The Land Revenue

Reforms committee

Madras.

Second Report

THE LAND REVENUE REFORMS COMMITTEE MADRAS

SECOND REPORT

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THE LAND REVENUE REFORMS COMMITTEE, MADRAS.

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THE LAND REVENUE REFORMS COMMITTEE, MADRAS

SECOND REPORT

CHAPTER I—INTRODUCTORY.

The Committee was set up by the Government of Madras in G.O. Ms. No. 1376 (Confidential), Revenue, dated 9th May 1950. An extract from the Government Order, showing the Terms of Reference, is given in Appendix I of this Report. In paragraph 7 of the Government Order by which the Committee was set up, we were directed to send an advance report first on the questions raised in item (*k*) in paragraph 3 of that Government Order. We accordingly sent our First Report, covering those questions, in December 1950. We are now sending this as our Second Report covering the other questions in the Terms of Reference.

2. The procedure adopted by the Committee has been indicated in paragraphs 2, 3 and 4 in Chapter I of our First Report. The replies and memoranda received by us then, covered not only the issues arising out of item (*k*) in paragraph 3 of the Government Order setting down our Terms of Reference, but also all the other issues relating to Land Revenue Reform dealt with in this report. Similarly, the discussions which we had with the representatives of Associations whom we heard in person, covered also the questions with which we are dealing in the present report.

3. In paragraph 5 of the Government Order the Government have asked us to take particularly into consideration the report prepared by Sri N. Raghavendra Rao as Special Officer on Land Revenue Reform. We have duly considered, for the purpose of this report, Sri N. Raghavendra Rao's Report on Land Revenue Reform; and we would suggest, incidentally, that if that report has not been released for publication, it may be released when our report is released.

4. We have fully utilized whatever material relevant to our discussions was available in the records of Government and of the Board of Revenue.

5. We have of course taken fully into consideration the views expressed by the individuals and associations who sent in written replies to us, and the views expressed by the representatives of the Associations in the hearings before the Committee.

6. Our deliberations culminating in this, our Second Report, were spread over eighteen days in seven sessions. Sri Alluri Satyanarayana Raju did not attend any of the sittings nor has he signed the report.

7. As was the case with our First Report, on many questions our decisions have been arrived at by a majority vote, and the strength and composition of the majority have not always been the same.

8. In connexion with this report, again, as we did in connexion with the First Report, we acknowledge with pleasure the very valuable help we have received from the Secretary to our Committee, Sri S. R. Kaiwar, whose work continued to be excellent in all respects, and place on record our appreciation of the work of the staff, who continued to discharge their duties very efficiently.

9. We take the opportunity now, in connexion with both our reports, to thank the Superintendent, Government Press, and his staff for the most expeditious printing of the notes and other material needed for our discussions, the Departments of the Secretariat, the Board of Revenue and Collectors for rendering us whatever assistance we needed, and the Curator of the Madras Record Office who collected carefully and promptly, and sent in well-arranged shape, the old records bearing on the various questions falling under our terms of reference.

CHAPTER II—ALTERNATIVES TO THE EXISTING LAND REVENUE SYSTEM EXAMINED.

10. The group of subjects which we have to consider under the Terms of Reference in connexion with this, our Second Report, fall broadly into two distinct categories—

(A) Whether it is possible to replace the existing system of land revenue assessment on land by some better alternative; and

(B) If such a course is not possible, what modification there should be to the existing system to cure some of its defects?

We propose to consider first the alternatives to the existing system which have been suggested. Accordingly we are examining in this Chapter the question of replacing the existing land revenue system by a sales tax on the sale of agricultural produce, or a tax on the capital or rental value of land, or an agricultural income tax with or without a low basic land tax.

1. Sales tax in complete replacement of the Land Revenue Assessment.

11. At present the sales tax is not levied on the first sale of agricultural produce by the primary producer; it is only at the subsequent stages that agricultural produce is subject to the sales tax on the basis of turnover. The suggestion is that this exemption on the first sales from the levy of sales tax should be cancelled and the tax levied in lieu of the land revenue assessment. It is implicit in the proposal that the land revenue assessment on all dry lands will be abolished. In the case of wet lands, the consolidated wet assessment will be split up into the two component elements, of assessment proper, and water-rate or the share attributable to the supply of water from a Government irrigation source. The former will be abolished, and the latter, that is, the water-cess, will be levied not only on lands hitherto classed as wet, but on all dry lands which take water from Government sources of irrigation, the levy being justifiable on the basis of remuneration for services rendered. It was estimated in 1946, when these proposals were under consideration, that the levy of sales tax at about six pies in the rupee will secure the same revenue as the land revenue assessment foregone.

12. The method of implementing the scheme would be—

(a) abolition of the assessment on all dry lands;

(b) splitting up of the consolidated wet assessment into assessment and water-cess and cancelling the former, all lands taking water from a Government irrigation source being liable to pay water-cess;

(c) licensing of all dealers of agricultural produce and prescribing returns to be submitted by them; and

(d) prohibition of sale by the primary producer to any but a licensed dealer.

The Commercial Taxes Department which will take over the administration of the sales tax will be suitably reinforced to deal with the additional work devolving upon them.

13. The Board of Revenue opposed the scheme, and after discussion in the Departments of the Secretariat, the matter came up to the Retrenchment and Reorganization Committee in January 1948, when they also turned down the proposal. This has, however, been included in the Terms of Reference to us, and we have also considered the various arguments *pro* and *con* that were advanced in the past, in coming to our conclusions.

14. The arguments in support of the scheme were as follows:—

The existing system of land revenue is wholly unscientific, as it makes no distinction between a small ryot holding a few cents of land and a large landholder with hundreds of acres, each one paying land revenue at a flat rate, without any relief in the lower ranges and no progression in the higher ranges. On the other hand, levy of sales tax ensures that the smaller ryot who consumes the bulk of his produce secures an automatic exemption from the levy to the extent to which he consumes his produce. Abolition of the land revenue system in its present form would lead to a considerable retrenchment in the staff of the Land Revenue Department, both due to the lightening of the burden of the normal revenue work and also due to the elimination of a large number of complicated village and Taluk Accounts. The necessary additions to the staff of the Commercial Taxes Department would not wholly absorb the savings in the Land Revenue Department, with the result that there would be a net saving in men and money.

