be found to cut short this expenditure and to reduce it to the lowest minimum possible. This is a very large question, the solution for which will probably be found when the new Legislature has come into being. The Speaker and the President of the new Legislatures as well as the Leaders of the various parties in the new Chambers will then be able to realize the concensus of opinion among the members of the respective parties and to effect, if need be, by means of an Act of the Provincial Legislature, from time to time, any change that may be considered necessary.

3. With the above remarks the file may be sent to the Legal Department.

D. Dairyanadhan—2-9-36.

Any attempt to cut the travelling allowance or daily allowance will be strongly resented by members of the Legislature. Many members have been complaining, not without reason, that even the present scales of travelling allowance and daily allowance do not completely cover their expenses and that they are considerably out of pocket on account of attending Council meetings. Hereafter members will have to come to Madras oftener in connexion with meetings of the Legislature, and the Select Committees, at considerable sacrifice. The payment of members of Legislature does not seem to be a feasible proposition. In the absence of such a payment, a further reduction in their daily allowance and travelling allowance does not seem to be justifiable.

Moreover section 72 of the Government of India Act, 1935, does not give the Governor any option in the matter. The section says that the members should be paid allowances at such rates as were applicable immediately before the commencement of the Part of the Act relating to provincial autonomy and such rates will apply until modified by an Act of the Provincial Legislature constituted under the Government of India Act, 1935.

D. K. Varma—5-9-36.

LEGAL DEPARTMENT.

The Council office says that the rates of travelling allowance to non-official Members of Legislative Council now prevailing are similar to those of Grade I officers of the Government except in regard to daily allowance and that it is quite unlikely that the members of the future Legislature will agree to a reduction in the rates of travelling allowance. The Council office take the view that as members of a dignified body, they must be treated in the same way as Grade I officers of the Government and that any attempt to reduce their travelling allowance might lead to a presumption of lowering them in status and will be resented by them. Further it is stated that the question is a very large one the solution for which will probably be found when the new Legislature comes into being. The reasoning on which this conclusion is based is that it is only the Speaker, the President and the Leaders of the various parties in the new Chambers who will be able to say what rates of travelling allowance should be paid to the Members of Legislative Council.

Submitted that this department may agree with the views expressed by the Legislative Council office. The question regarding the rates of travelling allowance for the members of the future Legislature may perhaps lie over till the constitution of the new Chambers.

M.A.N.—10-10-36.

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It would perhaps be best if the initiative in regard to this matter is taken by the Speaker and the President of the future Houses of the Provincial Legislature. The issues are really simple, viz., what rates of travelling and daily allowances should be allowed to the members of the two Houses. As the proposals will have to be embodied in a Bill, it is desirable that no measure which has no reasonable chances of being accepted by the legislature is introduced. It is clear that a very considerable amount of opposition may be evoked by any proposal to cut down the existing rates of allowances.

Finance may see.

K. V. Rajagopalan—14-10-36.

Until the new Provincial Legislature by an Act otherwise determines, its members will be entitled to allowances at such rates and on such conditions as were, immediately before the commencement of Part III of the Act, applicable to members of the Legislative Council of the province. A | The Secretary to the Legislative Council points out that the allowances now payable to Members of the Legislative Council are practically the same as those admissible to Government servants of the first grade except in the matter of daily allowance. He also points out that any reduction of the allowances below that level is likely to be resented by the members. As it is entirely for the future legislature to modify the rates of allowances, any decision arrived at regarding the rates without consulting the wishes of its leading members, will have no chance of being passed by the House especially as the measure will affect the members personally. In the circumstances there is no point in taking an ex-parte decision regarding the rates now. It will be much better to leave the matter to be decided by the reformed Government in consultation with the Speaker, the President and the leading members of the new legislature.

P. Appu Nair—19-10-36.

FINANCE (REFORMS) DEPARTMENT.

In regard to the rates of allowances to be given to the members of the legislature under the new *Constitution*, the Legal Department point out that any decision arrived at without consulting the wishes of the leading members will have no chance of being passed by the House, especially as the measure will affect the members personally and that in the circumstances, there is *no* point in taking an ex parte decision regarding the rates now. They accordingly consider that it will be much better to leave the matter to be decided by the reformed Government in consultation with the Speaker, the President and the leading members of the new legislature.