15. The more important among the objections raised by the Board were—

(1) The financial return would be variable, depending on prices, and if it is the aim to maintain the same yield from this source of revenue, it will be necessary to increase the rate of levy at a time of falling prices, or alternatively, the State will have to face a drastic shrinkage of revenue when prices fall;

(2) the sales tax proposed would be proportionate to the produce sold by the ryot and will bear no relation to the capacity to pay;

(3) taxation of food is contrary to public opinion all over the world. It would be impossible to prevent the tax being passed on to the consumer;

(4) the proposals are totalitarian in character, compelling the producer to sell only to licensed dealers, that is, dealers licensed by the Commercial Taxes Department, gravely interfering with the producer's liberty;

(5) there would be a large scale resort to a system of barter with a view to evade sales tax;

(6) the revenue will depend on a number of variable factors—such as the quantity sold, the amount for which it is sold, the varying market prices at the time of the sale, and these would offer plenty of scope for evasion, and apart from the fact that there will be thousands of petty transactions, the effort involved in scrutinizing the accounts and levying the tax will be disproportionately large;

(7) with work on water-cess and encroachments to continue, the existing system of registry and land records will have to be maintained, and there would be really no economy in staff and no worthwhile simplification of the accounts; and

(8) the present revenue system and its establishments down to the village officers constitute a valuable part of the administrative machinery and are relied on for various other purposes besides collection of revenue; it would be a great mistake to weaken this machinery.

16. The Board's comments Nos. (5) and (6) above raise the legitimate points that problems of administration, particularly the possibilities of evasion, are likely to be serious, but they may be answered, though only partially, by the argument that proper methods can be evolved in the light of experience.

17. The point raised by the Board in comment No. (7) (whicl has been endorsed by the Retrenchment and Reorganization Com mittee) is valid, viz., that there would not be a considerable savin in the accounts to be kept and in the volume of the work of inspec tion and supervision to be done. At the moment, in the case c wet lands, detailed and meticulous inspection is not necessar except in adverse seasons, when the question of remission has to b determined. After the splitting up of the consolidated assessmer on wet lands into assessment proper and water-rate, all lands wi

stand on the same footing for the levy of the water-rate. It means that there would have to be a field by field inspection by the revenue staff and certification in each case that water has, in fact, been taken for irrigating the lands, and that it has been beneficial, before water-cess can be levied. This would thus, in fact, increase the volume of inspection work, and off-set any decrease in the work that there might be in other respects. In order to be able to levy this water-rate, the system of land-registry will have to be maintained, not only in the case of all lands which are commandable by an existing Government irrigation source, but also in those areas which might come within the ambit of any irrigation project in the future. The work relating to encroachments will continue. On the whole, therefore, there may be no considerable saving, though it might be argued that the system of registry will only be confined to areas likely to be irrigated and be given up in all other cases. If the possibility of considerable saving here is thus discounted, the extra cost of staff for administering the sales tax would become higher, and the rate of tax would have to be put up further for ensuring an amount of revenue corresponding to the present assessment on land.

18. Board's comment No. (8) raises a very weighty consideration indeed. Until a suitable alternative machinery is evolved to replace the revenue hierarchy in its capacities of general executive agency of Government, general handyman, and ready-made corps for handling emergent situations (e.g., controls), or sudden calamities (e.g., floods, cyclones, famines and the like), it would be hazardous to weaken it. If it is conceded that for that purpose the bulk of that hierarchy should be kept intact, the extra cost for working the sales tax will accordingly be higher still, and would necessitate still further increase in the rate—while on the other hand this revenue hierarchy will be bereft of work which it can undertake.

19. In this context of the likelihood of the increase in the rate of sales tax, the Board's Comment No. (1), which was endorsed by the Retrenchment and Reorganization Committee, would gain more weight. The Board estimated in February 1947, on the basis of procurement of the Civil Supplies Department in the case of foodgrains, and of the turnover of commercial crops based on the statistics of normal yield in the State, that, at the rate of six pies in the rupee, the proposed sales tax would produce a revenue of Rs. 459 lakhs as against Rs. 604 lakhs of the land revenue foregone. The Board's figures, no doubt, did not allow for the fact that the element of water-rate would have to be sliced out of the assessment on wet lands which will have to be made good by the sales tax, and consequently its argument that the rate would have to be more than six pies in order to ensure the present revenue assessment would be incorrect; but even assuming that six pies would be a correct estimate in that context, there may have to be an increase over that estimate in the light of the factors mentioned in the previous paragraphs. And there would remain the serious objection that the level of sales tax, which would be high enough at six pies

in the rupee, will have to be increased further when prices fall, and enhancement of the rates in a period of falling prices would really be particularly obnoxious. In our first report we suggested that the State should guarantee minimum prices for agricultural produce. But even so, we do not contemplate that the normal ruling prices in the future will always be so high as the current prices, and, apart from that, there are likely to be variations within a stipulated range; this objection would therefore be still valid.

20. We would also like to point out, incidentally, that the splitting up of the existing assessment on wet lands into water-rate and assessment proper, which is one of the fundamental bases of the scheme, would be by no means a simple matter. It would involve complicated questions as to the appropriate rates for either of the two components entering into the consolidated wet assessment. This, and the mere working out of the rates for individual fields, would be an unsettling process likely to be as laborious as the settlement itself.

21. Comment No. (3) of the Board of Revenue (which was endorsed by the Secretariat and by the Retrenchment and Reorganization Committee), would be valid, too. In nearly all countries where a sale or purchase tax is levied, foodgrains are generally exempt. On the question of tax being passed on to the consumer, it might be possible to prevent it being so passed on, so long as some system of effective price control is in operation, by a stipulation that the price to be paid to the primary producer will be the price less the sales tax. But once the price controls are lifted, the statutory stipulation can be easily circumvented by merely charging a higher price so as to cover the sales tax that has to be deducted, and in effect the tax would be passed on to the consumer whatever might be the legal stipulation.

22. Comment No. (2) of the Board (which was endorsed by the Secretariat), is valid too. As a form of tax, the sales tax has really no advantage over the present system, since it has no relation to the capacity to pay, and is, in fact, a regressive tax.

23. Comment No. (4) of the Board (which has been endorsed by the Retrenchment and Reorganization Committee), has very considerable force. The primary producer will be forced to sell only to licensees, and, considering how large the number of primary producers is, and how small, comparatively speaking, the number of licensed dealers would be, and they would have to be small in number for purposes of administrative convenience, apart from providing an adequate taxable turnover, there would be considerable restriction on the freedom of trade and commerce, to say the least, even apart from the issue that many small primary producers would be in a weaker position vis-a-vis the dealers. The example of monopoly procurement has been cited, in this connexion, in support of the arrangement proposed under a sales tax. But, for one thing, the numerous complaints that have been heard about monopoly procurement would make it an example to be avoided rather than followed. And, for another, an emergency measure like that can hardly be cited as an analogy or a justification for a widespread and irksome restriction on the primary producer in regard to freedom of sale—a restriction which is not a normal incidence of other transactions subject to sales tax.

24. Apart from all these considerations we have to consider the effect of the provisions in Article 286 (2) and (3) of our Constitution. Under the former, except in so far as Parliament may by law otherwise provide, no law of a State shall impose, or authorize the imposition of, a tax on the sale or purchase of any goods where such sale or purchase takes place in the course of inter-State trade or commerce. Under the latter, no law made by the Legislature of a State imposing a tax on the sale or purchase of goods declared by Parliament by law to be essential for the life of the community will be effective unless it has been reserved for the consideration of the President and has received his assent. Considering the fact that in nearly all countries where sales tax is levied food products have been exempted, the probability is very high indeed that assent for sales tax on foodgrains, particularly in the shape of the proposal under consideration, would be refused. In the case of commercial crops like groundnut and cotton, they may also be exempted from sales tax under the cover of inter-State trade or commerce as under Article 286 (2) of the Constitution of India referred to above. If, after the land revenue assessment has been abandoned by the State in favour of a sales tax in this form, the Union Government or the President should decide to take action under clause (2) or (3) of Article 286, the financial stability of the State may be endangered; and once the existing system has been abandoned, it would be extremely difficult to set it up again in such a contingency.

25. In conclusion, therefore, we are of the view that the proposal to replace the land revenue assessment by a sales tax on sales of agricultural produce by the primary producer should not be accepted.

2. Tax on Capital or Rental value of the land.

26. We next proceed to consider the question of substitution for assessment of a tax levied either as a percentage of the rental value of the land, or as a percentage of the capital value of the land.

27. The Indian Taxation Enquiry Committee have observed:

"The land tax is one of the oldest taxes, and there is hardly any country in the world that does not levy it in some form or other. The methods adopted, however, vary considerably. Thus it may be based on—

(*a*) the capital value, which is usually determined periodically with reference to the sale value;

(*b*) the unimproved or public value, i.e., such part of the capital value as is not due to the efforts or investment of the owners or occupiers;

(c) the net produce, i.e., the gross produce less the cost of production;

(d) the annual value, i.e., the gross produce less the cost of production and earnings of management ; and

(e) the net income of the farmer, i.e., the earnings of management plus the value of the labour of the farmer and his family."

28. In paragraphs 103 to 105 of their report that Committee have examined the efficacy of basing assessment on annual value. They have observed that, " in the carrying out of resettlements, an increasing degree of importance has been given to annual value as ascertained by records of leases and sales and other similar factors." In their view, " for the future the basis of the settlement should be the annual value, by which term they mean the gross produce less cost of production, including the value of the labour actually expended by the farmer and his family on the holding, and the return for their enterprise, and that the function of the Settlement Officer should for the future be limited to the ascertainment of this value on a uniform basis under such conditions as might be most appropriate in each Province." They, however, contemplated that determination of the true annual value would depend upon Tenancy Laws and force of customs, and that it would involve administrative and other difficulties. They therefore recommended " that, in the definition of annual value, it should be provided that, where the rent is fixed by the Settlement Officer or is limited by law or by custom having the force of law, such rent should be taken to be the annual value. The Committee found it almost impossible to make any recommendation as regards the rate of assessment in view of the absence of any definite information as to what percentage is taken of the annual value in the present conditions." They contemplated that there would be " an expert enquiry in each Province with a view to ascertaining what is the most general rate at present exacted. The Local Legislature should then fix a common rate for the Province " and it should be " open to the Legislature to increase or decrease the general rate in accordance with the share they thought it fair should be contributed by the land revenue to the expenses of the State.". The Committee anticipated " that the tendency would be, wherever financial considerations permitted, towards standardization at a comparatively low rate as in other countries," and that the materials before the Committee pointed " to a standard rate of not more than 25 per cent as desirable."

29. The Indian Taxation Enquiry Committee also examined the proposal for the levy of a tax on capital value. The Committee's remarks are extracted below :—

" The essential feature of the third set of schemes, which are in force in Australia, New Zealand and Japan, is that the assessment is based on the capital value of land. It is claimed for this system, first, that it would be clearly intelligible even to the most ignorant ryot; secondly, that it would enable the legislature to fix the rate of tax according to its financial requirements; thirdly, that valuation and assessment would be two entirely separate processes, in other words, the Settlement Officer would not assess the tax as at present, but would simply perform the function of valuation; fourthly, that the valuation would be extremely useful in a number of other respects, as for instance in the case of land acquisition or in the event of the imposition of a death duty. The objections to the scheme are, first, that capital value does not bear a constant relation to annual value, but varies with the general rate of interest. In the second place, although valuation has been a comparatively simple process in the Australian colonies, it has been found a matter of extreme difficulty in European countries, and in India would undoubtedly be very expensive. In the third place, if equality of incidence is to be maintained, the valuation would have to be revised at much more frequent intervals than those at which districts are resettled, while at the same time it would obviously not be possible to introduce it completely until all the existing settlements ran out. In the fourth place it is to be observed that, while in a ryotwari area there may be a single person to whom the whole capital value would be creditable in the case of sale, in areas where rents are controlled by tenancy legislation, there may be two or more capital values of different beneficial interests in the land to be considered. Lastly, in order to determine capital values, the Settlement Officer would in many cases have to estimate the annual value, which is to some extent the basis of the assessment at present, so that the introduction of a scheme on Australian lines would involve a greater change in the basis of assessment than is really necessary."

They themselves have referred to the objections of the scheme. That Committee were not in favour of this form of tax.

30. Sri N. Raghavendra Rao who examined the feasibility of basing the rates of assessment on capital or rental value of the land has made the following observations :—

" These two methods are also recognized as affording a satisfactory basis for fixing the rates of assessment. For the collection of necessary particulars under both the methods, considerable time, labour and expense will be involved. In several provinces, the rentals on lands are noted in the village accounts but in this province this information is not available in the village records. So the statistics of leases and also those of sales have to be collected only from the records in the Sub-Registrars' offices and from local enquiries. The data collected cannot be taken to reflect correctly the merits of the lands. The sale and lease values are determined not only by the intrinsic merits of the land, but also by several other extraneous considerations. Competition due to pressure of population on land is one of the important factors which affect the lease values. The existence of any special facilities for irrigation or drainage which may have been afforded at the expense of the ryots is another factor which is taken into account for determining the lease values. The condition of the money market and the need of the seller influence the sale values of particular lands. While such disturbing factors exist, the data cannot be considered to be thoroughly satisfactory values of the lands concerned. It is therefore necessary to sift the data carefully before they are used for the purpose.

There is one strong objection against these two proposals. The result of the proposals will be to tax the industry and the improvements effected by the ryots. The present sale values and lease values are based on the existing conditions of the land and this in turn depends on the trouble and care taken on the land previously. If the land is neglected, the yield is affected gradually. The sale or the lease values are also reduced correspondingly. The land which is efficiently cultivated improves in value. If the present value is taken as the basis of calculation, the lands which were neglected will have an unmerited benefit while lands efficiently cultivated will have to pay higher rates of tax. It will be a premium on inefficiency. Further it is the accepted principle that the ryot's improvement on lands should not be taxed. Any proposal to base the future rates of assessment on the present condition of the land will be against this well-recognized principle."