2. It is submitted that there is no suggestion that a definite decision should be arrived at now. In this case, as in *most* others connected with the general survey of taxation and expenditure, the points raised have to be finally left to the decision of the new Government; but the intention is that the several points bearing on the question should be examined as fully as possible in advance and the results placed before the new Government so as to facilitate the early consideration of the question by them. The Hon'ble the Finance Member has directed that for this pupose, a brief report of the enquiry now undertaken should be prepared by this department, the notes and conclusions of administrative departments on each subject being printed as appendices thereto.

3. In the circumstances, it seems desirable to examine now in detail the rates of allowances to be given to the members of the legislature, with reference to all relevant factors, such as the following:—

X |
(a) The need for economy in the expenditure under this head which is bound to increase considerably on account of the constitution of a Second Chamber, the enlargement of the lower House and the probability of meetings of the two Houses and of Committees thereof being held more frequently than at present; and
(b) comparison with the rates of allowances given to members of the legislature in other Provinces and countries.

Information on this subject was obtained from the Legislative Council office on certain occasions. According to the *information* furnished on one such occasion in 1933, the rates of daily allowance in certain other provinces were as follows:—

K |
The United Provinces—Rs. 8 in the plains and Rs. 12 on the hills.
Central Provinces—Rs. 7.
Assam—Rs. 7-8-0.
Bihar and Orissa—Rs. 10.
Bengal—Rs. 10.

4. With reference to *portion* **A** above, it may be pointed out that comparison of Members of Legislative Council with Government servants in this matter does not seem to be appropriate. While considering the question of the salary of the New Ministers, it was noted that comparison of Ministers with permanent Secretaries in the matter of pay was not correct and that Ministers should not depend on their salaries for their living. The same

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argument would seem to apply to the comparison of Members of Legislative Council with Government servants in the matter of travelling allowances. Finance may, in the circumstances, advise that the question may be examined by the Legal Department now in the manner indicated at A on the previous page.

T.E.V.—26-10-36.

The Council office are not correct in saying that Members of Legislative Council draw a higher daily allowance than grade I officers.

Madras has been classed as a special locality under Travelling Allowance Rule 41 and Annexure V to the Travelling Allowance Rules, and the ordinary rates of mileage and daily allowance for grade I officers are subject to an enhancement of 50 per cent in Madras City. The rates of travelling allowance for grade I officers halting in Madras City and Members of Legislative Council are—

	Grade I officers on tour in the city.	Members of the Legislative Council.
Railway fare	1½ first-class	1½ first-class.
Mileage	12 annas	8 annas.
Daily allowance	Rs. 10-8-0	Rs. 10.

It will be observed that grade I officers and Members of Legislative Council are regarded as equals now only in the matter of railway fare.

It is a fact that prior to the issue of G.O. No. 456, Finance, dated 9th June 1933, classing Madras as a special locality for enhanced mileage and daily allowance, grade I officers and Members of Legislative Council were eligible for the same rate of mileage and daily allowance. Whether it was deliberate or just a coincidence, it is not known.

But the conference at which it was decided in 1933 to enhance the daily allowance of Members of Legislative Council from Rs. 7 to Rs. 10 was held in August 1933, after G.O. No. 456, Finance, dated 9th June 1933, enhancing the mileage allowance and daily allowance of grade I officers in Madras City to 12 annas and Rs. 10-8-0 had issued. Apparently this Government Order was brought to notice at the conference, and led to the daily allowance of Members of Legislative Council being raised from Rs. 7 to Rs. 10 (not Rs. 10-8-0 as for grade I officers), as this suggestion does not find a place in the note from conference. It will be observed that mileage was unchanged. There seems, therefore, to be no need to regulate the travelling allowances of members of the legislature with reference to the travelling allowance of grade I officers.

C. A. SUNDARAM AYYAR—28-10-36.

I agree that it is desirable to examine even now the travelling allowances to be given to members of the legislature under the Reformed Constitution instead of leaving it entirely to the new Government. For the two houses there will in future be 271 members against the present 132 (including officers) and the expenditure by way of travelling allowance will therefore be much more than what it is now. It is now about 1·20 lakhs and under the new Constitution it will be about 3 lakhs. It therefore seems absolutely necessary to revise the rates with a view to effecting some economy. As pointed out by the Assistant Secretary it is not necessary to regulate the travelling allowance of Members of Legislative Council with reference to the travelling allowance allowed to grade I officers. This department may suggest 1½ first-class fares, 8 annas mileage and Rs. 7-8-0 daily allowance.

C. K. VIJAYARAGHAVAN—29-10-36.

I can see no possible objection to the matter being fully considered now with a view to placing specific proposals before the new Government with an indication of the financial effect of the proposals in comparison with the expenditure incurred under present conditions. Decision will of course rest with the new Government, existing rates being maintained until legislation is passed by the new legislature in accordance with the provisions of section 72 of the Act.

Hon'ble Member C-4 may please see.

C. E. JONES—30-10-36.

LEGAL DEPARTMENT.

The Finance Department say that there is no suggestion that a definite decision should be arrived at now and that the intention is that every question relating to the general survey of taxation and expenditure should be examined as fully as possible and the result placed before the new Government so as to facilitate the early consideration of the question by them. They therefore take the view that there is no possible objection to the examination of the question regarding the rates of travelling allowance that should be allowed to the future members of the legislature. Submitted that in view of these remarks, the question may be examined now.

2. The main consideration urged by Finance is the need for economy in expenditure under this head as the expenditure is bound to increase considerably on account of a Second Chamber and the probability of the meetings of both the Houses and Committees thereof

being held more frequently than at present. The Members of the Legislative Council are now entitled to 1½ first-class railway fares, a road mileage of 8 annas and a daily allowance of Rs. 10. The present expenditure under the head travelling allowance is about 1·20 lakhs and as under the new constitution the number of members in both the houses will be about 270, that is, nearly twice the number of members under the present constitution, the expenditure is bound to increase considerably. In the budget estimate for the next year, the expenditure has been estimated to be about 3 lakhs of rupees. It is therefore desirable that considerable economy is effected under this item. With a view to securing this, Finance have suggested a daily allowance of Rs. 7-8-0 instead of Rs. 10. As regards railway fare and road mileage, they do not suggest any change.

3. The Finance Department also suggest that in examining the question, it is desirable that comparison is made with the rates of allowances given to members of the legislature in other provinces and countries. Information regarding the rates of daily allowance prevailing in some of the provinces in 1933 is furnished at **K** on page 149. The rates mentioned there range from Rs. 7 to Rs. 10 but it will have to be ascertained whether these are the rates now prevailing. Further, it may also be necessary to know whether other provinces have in view similar proposals for the reduction of the allowances given to members in view of the Reforms and if so on what lines. It is therefore for orders whether information on this point is to be called for.

4. In examining the suggestion of Finance that the daily allowance may be fixed at Rs. 7-8-0, it is necessary to have an idea of the changes that have taken place in the rate of daily allowance to members during the previous years. These have been summarized in the note of the Legislative Council office. It will be seen from that note that prior to 1931 the rates of daily allowance was Rs. 10 and in 1931 this was reduced to Rs. 7-8-0—vide G.O. No. 370, Law (Legislative), dated 16th October 1931. This was as a result of the recommendation of the Retrenchment Committee. In 1933, the rate of daily allowance was increased to Rs. 10—vide G.O. No. 358, Law (Legislative), dated 11th September 1933. This was as a result of the conference attended by the Hon'ble the President, the Leader of the House and the Finance Member. The reason for this increase in the amount of daily allowance is however not known. It will be seen therefore that the suggestion of Finance is practically to adopt the rate of daily allowance prevailing between the years 1931 and 1933.

5. The Finance Department point out that the Council office is not correct in saying that Members of Legislative Council are at present drawing a higher rate of daily allowance than grade I officers of Government. They point out that the rates of daily allowance and road mileage for these officers in Madras City is at present 10½ rupees and 12 annas, respectively, while the corresponding rates for Members of Legislative Council are 10 rupees and 8 annas, respectively. They therefore observe that there is no need to regulate the travelling allowance of the members of the future legislature, with reference to grade I officers. There seems to be force in the argument, especially, when the present rate of road mileage in the City of Madras for grade I officers exceeds by 50 per cent the rate allowed to Members of Legislative Council.

6. In the circumstances set out above, the rate of Rs. 7-8-0 suggested by Finance as daily allowance seems to be reasonable and may be accepted. As stated by Finance it is not a final decision but only a proposal which should be placed for the consideration of the new Government.