31. The majority of opinions expressed in the memoranda received by us are definitely against the adoption of these alternatives. The land revenue system in this State has been evolved over a series of years, and before the system is scrapped and replaced by some other system, it would be necessary for us to examine closely the implications of the alternatives proposed. Both the systems of levy, as a percentage of the capital value or the rental value, involve the difficulty of laborious initial valuation and also the serious disadvantage of reassessment being necessary periodically. If the reassessments are to be done annually, that will be extremely burdensome and expensive; if they are to be done quinquennially, that will not be elastic enough, and in any case, the fact that reassessment is necessary and likely, would bring in an element of uncertainty as compared with the existing system. The assessing agencies themselves may not have uniform standards and this may lead to inequity of levy as between various areas in this State. These methods will not allow of progression, and so will, in that respect, be open to the same criticism as the present system. In any case these schemes will have to rest largely on the existing system of survey and land registers, and so there may not be any saving in cost, but on the other hand, the staff for initial assessment and for reassessment will really have to be extra and will entail additional cost. And after all the present levy is based ultimately on the half-net theory, i.e., it conforms substantially to the principle approved by the Taxation Enquiry Committee, viz., the gross produce less cost of production including the value of the labour actually expended by the farmer and his family on the holding. The "return for their enterprise"

referred to by that Committee is represented by the allowances made at settlements, and the margins left at resettlements, which made the final rates fall successively short of the half-net. And in the result, it may be noticed also, the assessment came to represent, during the years which Sri N. Raghavendra Rao took into consideration in his report, roughly only one-fourth of the rental (corresponding to the net produce)—which is the proportion commended by the Taxation Enquiry Committee as suitable,—and in the succeeding years, with the considerable increase in price-levels, the proportion has got to be appreciably less still.

32. On these considerations, therefore, we are of the view that the existing system of land revenue cannot profitably be replaced by the levy of a tax either as a percentage of rental value or as a percentage of capital value of the land.

3. Agricultural Income Tax in complete replacement of the existing system of land revenue.

33. In this section we examine whether the present system of land revenue assessment can be completely replaced by an agricultural income tax. This is distinct from the question of having an income tax over and above an appropriate assessment on land on existing lines—the income tax being in that case designed to introduce an element of progression in the scheme of assessment, and, incidentally, to bring income from land into line with income from other sources for liability to taxation.

34. In considering both these sets of questions it is important to have an estimate of the yield from an income tax and we will therefore preface our remarks here with a discussion of that estimate, although we are dealing with the question of an income tax over and above land revenue assessment only later on.

35. Any calculation of the yield of income tax will have to be based on some assumed rates of income tax. In the Agricultural Income Tax Bill of 1947 prepared by the Madras Government in 1947 the following rates were adopted :—

Rates of Agricultural Income Tax.	Rate.
(1) On the first Rs. 1,500 of total agricultural income.	**Nil.**
(2) On the next Rs. 3,500 of total agricultural income.	**Nine pies in the rupee.**
(3) On the next Rs. 5,000 of total agricultural income.	**One anna in the rupee.**
(4) On the next Rs. 5,000 of total agricultural income.	**One anna and six pies in the rupee.**
(5) On the next Rs. 5,000 of total agricultural income.	**Two annas in the rupee.**

Rates of Agricultural Income Tax.	Rate.
(6) On the next Rs. 30,000 of total agricultural income.	Three annas in the rupee.
(7) On the balance of total agricultural income.	Four annas in the rupee.

Provided that—

(1) no agricultural income tax shall be payable on a total agricultural income which is less than five thousand rupees;

(2) the agricultural income tax payable shall in no case exceed one-half of the amount by which the total agricultural income exceeds five thousand rupees.

36. On the basis of the above rates and exemptions, the Special Officer, Sri Rao Bahadur K. Govindan Nair, who was deputed by the Madras Government to make an investigation in 1945 on the question of an agricultural income tax and the likely yield, made the following detailed estimates of the number of assessees and the demand district by district :—

Districts.	Number of assessees.	Demand (in lakhs).
1 Tanjore	1,200	10
2 Tiruchirappalli	500	6
3 Madurai	1,2 0	9
4 Ramanathapuram (two big zamins)	500	9
5 Tirunelveli	800	8
6 East Godavari	1,000	8
7 West Godavari	800	7
8 Krishna	1,000	8
9 Guntur	800	7
10 Coimbatore	1,000	10
11 Malabar	1,200	10
12 Nilgiris	500	8
Total ..	10,500	100
Number of assesssees and demand in Salem, Chittoor, Vellore, Chingleput, South Arcot, Nellore and Visakhapatnam may be put at	4,000	28
and Cuddapah, Kurnool, Bellary, Anantapur and Madras at ..	2,000	15
	16,500	143
Less refunds	..	2
Net demand	..	141

This officer went on to observe—

" This estimate is based on the information gathered by me in the course of my short visits to some of the districts mentioned above and is necessarily a very rough one. But, with reference to the agricultural conditions obtaining in each of the districts, I have every hope that with an intensive survey, the number of assessees and demand at the present price-level of agricultural produce will not be less than the above estimate . . ."

37. We would like to observe that the data furnished by Sri K. Govindan Nair are not full and clear enough for an analysis to be made. His estimate, however, seems to be too high, particularly considering the fact that the exemption limit was then taken as Rs. 5,000. It is also to be remembered that the zamindari abolition had not taken place when his estimate was made.

38. The Special Officer, Sri N. Raghavendra Rao, has estimated that on the basis of the net income from the land being four times the land revenue assessment, the net assessable income will be about two crores of rupees and that on this basis the tax is not likely to be appreciable. But he has gone on to observe that the estimate was based on the assumption that only food-crops are grown, but where commercial crops are grown the net income will be much higher. He has stated " It is understood that a revenue of about $1\frac{1}{2}$ crores of rupees was estimated under this head." Presumably he had in mind Sri K. Govindan Nair's estimate. But there is nothing to show that he accepted the estimate.

39. In our view the least arbitrary approach would be to take a reasonable multiple of the assessment as representing the net income assessable to income-tax, apply this multiple to the total assessment found in the various ranges in the table of assessment for pattas, and then apply the rates that are likely to be adopted in the various slabs of income. Suitable additions should be made in respect of non-ryotwari areas, and areas under commercial and other valuable crops. On the above basis three sets of estimates have been made of the yield from this tax—Appendices IV, V and VI.

40. First as to rates; we have adopted the rates in the current Government of India Schedule, i.e., incomes up to Rs. 1,500 will be exempt from all taxation and thereafter income-tax will be levied in accordance with the following rates :—

	RS.	RS. A. P.
First slab of	1,500	Nil.
Next slab of	3,500	0 0 9
Do.	5,000	0 1 9
Do.	5,000	0 3 0
Rest	..	0 4 0 (per rupee)

A working sheet on the basis of the above rates will be found in Appendix III.

41 Next as to the multiple to be adopted. On the basis of lease values prevailing between the years 1914 and 1934, when the Presidency average prices of paddy, first and second sort, ranged from Rs. 183 to Rs. 530 per garce of 3,200 Madras measures, Sri N. Raghavendra Rao has adopted a multiple of 4. In 1945 when the Board of Revenue made a calculation on the above lines, it assumed a multiple of 6 on the assessment as representing the net income. On current price-levels we consider even that multiple to be low, and would adopt a multiple of 10 as being reasonable although one witness in his evidence before us assumed a level of income from lands which would represent a multiple of 15 on the assessment.