7. As regards the financial effect of the above proposal in comparison with the expenditure incurred under the present constitution, it is submitted that the Council and its Committees meet at present for about 45 days and 20 days, respectively during a year. The savings may therefore be calculated on the assumption that the new Chambers and the Committees will meet for about the same number of days. As the future legislature will consist of about 270 members, a reduction of Rs. 2-8-0 in daily allowance will give a saving of about Rs. 30,400 in respect of the meetings of the Chambers. As regards the meetings of the Committees, assuming that such Committee consists of about 15 members, the savings will be about Rs. 700. The total savings may therefore be estimated to be about Rs. 31,000 per year.

N.A.—18-11-36.

This assumes that all the 270 members will be present at each sitting. The saving is therefore likely to be somewhat less.

K.V.R.—19-11-36.

It is, I submit, desirable to get information from other provinces, both as regards (i) the * existing rates of travelling allowance, and (ii) any proposals for reduction of the rates which may be under consideration for the future.

*** Information was last called for in 1933.**

2. Deputy Secretary, Finance, is in favour of continuing the existing 1½ first-class fares and 8 annas mileage, and suggests a reduction of the daily allowance from Rs. 10 to Rs. 7-8-0. The maximum saving which this reduction will yield is Rs. 31,000 per annum. The amount

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of estimated expenditure under the head of travelling allowance is 3 lakhs. The retrenchment proposed will thus effect a reduction of expenditure by about 10 per cent. A substantial reduction of expenditure can be effected only by reducing the rate allowed for railway journeys. If second-class instead of first-class fares are allowed, the saving will be very substantial. But some at least of the members of the Chambers will be persons who habitually travel in the first-class, and it does not seem to be right to ask them to travel by a lower class. It would not be possible to make a distinction between these persons and others.

K. V. RAJAGOPALAN—19–11–36.

I do not think that it will be possible to reduce either the 1½ times first-class fare or the mileage of 8 annas now allowed to Members of Legislative Council. The only item in respect of which retrenchment is possible is the daily allowance. The suggestion of Finance that the daily allowance may be reduced to Rs. 7–8–0 may be accepted.

It is very likely that under the new constitution the sittings of the two Chambers and their Committees will be more numerous and prolonged. The saving that will follow from the reduction of the daily allowance to Rs. 7–8–0 will then be substantial.

We may however ascertain if other provinces have under consideration proposals for retrenchment in the matter of travelling allowance and daily allowance allowable to members of the future Legislature.

Hon'ble C-4 and C-1 may see.

P. APPU NAIR—19–11–36.

We may get the information. I expect sessions will be longer, if not more frequent than at present.

G. T. H. B[RACKEN]—21–11–36.

I agree. Retrenchment in the directions indicated above will be welcomed by the Congress members if they mean what they say.

K. V. R[EDDI]—23–11–36.

A draft letter is submitted for approval.

M.A.N.—25–11–36.

K.V.R.—26–11–36.

P.A.N.—30–11–36.

LEGAL DEPARTMENT.

All the provinces have replied. None of them except the Central Provinces, has any proposals under consideration for retrenchment in the matter of travelling allowance and daily allowance to the members of the new Legislature. The Central Provinces Government have a proposal on the subject under consideration but they have not yet arrived at any decision.

2. A statement of the railway fare, road mileage and daily allowance admissible to the members of Councils of the different provinces is appended below:—

Province.	Railway fare.	Mileage.	Daily allowances. Rs. A. P.
Central Provinces	1½ first-class	0–6–0	7 0 0
Assam	1½ "	0–6–0 up to 40 miles and 0–4–0 thereafter.	7 8 0
North-West Frontier	1½ first-class and Rs. 5 daily allowance.	0–6–0	10 0 0
Bengal	1½ first-class	0–6–0 by motor vehicles and 0–8–0 by other vehicles.	10 0 0
United Provinces	1-3/5 "	0–6–0	10 0 0
Bombay	1½ "	0–6–0	10 0 0
Bihar	1-3/5 "	0–8–0	10 0 0
Punjab	* First-class fare	0–6–0	12 0 0
Madras	1½ first-class fare	0–8–0	10 0 0

* Number of fares not known.

3. It will be seen from the statement above that in most of the provinces the rate of daily allowance is Rs. 10. The suggestion of Finance to fix the daily allowance admissible to members of the future Legislature of this Province at Rs. 7–8–0 may not therefore be accepted by the members, unless a similar reduction is effected in the other provinces also.

It may also be pointed out that the rate of road mileage in most of the provinces is 6 annas and it is for consideration whether the road mileage admissible to members of the future Legislature of this province may not be fixed at 6 annas. It is however not possible to estimate the savings if such a reduction is effected.

V.R.—18/20–1–37. M.A.N.—20–1–37.

No province allows less than 1½ first-class fares in regard to railway journeys. (There is no definite information regarding the Punjab, but it is unlikely that less than 1½ fares are admissible in the Punjab.) There seems to be no scope for retrenchment in this direction.

2. The road mileage allowed in all the other provinces except Bihar is less than that allowed in this Presidency. The six annas rate which prevails in most of the provinces may, I submit, be suggested for consideration. An idea of the amount of the savings which would result may be obtained from the Legislative Council Office. * Draft submitted.

P.A.N.—20-1-37.

* This may issue now and need not wait till file returns from Finance.

K.V.R.—21-1-37.

3. As regards the daily allowance, in five provinces, viz., Bengal, Bombay, United Provinces, Bihar, and North-West Frontier, the rate is Rs. 10, that is, the rate which prevails in this Presidency now. In the Punjab, it is Rs. 12. Only in two provinces is the rate less—Central Provinces pays Rs. 7 and Assam Rs. 7–8–0. The proposal of Finance to reduce the amount from Rs. 10 to Rs. 7–8–0, which has been accepted by the Secretary, may be put before the new Government. The resulting savings will be about Rs. 31,000 and may be much more if, as may be expected, the sessions are longer and more frequent.

P.A.N.—21-1-37.

4. Finance may see again before circulation.

K. V. RAJAGOPALAN—21–1–37.

P. APPU NAIR—21–1–37.

FINANCE (REFORMS) DEPARTMENT.

At the instance of this department, the Legal Department have examined the possibility of reducing the rates of travelling allowances to be granted to members of the new Legislature with reference to the rates allowed in other provinces and other relevant factors such as the need for economy, etc. They have now proposed that the following suggestions may be put before the new Government for consideration:—

(a) the rate of mileage may be reduced from 8 annas to 6 annas (which is the rate allowed in all other provinces except Bihar), and

(b) the rate of daily allowance may be reduced from Rs. 10 to Rs. 7–8–0. (This is the same as the suggestion made by the Deputy Secretary, Finance.)

The Legal Department have asked the Legislative Council to furnish an estimate of the savings likely to be realized from the adoption of the suggestion at (a) above. As regards the suggestion in (b) above, a saving of Rs. 31,000 is anticipated on the basis of the duration and frequency of the sittings of the *present* Legislative Council. (As the duration of sittings of the new Legislature is likely to be longer than at present, the amount of savings will be larger than Rs. 31,000).

T.E.V.—31-1-37.

2. The above proposals may be accepted in Finance. The lower rates of mileage and daily allowance proposed can be given effect to only by an Act of the new Legislature. A Bill will have to be prepared for the purpose, after the new Government have considered the suggestions and came to a decision in the matter.

T.A.S.—1-2-37.
C.K.V.—1-2-37.
C.E.J.—3-2-37.

T. A. SRINIVASARAGHAVA AYYANGAR—1-2-37.

C. K. VIJAYARAGHAVAN—1-2-37.

C. E. JONES—3-2-37.

LEGAL DEPARTMENT.

Mileage.—The reply of the Council Office has been received. They have estimated the probable savings from the adoption of the 6 annas mileage, *at Rs. 1,500 per annum.*

Finance have accepted the proposal to reduce the road mileage and daily allowance of the members of the Legislature to 6 annas and Rs. 7–8–0, respectively.

The file may now be circulated for orders as to whether the proposal may be put before the new Government.

V.R.—5-2-37. M.A.N.—17-2-37.

For orders as to circulation.

The estimated savings from the proposals are—

(a) Rupees 1,500 by the reduction of the road mileage from 8 to 6 annas; and

(b) Rupees 31,000 by the reduction of the daily allowance from Rs. 10 to Rs. 7–8–0.

K. V. RAJAGOPALAN—18–2–37.

P. APPU NAIR—18–2–37.

I think we ought to bring the new rates into force from 1st April 1937, leaving it to the new Government to alter later if they wish. If members draw the old rates on 1st April and following days, it will form a precedent and make it more difficult for the new Government to alter. The rates may be regarded as special for the April session and subject to confirmation by the new Government.

G. T. H. B[RACKEN]—21–2–37.

I find under section 72 of the Act, the present rates must continue until the Legislature fixes the rates by the Act.