42. In Appendix II will be found details of single and joint pattas in the various ranges of assessment, compiled from Statement No. 20 in the Board of Revenue's report on the Settlement of the Land Revenue for fasli 1355 (1945–46). Appendices IV, V and VI, as indicated already, furnish details of calculations on the basis of which certain estimates of the agricultural income-tax have been made. In Appendix IV the multiple of the assessment which would represent the net income liable to income-tax is taken as 8; in Appendix V the multiple is taken as 10. Apart from this difference, the bases of calculations in Appendices IV and V are identical. From the total assessment (of single pattas) found in Appendix II, the net taxable income in each range is calculated. The total income thus arrived at is divided by the number of pattadars, giving the average income per pattadar from that group. To this average income the income-tax rates are applied, and multiplying again by the number of pattas, the total tax in that range of assessment is calculated. The assumptions made regarding the level of exemption and the rates of tax are those found in paragraph 40 above, the working sheet for which is found in Appendix III. After ascertaining the estimated tax collection from each group, the totals are struck and further additions are made for joint pattas and for zamindari areas. The first set of calculations in Appendix IV gives a total estimated yield of Rs. 40 lakhs; the second set of calculations in Appendix V gives an estimated yield of Rs. 58 lakhs. We would, however, like to observe that a feature of this type of calculation is that the yield will be reduced because an average is adopted. On the other hand, in Appendix VI an estimate was made of the fraction of income likely to be exempted from taxation and also the fractions falling under various slabs in each assessment range. (Here again, the multiple of assessment which would represent the taxable income was taken as 10, as in Appendix V.) To these fractions, apart from the exempted slab, the relevant slab rates are applied and the total estimates of income-tax in each assessment group worked out. In the calculations on this basis, however, the total of the assessments of both single and joint pattas were taken into account. The total estimated revenue from agricultural income-tax was Rs. 82 lakhs. But the effect on joint pattas would

be that at least some of the income under them would go out of the taxable sector because the individual shares may not fall within the range in question, and there would also be a process of subdivision to escape a higher incidence of tax and to bring the income to a lower incidence range. A 25 per cent deduction on this account may be made which will reduce the estimated income to 62 lakhs. If, besides the exemption of the first Rs. 1,500 from taxation, assumed in the above calculations an exemption of incomes below Rs. 3,600 from taxation (as in the current Government of India schedules) is allowed for, the yield will be Rs. 47 lakhs as under Appendix V and Rs. 45 lakhs as under Appendix VI.

43. If this further exemption were to be, instead, of incomes below Rs. 5,000 from tax as in paragraph 35, the figures will be lower still.

44. If there were to be no exemption at all of any kind (not even the Rs. 1,500 assumed in the calculations above) and if a rate of three pies in the rupee is assumed for incomes up to Rs. 100 and a rate of six pies for the next higher rate up to Rs. 1,500, the estimate would be Rs. 215 lakhs.

45. These estimates are based on current price-levels. In the event of prices falling, fall in revenue will be more than proportionate.

46. An extreme theoretical position for a complete replacement of land revenue by an income-tax would be the abolition of not merely assessment on land but abolition of water-rates also, whether consolidated with the assessment or otherwise, and the levy, instead, of only an agricultural income-tax; there would be no registers of land-holders at all; there would be only a tax on the income derived by raising crops on land, which will be levied on the assessees, all of whom will be brought on to a register of assessees as such.

47. In any scheme of income-tax, however, there should normally be exemptions below a certain income limit. If that principle is followed, and the limit is to be at Rs. 1,500 per annum, it will answer generally, at current price-levels, to lands paying land revenue assessment of Rs. 150. The result of this would be that persons having holdings paying an assessment of more than Rs. 150 will be paying income-tax, and it must be considered that in this income-tax is included water charges also, where water from Government source of irrigation is taken by them. But in the case of holdings below this assessment limit—and these constitute the bulk of the land-holding sector—they will not be paying anything at all, not even water charges when they take water from Government sources of irrigation. Such a position is obviously untenable —particularly the non-payment for water taken from Government sources, on many of which considerable sums have been invested by the State, and on most of which appreciable sums are spent on maintenance also. The total income from this scheme would only be about Rs. 60 lakhs—as against an income of roughly Rs. 6 crores from land revenue and Rs. 1 crore from water-rate which the State

is getting now, and an amount of Rs. 2 crores which is the revenue ultimately expected from the areas which were previously zamindari. It is quite unthinkable, therefore, to have an income-tax as indicated in paragraph 46 with the usual scheme of exemptions.

48. It may be argued, however, that so far as agricultural income-tax is concerned, there should be no exemption limit at all, and that the whole range of income should be subjected to an income-tax. We may assume in such a case a rate of three pies per rupee up to an income of Rs. 100 (answering to a holding of Rs. 10 assessment), and six pies in the higher ranges till we get to the limit of exemption of Rs. 1,500 (answering to holdings of Rs. 150 assessment). The total estimated income on this basis will be Rs. 215 lakhs. But the obvious disadvantage of this scheme would be the enormous number of assessees that will have to be dealt with: the number of single and joint pattas together is about 70 lakhs, and the number of single pattas alone about 40 lakhs. An independent income-tax establishment for dealing with such enormous numbers will have to be so huge that it will take away in cost a good portion of the income of Rs. 215 lakhs (which is itself low as compared with the figure of Rs. 9 crores derivable on existing arrangements referred to above). If the assessment for income-tax, however, is to be made on the basis of the present revenue registers, and the present village establishment used for that purpose and for collection, then, that itself must take away the bulk of the estimated income of Rs. 215 lakhs, while the super-imposition of income-tax methods would in fact require some extra personnel and mean further cost. Apart from that, the task of dealing with such large numbers of assessees will itself be colossal; and the work will be complicated further by the fact that most of them will not be in a position to maintain accounts and send returns. A scheme on the lines postulated in this paragraph is also therefore out of the question.