G. T. H. B[RACKEN]—23–2–37.

K. V. R[EDDI]—26–2–37.

This must obviously wait for the new Government.

E[RSKINE]—2–3–37.

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ANNEXURE G-VIII.

(See paragraph 41 of the report and item 8 in Annexure C-III.)

Economies in contingent expenditure.

FINANCE (REFORMS) DEPARTMENT.

One of the points mentioned in Hon'ble Member C-4's note regarding the survey of Provincial and Local finances is the exercise of economy by Government officers in incurring expenditure on stationery and contingencies. The question of economy in expenditure on stationery has been dealt with separately in the file on the subject received from the Education and Public Health Department. The question of economy under contingencies may now be considered.

2. Before taking up the methods of effecting retrenchment in contingent expenditure, it would be useful to give a brief history of the action taken in the matter in connexion with the previous retrenchment campaigns.

3. On the recommendation of the Retrenchment Committee in 1922, a reduction of 25 per cent was made in the provision for "contingencies" in the budget estimates of 1922–23, as compared with the previous year's expenditure in the case of all departments. The savings effected amounted to about Rs. 13 lakhs. This arbitrary reduction of contingent expenditure did not appear to have worked satisfactorily. The Retrenchment Committee of 1932–33 considered that there was a danger, if a general percentage reduction was made, that certain services would be starved unless expenditure was very carefully adjusted. In 1923, the Auditor-General brought to the notice of this Government the results achieved by another Province in the direction of retrenchment in contingent expenditure by deputing an Accounts Officer to examine the accounts of contingent expenditure maintained in the various disbursing offices. The Auditor-General's letter was placed before the local Retrenchment Committee in August 1923 and the Committee recommended the appointment of a Special officer for the purpose. The Government accepted the recommendation and an Assistant Accounts Officer in the Accountant-General's office was appointed as Special officer for a period of 14 months to examine the details of contingent expenditure in the Presidency. The Special officer examined in all the accounts of 45 offices, and submitted to Government individual reports on the defects noticed by him in each office examined. The Government passed orders on most of these reports. Besides, a list of the principal irregularities and extravagances noticed by the Special officer was prepared and communicated to all heads of departments and they were requested to satisfy themselves that the irregularities and extravagances reported had been rectified. The Special officer also brought to the notice of the Government certain cases of slack supervision and failure on the part of heads of offices or other officers responsible to make an adequate scrutiny of the entries made in the contingent registers and to check them with the connected sub-vouchers. Heads of departments and other officers were apprised of these irregularities and they were informed that the Government would strictly enforce the responsibility of officers through whose neglect irregularities of the kind occurred.

In G.O. No. 177, Finance, dated 12th March 1927, the attention of all heads of departments was once again drawn to the imperative necessity for the careful observance of financial rules and for making all officers subordinate to them realize their responsibility for keeping correct accounts of all Government money which passed through their hands.

4. The Retrenchment Committee of 1931–32 considered that the result secured by the deputation of the Special officer for contingencies was not encouraging and that it would be better if economy was required, to make a percentage cut and leave the head of each office to reduce his contingent expenditure accordingly:—

These different percentages were suggested by Finance (Budget) instead of a uniform percentage as in the previous retrenchment. The method adopted by Finance (Budget) was as follows:

It was estimated that reduction in expenditure by about a crore was required in 1931–32. Various items were taken up, and it was found that reduction under contingencies by percentages adopted would suffice. If more had been wanted, a higher percentage would probably have been adopted and *vice versa*.

C.A.S.—30–10–36.

	PER CENT.
(1) Petty construction and repairs (excluding provision for rates and taxes)	10
(2) Books and periodicals	$33\frac{1}{3}$
(3) Other contingencies	5

The total savings realized amounted to Rs. 8·32 lakhs out of a budget provision of about Rs. 142 lakhs for 1931–32, or about 5·8 per cent of the allotment.

Instructions were also issued in the following memorandum and proceedings of the Government in regard to the exercise of economy in the expenditure on postage and telegrams and on arrangements for the supply of drinking-water to the staff:—

Memorandum No. 931, R.S.-1, dated 15th September 1931.

G.O. No. 179, Finance, dated 20th March 1935.

G.O. No. 537, Finance, dated 28th August 1935.