49. The income-tax, however, can be conceived of as intended to replace only the assessment proper on the land, and not the charge for water. For working the scheme that way, the present consolidated wet assessment will have to be split up into its component elements of assessment and water charge. This is by no means a simple operation as we have indicated in paragraph 20 above. On the one hand, the water charge will have to be related to the nature of the irrigation source, and the cost of its construction and upkeep, and, on the other hand, it will have to be related also to the fertility of the land, and to the fertility as for wet cultivation, as sometimes the relative fertility as for dry and wet cultivations may be different. The former may be possible in the case of irrigation works for which capital and revenue accounts are maintained, but would be almost impossible in the case of the hundreds of minor irrigation works which we have. This splitting up of the consolidated wet assessment, as indicated in paragraph 17 above, would necessitate inspection of these lands to see if water has been taken. Again, with encroachments on Government lands still to be attended to, the bulk of the karnam's work would remain. Since, for the reasons indicated already, it would be out of the question to have income tax over the whole range of holdings, there will have to be a scheme of exemptions under the agricultural income tax proper. The effect of such exemption would be that the bulk of the dry lands falling under holdings below the taxable size will pay nothing whatever, whereas the bulk of the wet lands irrespective of their area will continue to pay practically what they are now paying in the shape of water charges, for the charge for water is the preponderating proportion in the consolidated wet assessment. On the smaller holdings the relief in respect of dry lands would be inconsiderable, while the relief in respect of dry lands would be complete; and there would be innumerable cases of dry holdings of considerable value paying nothing so long as they fall below the income tax limit, while wet holdings of not merely similar but of smaller value would be paying varying sums in the shape of water-rate. The collection of water-rate and the collection of income tax will together mean an establishment answering more or less to a headman in each village, and the existing supervisory hierarchy. We have already indicated that the karnam's work would remain. The income (postulating an exemption limit at Rs. 1,500), can be estimated as Rs. 60 lakhs from income tax and Rs. 2½ crores as water-rate. It is very low as compared with the amount of Rs. 9 crores derivable on existing arrangements, already referred to, and the major portion of it may go as the cost of establishments, if, as indicated above, an establishment answering to the present village establishments has to remain. A scheme as postulated in this paragraph has also, therefore, to be ruled out.

50. We are thus of the opinion that none of the three alternatives which we have examined above is acceptable, viz. :—

(A) An agricultural income tax with a lower exemption limit but no charge of any kind, whether it be assessment or water-rate on the land; or

(B) An agricultural income tax as in (A) above but without any exemption limit whatever; or

(C) An agricultural income tax with a lower exemption limit, no assessment being levied on land but water-rates being collected for water taken from a Government irrigation source.

51. So far we have discussed the question primarily with reference to the administrative difficulties and the complications and anomalies involved, and also a comparison of the estimates under the alternatives proposed with the amounts derivable under the present system. We would emphasise, also, however, a point of principle which would tend towards the same conclusion. The principal feature of the alternatives examined is that there would be no assessment on the land as such. The fundamental question is whether such a proposition is justifiable. In theory it may be

argued, that no tax should be levied on land as such because no tax is levied on other sources of production, e.g., capital equipment and machinery used in industries or factories. But we would observe that there is an essential difference between land and other means of production. Whereas land will continue, apart from periodical attention to it by way of manuring, almost indefinitely, the other means of production are all wasting assets and would have to be scrapped periodically and replaced by entirely new machinery. Therefore, an essential distinction arises between the land and other means of production, and this, in our opinion, would justify a differential treatment. On this ground we would hold that some kind of levy on land is justifiable even in strict theory, and as observed by the Taxation Enquiry Committee (paragraph 27 above), there is scarcely any country in the world where some kind of levy on land is not made.

52. It would also not be correct to compare income from land with other types of income. Those who depend on income from other sources secure only the general protection from the State, whereas in the case of land the State is more actively interested in the welfare of the land-owning classes and large amounts of capital and revenue are being spent every year, to quote only one example, on the construction and maintenance of irrigation sources. The total exemption of land from any kind of levy would, in our opinion, be not justifiable under the present circumstances.

53. From this approach also, therefore, after elimination of the alternatives examined above, we arrive at the position that an agricultural income tax can be properly conceived of only as operative over and above a scheme of assessment on land as such.

54. The next alternative to be examined would be a scheme in which such a basic assessment is not anything which is itself worked out with reference to scientific principles, but is a flat rate on all lands irrespective of their quality—an agricultural income tax, being levied on top of this, and in addition, lands taking water from a Government source of irrigation being also liable to pay the appropriate water-cess.

55. One suggestion was that a flat rate of Re. 1 per acre should be levied on all lands irrespective of their classification. But this would at once be open to the objection that at the moment very large extents of land are paying dry assessment as low as 2 annas and 4 annas per acre, and there are also considerable areas paying intermediate rates of 8, 12, 13 and 14 annas, rates all below Re. 1 per acre. In all these cases, the owners of these extremely poor lands will have to pay very much more than what they are paying now, and lands which are now paying assessment over Re. 1 including the very fertile lands in deltas which now pay something of the order of Rs. 10 per acre, would receive relief out of all proportion to the merits of the case.

56. To a certain extent the objection might be met, though not fully, if the flat rate were to be put at 8 annas per acre for dry and Rs. 2 per acre for wet lands. Even so, relief would accrue to the owners of the richer classes of lands, whereas those of the poorer classes of lands would not be very much better off, as far as dry lands are concerned, and, if the appropriate water-cess is to be added, it is doubtful whether the poorer classes of wet lands would have any relief at all. Furthermore, the distinction between dry and wet lands militates against the principle of a flat rate; if the distinction is based on the larger productivity of wet lands, that brings in the principle of making the charge depend upon productivity, but has the drawback of doing it in a crude form, instead of applying it fully and scientifically.

57. In fact, a low flat rate, as pointed out by Sri N. Raghavendra Rao, when discussing the scheme in vogue in Travancore, may be all right for a tract where the variations, etc., between different types of land are not numerous, and where Government sources of irrigation are so few that they offer no complications, but not suitable to conditions such as those we have in Madras, where there are considerable variations in fertility among dry lands and wet lands, and as between dry and wet lands, and where there are numerous irrigation sources of various categories also. A low flat rate will be inequitable even as between the numerous varieties of dry land. To allow for lands cultivated wet with water from the irrigation sources, we will have to have, any way, a scheme of water charges, besides the basic rate and the income tax. If the basic rate and the charge for water are to be separated, we will have the very same difficulty that has been set out in paragraphs 20 and 49 above. In all except big sources for which accounts are systematically kept, it would be difficult to relate the charge exactly to the cost of erection and maintenance of the sources. In all these cases whatever rate is fixed will be arbitrary. But to allow for the variations in importance of these sources, and the fertility of the lands themselves, which the present consolidated assessments embody, we will have to manipulate the rate so that, along with the flat assessment they will be somewhere near the present consolidated assessments themselves. In that case the splitting up of these assessments into a flat assessment and a water-rate would be meaningless. We would be merely having an arbitrary flat rate and an arbitrary water-rate, together making up something round about the present assessments which have a much more scientific basis, while conferring no appreciable advantage on the holders of these lands. On the other hand, a flat charge for water would be quite unjustifiable, as not allowing for the importance of the sources or the fertility of the land; and this would be particularly so in the case of the big projects which have been embarked upon on the express stipulation of a certain return with reference to which the water charge has been fixed; and such a flat charge would more pointedly be an even more arbitrary element along with an arbitrary flat rate, and constitute, therefore, an all the more unsatisfactory

substitute for the present consolidated assessment; and as it will have to be pitched low it would mean a considerable reduction on the present total income from wet lands. The rate, to be satisfactory, cannot be flat on dry and wet lands. It will have to approximate to the existing dry assessment in the case of dry lands, and, along with water-rate, approximate to the existing wet assessment on wet lands. In that event, there is no room for a low flat rate as a basic assessment, and no point in splitting up consolidated wet assessments into a basic rate and a water charge.