2. In spite of these instructions, expenditure on contingencies has been increasing in recent years, especially, under " Service postage and telegram charges," " Electric current " " Telephone charges " and " Supplies and services." There seems to be a general tendency on the part of officers to lapse into apathy about economy in small matters and this results in a gradual but steady increase in wasteful expenditure.

The Government desire to reiterate the instructions referred to in the foregoing paragraph and to emphasize the need for all-round economy and the prevention of wasteful expenditure, in order that public funds may be utilized to the maximum public advantage. Heads of Departments are requested to bear these instructions constantly in mind and to ensure that inspecting officers carry out, during their inspections of subordinate offices, adequate scrutiny of the details of contingent expenditure and impress on the heads of offices visited that they should pay personal attention to the securing of economy in all directions.

5. Another small measure of economy in contingent expenditure which has been adopted is the restriction of expenditure incurred on the supply of drinking water to the staff in the various offices. It was observed that in most of the offices, expenditure was incurred on the supply of boiled water to the staff and on the appointment of watermen. Orders were issued in G.O. No. 179, Finance, dated 20th March 1935, directing heads of departments to scrutinize the expenditure from time to time and to attach a certificate in the following form to contingent bills:—

"Certified that the expenditure on watermen or the supply of water has been scrutinized and is necessary."

Heads of Departments were also informed that expenditure on the supply of hot or boiled water to the staff should be discontinued.

6. It will be observed from the foregoing paragraphs that while the method of making a percentage cut adopted by the Government in 1922–23 was considered unsatisfactory by the Retrenchment Committee in 1923, the results achieved by the deputation of a Special officer to examine the details of contingent expenditure in offices were not considered by the Retrenchment Committee of 1931–32 to be encouraging.

7. *Electric current.*—In 1925, the Government fixed limits in regard to the number of units to be consumed and the expenditure to be incurred by the several offices with reference to the average consumption for previous years. In subsequent years this scale was exceeded by several offices owing to additional fittings or substitution of higher wattage bulbs and the use of fans by non-gazetted staff for more than six months in the year. The maximum number of units was subsequently revised, and the Electrical Engineer was asked to watch the monthly consumption and if the average was exceeded, to bring the matter to the notice of the head of the office concerned as well as to the head of the department, if he is not himself the head of the office. It has been ascertained from the Electrical Engineer that the approximate current consumption charges for Government buildings in the City were as follows:—

	LAKHS.
	RS.
1933–34	2·00 (rough figure).
1934–35	2·13
1935–36	2·33

An appreciable portion of the increase is due to the occupation of the new General Hospital buildings.

C.A.S.—30-10-36.

The expenditure in 1935–36 shows an increase of Rs. ·33 lakh over that in 1933–34 and the reasons for this increase are not clear. It is doubtful whether mere instructions to heads of departments to restrict expenditure will have any appreciable effect.

As regards the rate for current charges, it is submitted that a flat (concessional) rate of 3·5 annas per unit of current consumption is charged to Government as against 4 annas charged for private parties, the Government being the single largest consumer in the Madras City. It is understood from the Public Works Department that the Madras Electric Supply Corporation has since suggested a sliding scale of fees for current consumption involving a greater saving to Government. The proposal of the Madras Electric Supply Corporation has been referred to the Chief Engineer and his remarks are awaited.

8. *Service Postage and Telegrams.*—Service postage stamps are obtained from treasuries and the heads of offices should append to the stamp indent a certificate under their signature that the stamps previously received from treasuries have been brought to account and that the balance on hand had been verified and the issues checked. The instructions in regard to the use of service postage stamps are contained in Article 183 of Madras Financial and Account Code, Volume I, and item 61 of Madras Financial and Account Code, Volume II. The reasons for the increase in expenditure under this item are not apparent. In this case also, the issue of instructions to officers may not be an effective means of securing economy. It may be possible to secure better results by appointing a Special officer, as was done in 1923–24, to examine the contingent registers in selected offices with a view to effecting economy and bringing to light irregularities.

One reason is increase in correspondence. Another reason is that the Government of India issued orders that only one communication can be sent in one cover, against the previous practice of sending several communications intended for a single officer in one cover. The Government of India have recently issued orders permitting this, and there may be some reduction under postage and telegram charges unless increasing correspondence overtakes it.

C.A.S.—30-10-36.