58. On these considerations, and particularly in view of the fact that the owners of the poorer classes of lands will be harder hit, we are against the scheme of replacing the existing system of land revenue by the levy of a flat rate of land tax on all lands, and income tax on top of that, along with the levy of water-rate on lands taking water from Government sources of irrigation. The position will then be that agricultural income tax will have to be conceived of as a measure to be super-imposed, as a factor of progression, in a scheme of suitable assessments on the land itself; we are dealing with it in that aspect later on.

CHAPTER III.—REFORM OF THE LAND REVENUE SYSTEM.

59. We have now arrived at the conclusion that none of the alternatives proposed for completely replacing the existing system of land revenue is suitable or practicable under the conditions prevailing in this State; and if it were to be accepted that some charge should be levied on land as such, we consider that none of the alternatives have any claims for acceptance superior to those of the present system. So, we now proceed to examine the present system, with particular reference to some of the defects therein, and to suggest suitable and proper remedies, wherever considered necessary or practicable.

1. Currency of Settlements and Termination of Resettlements.

60. Under the existing system, a settlement or a resettlement is in force for a period of thirty years, at the end of which period the assessments are revised after a "Resettlement operation." Resettlements, as such, were first held in abeyance in 1937, and later on abandoned as a matter of State Policy. Resettlements in the form in which they were conducted in the past, meant elaborate enquiries to ascertain the economic condition of the tract during the currency of the expiring settlement, and comparing the conditions with those known to have existed at the time the expiring settlement was brought into force. The average prices of twenty non-famine years preceding the year of resettlement were also

calculated, and after a survey of all the relevant factors, the Special Settlement Officer recommended whether there should be an enhancement of the expiring assessment, and if so, at what percentage. In practice, however, resettlements took the shape only of enhancements of the expiring demand, because, as it happened, they were being conducted in a period of gradually rising prices, and enhancements in the last resort, were based on the increased value of the produce due to the increase in prices. After 1924 enhancements were limited to 18¾ per cent of the expiring rates of assessment.

61. The Settlement remained in force for a period of thirty years, i.e., roughly for one generation. Everyone was aware of the currency of the settlement and when a resettlement was due; and the changes brought into effect at a resettlement again remained in force for another period of thirty years. The advantage of the system was that this amount of certainty was guaranteed.

62. The great disadvantage of the system however, was, and this was one of the main grounds of criticism against it, that, whenever there was a steep fall in prices, the assessment could not be changed and the ryot had to endure hardship, and, on the other hand, if there were a steep increase in prices, the State was unable to secure the increase in revenue which it would legitimately be entitled to in such circumstances. This, incidentally, is the answer to any proposal that the land revenue assessment should be permanently settled and there should be no enhancements or reductions in future.

63. Further, as we have observed, although in theory many factors were taken into consideration, in actual practice, the enhancements were based mainly on the enhancement in the value of the produce, and in view of that, the time and labour spent, and the expenditure incurred, over the other elaborate enquiries attendant on resettlements, become unnecessary. Under the circumstances it is not necessary, in our view, to revive the resettlements in the form in which they were previously in vogue. If in principle the assessments, once fixed, should be alterable with reference to variations in price-levels and alterable only with reference to such variations, a much simpler scheme should suffice; we are dealing with that aspect in detail later on. In conclusion, therefore, we recommend that periodical resettlements of the kind that we had in the past should stand abandoned.

64. Nevertheless, although resettlements are abandoned, there are certain features of the resettlements, which we would not like to be wholly abandoned. One such is the system of grouping of dry villages or tracts. Apart from the classification of the soil, which is an index of fertility for growing the particular kind of dry grain, there are other circumstances which affect the relative value of the lands, such as facilities for communications, nearness to markets, unhealthiness of the localities and ravages by wild animals. To remove the inequalities arising out of the presence or

absence of one or more of these factors, the device of grouping was resorted to during the course of the first settlement; and these groupings were examined at subsequent resettlements and alterations made wherever necessary. As a result of all-round progress and development, particularly the improvement of village communications, these disadvantages and disabilities may tend to disappear in course of time, and the relative advantages of lands in a lower group may tend to be in no way inferior to those of lands placed in a higher group at the last current resettlement, and would justify the villages being placed in a higher group. Similarly, the diversion of a road, or interception by a new channel, or the construction of a reservoir, may interfere with access to markets, thus nullifying, in some cases, the advantages on the basis of which these particular tracts might have been placed in a higher group, and would justify their relegation to a lower group. And so, we consider that, while resettlements as in the past should be abandoned, at the same time, power should be reserved to re-examine, as and when circumstances may call for such re-examination, the grouping of dry villages or tracts, with reference to the same criteria as were adopted at the time of the original settlement or resettlement, and to alter the groupings where circumstances justify such a course of action.

65. We also consider that power to reclassify irrigation sources, and to recalculate the assessment as well as water-rates thereunder, should continue to be reserved, as hitherto, in case of improvement or deterioration of the sources, as the case may be, such as would justify the relegation of a source from one class to another.

66. One new principle we desire to recommend—that the principle of "grouping" should be extended to wet lands: i.e., in the case of wet lands which are disadvantageously situated, judged by the criteria adopted for grouping of dry lands, namely, lack of communications, inaccessibility to markets, unhealthiness of the tract and ravages by wild animals, there should be a differentiation in their favour by a suitable reduction in the existing level of assessments.

67. Another new principle which we wish to recommend is that when there is permanent damage or deterioration of land due to act of God—floods, cyclones and the like—the lands should be reclassified, and power should be reserved to do this.

2. Standardization of Assessments.

68. In the levy of an assessment of the type we are now having on land, two factors are important: one, it should be appropriate with reference to the value of the land and should be on a level that is fair and equitable; and the other, the pitch should bear uniformly throughout the State, i.e., the rate payable for similar lands similarly situated throughout the State should be uniform. Settlements and resettlements of the districts were taken up at different periods of time. Although there was uniformity of principles in respect of all other criteria that entered into the calculations, the price factor alone varied from settlement to settlement. The commutation rates were worked out on the basis of the average prices prevailing in the twenty non-famine years preceding the settlement or resettlement. And it so happened that during the period of resettlements, prices were rising more or less steadily and continuously, with the result that the districts resettled at a later date have been comparatively more heavily assessed vis-a-vis districts resettled at an earlier date. If the system of periodical resettlements once in thirty years continued, this kind of inequality was bound to continue also, as resettlements would be made for the various districts at different periods and the commutation prices to be taken into account were likely to be different. We have recommended that resettlements as in the past should be abandoned. So, this factor of inequality would have to be taken note of only to the extent that it exists now—as a result of the various districts having been settled and resettled at different periods of time—and steps taken to equalise the pitch of assessment throughout the State.