9. *Telephones.*—As a measure of retrenchment in 1932, a number of residential telephone connexions were disallowed and in cases where installations were made at the cost of the Government, officers have been directed to pay half the cost of calls less 60 calls per mensem which are conceded to officers as a free allowance. The expenditure on telephones

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has increased since then. The increase occurs mainly under "Police" and is evidently due
to the restoration of telephones abolished as a measure of retrenchment and new installations.
Consequent on the ramification of the trunk telephone connexions, applications are often
received for new connexions and all of them are examined with great care.

10. *Supplies and Services.*—The expenditure in 1934–35 shows an increase as compared
with that in 1932–33 except under "Police" and "Jails." The decrease under the two
latter heads is due to the suspension of the civil disobedience movement and restoration of
normal political conditions.

In regard to expenditure under "32. Medical," one Lieut.-Col. Dyer, who had done
similar work in Bombay, was appointed to investigate the possibility of retrenchment in
expenditure on diet, medicines, etc., in hospitals in the Madras City. The officer worked
for a period of about nine months. After carrying out a detailed investigation on the
internal economy of hospitals in the city, he submitted a report suggesting methods of
economy. His recommendations were considered and orders were issued by the Government.
It has also been decided to appoint him for a further period of two years as "Lay Secretary"
to scrutinize the expenditure in city hospitals and effect all possible economies therein.
No further action is necessary in this regard.

As regards expenditure on "Supplies and services," in other departments, the only
means of effecting retrenchment seems to be the appointment of a Special Officer (as in the case
of the Medical department) who should make personal inspections and suggest economies.
It is not necessary to have a separate officer for each department, but one may be appointed
to examine the expenditure in all departments except "Medical".

11. Attention is invited to Chapter XXVI of the Bengal Retrenchment Committee's
Report of 1932 dealing with contingent expenditure. It will be seen that an experienced
Accounts officer was appointed by that Government in 1923–24 with a suitable staff to
examine in detail the contingent expenditure of all the offices in the Province, and that a
reduction of about 11·3 per cent in contingent expenditure was eventually secured by adopting
the recommendations of the Special Officer.

In the circumstances, it would seem that the only possible means of effecting substantial
savings under this head is the appointment of a Special Officer as in 1923–24, as already
pointed out in paragraphs 8 and 10 above. A possible alternative is to impose an arbitrary
percentage cut.

C. A. SUNDARAM AYYAR—30-10-36.

S.R.—20-10-36. T.E.V.—21-10-36.

I doubt if anything appreciable can be effected so recently after the last retrenchment
drive. There seems to be no case for an arbitrary percentage cut. If one were imposed the
main result would probably be masses of correspondence contesting the adequacy of the
reduced allotments. The experiment of having a Special Officer to effect economies in
contingent expenditure which was actually tried in 1923–24 was dubbed a failure by the
recent Retrenchment Committee and present conditions, so shortly after all expenditure had been
pared to the bone, would hardly seem to justify incurring the additional expenditure which
a revival of the experiment would entail. Further circulars might be issued but the extent
and permanence of any savings which might result are extremely problematical. The case
is submitted for orders.

C. E. JONES—1-11-36.

Unless officers are periodically goaded, they are apt to lapse into apathy about economy
in small matters and general apathy means a gradual but steady increase in wasteful expendi-
ture. I am inclined to think that the Accounts Officer failed to do much because he had not
administrative experience of the right kind. However the next few months are not very
opportune for making an enquiry. The new Government may think it worth while when
making they have settled down to employ a fairly senior I.C.S. Officer with, say, a Superin-
tendent possessed of Accounts experience to go round three or four typical districts and see
what can be effected in the way of economy and labour saving in all departments, examining
typical offices from the highest to the lowest.

G. T. H. B[RACKEN]—3-11-36.

A draft memorandum to heads of departments and other offices is submitted for approval.

T. A. SRINIVASARAGHAVA AYYANGAR—9-12-36.

T.E.V.—8-12-36. C.E.J.—9-12-36.

G. T. H. B[RACKEN]—11-12-36.

Memorandum No. 38620-Ref.-1, Finance, dated 14th December 1936.

The question of economy in contingent expenditure has from time to time engaged the
attention of the Government. In 1923, an Accounts Officer was placed on special duty to
examine the details of contingent expenditure in selected offices in the Presidency and on
the basis of his reports instructions were issued to heads of departments and offices in G.Os.
No. 949, Finance, dated 8th December 1925 and No. 177, Finance, dated 12th March 1927.