69. It was to this aspect of the matter that the Marjoribanks Committee paid their attention in 1937, when they were asked to advise the Government as to how best the sum of Rs. 75 lakhs, which the Government of the day were prepared to set apart for giving relief to land-owners, should be distributed by way of reduction in the pitch of land revenue assessment. That Committee came to the conclusion that, if the enhancements made in the districts as a result of the resettlements after 1914 were to be cancelled, the resulting land revenue assessment could be considered to bear uniformly on the lands throughout the State. They based this recommendation on the ground that there was a perceptible increase in the price-levels as seen from the price graphs from the year 1914 onwards, and before 1914 the price-levels were more or less steady. When this question was examined in the Secretariat, a further refinement was introduced, that, in the case of districts resettled between 1905–06 and 1914, half the resettlement enhancement should be cancelled. This was on the ground that while the prices remained more or less steady throughout the period 1860–61 to 1904–05, even from 1905–06 up to 1914 the prices started increasing steadily, and after 1914 the prices started increasing steeply. On the basis of these principles the districts in this State were grouped together in three groups, Groups A, B and C, shown below :—

Group A.—Tracts which were resettled after 1914 were included in this group. They are—

(1) The Golgonda, Sarvasidhi and Palkonda taluks of the Visakhapatnam district.

(2) The East Godavari district.

(3) The West Godavari district.

(4) The Krishna district.
(5) The Bellary district.
(6) The Anantapur district except Kadiri taluk.
(7) The Chittoor district except Vayalpad and Madanapalle taluks.
(8) The North Arcot district except Tirupattur taluk.
(9) The South Arcot district.
(10) The Salem district except Hosur, Krishnagiri and Dharmapuri taluks and the hill village of Kilavarai in the Attur taluk.
(11) The Tiruchirappalli district except the villages in Karur taluk other than the eleven villages which formed part of the Madurai district until 1932.
(12) The Tanjore district.
(13) The Madurai district.
(14) The Anjengo sub-taluk of the Tirunelveli district.
(15) The Gudalur taluk of the Nilgiris district.
(16) The Malabar district.
(17) The South Kanara district.

In these cases, almost all the years that were taken into account for computing the commutation rates were years of high prices, with the result that the commutation rates adopted at the resettlement for the purpose of comparing them with the previous rates were comparatively high. In these cases, the proposal was to cancel the full enhancement imposed.

Group B.—Tracts which were resettled between 1905–06 and 1914 came under this group. They are—

(1) The Chicacole and Ichchapur taluks of the Visakhapatnam district.
(2) The Chingleput district.
(3) The Coimbatore district.
(4) The Karur taluk of the Tiruchirappalli district except the eleven villages which formed part of the Madurai district until 1932.

In these cases, the prices of only some years of high prices after 1905–06, and some years of fairly high prices from 1890–91, entered into the calculation of the commutation rates. The commutation rates adopted were not therefore as high as those in districts under Group A. Hence in these cases, the enhancement was proposed to be reduced by 50 per cent.

Group C.—The remaining tracts came under this group. They are—

(1) The Guntur district.
(2) The Kurnool district.
(3) The Nellore district.
(4) The Kadiri taluk of the Anantapur district.
(5) The Cuddapah district.
(6) The Vayalpad and Madanapalle taluks of the Chittoor district.
(7) The Tirupattur taluk of the North Arcot district.

(8) The Hosur, Krishnagiri and Dharmapuri taluks and the hill village of Kilavarai in the Attur taluk of the Salem district.
(9) The Tirunelveli district except the Anjengo sub-taluk.
(10) The Ramanathapuram district.
(11) The Nilgiris district except the Gudalur taluk.

In these cases, only the prices prior to 1904–05 entered into the calculation of the commutation rates and it was therefore not proposed to grant any relief to these districts.

70. A draft Land Revenue Bill was prepared to implement the above decision of the Government and the Board's remarks also were obtained on the proposal. But before legislative sanction could be obtained to the contemplated reform, the first Congress Ministry resigned. The papers were in due course referred to Sri N. Raghavendra Rao for report, and he has suggested some modifications to the above grouping.

71. We agree with the broad idea underlying this classification —viz., to substitute the commutation rates calculated on the basis of average prices prevailing in the years 1860–1905 for the rates actually adopted by Settlement Officers in all the districts in this State, whereby one would arrive at the position that the money values of assessments would have been calculated on identical principles throughout and on the basis of price-levels prevailing during the same period of time, thereby making the incidence of assessments equal throughout the State—in other words, the aim should be to arrive at rates of assessment for the various districts such as would have been secured if commutation rates had been adopted on the price-levels prevailing between the years 1860–61 and 1904–05.

72. Acceptance of the principle in this form would mean, however, very elaborate recalculations and reconstruction of the table of rates, and possibly readjusting the gradations from one taram to another; this would mean a very laborious operation, and it might be possible to arrive at approximately the same result—which is all that is required—by the simpler process of cancelling, wherever necessary, wholly or partially, as the case may be, the enhancements made at resettlement, and leaving the rates in other areas intact. This is the principle of the grouping referred to above; we agree with that also.

73. We, therefore, recommend that in the application of the principle of standardization of rates suggested by us in paragraph 71 above, the rates for the several districts should be worked out on the following lines:—

(*a*) In the case of districts or tracts resettled after 1914 wherein the price-levels of the middle period (1905–06 to 1913–14) and of a number of years of the later period, i.e., post-1914–15, and possibly very few years of the pre-1905–06 period, entered into the calculation, the whole of the resettlement enhancements should be cancelled;

(b) in the case of districts or tracts resettled in the middle period wherein the price-levels of the earlier period, i.e., pre-1905–06, and of the middle period of 1905–06 to 1913–14 only, entered into the calculations, the resettlement enhancements should be reduced by 50 per cent;

(c) settlements or resettlements of the earlier period, i.e., prior to 1905–06, wherein the prices prevailing in the earlier period up to and inclusive of the year 1904–05 entered into the calculations, need not be disturbed.

74. We would point out here that what has properly to be taken into account is the set of prices of the particular years that have entered into the calculation of the commutation rates, and not the actual year or years in which the resettlement took place, or the resettlement operation was spread over; this is a slight further refinement in principle from that adopted when the grouping was worked out in 1939 in the Secretariat.

75. We now proceed to consider the grouping itself, with particular reference to the alterations suggested by Sri N. Raghavendra Rao.

76. Sri N. Raghavendra Rao has suggested that there should be a reduction in the rates in the Ongole taluk of the Guntur district, on the ground that it was settled along with Nellore, and the rates prevailing in Ongole are higher than the rates in adjoining taluks of the Guntur district. On principle, we are against such comparisons of the actual rates of tracts which were settled when they were in other districts with areas in the districts to which they subsequently came to belong. Similar comparisons elsewhere between adjoining taluks might disclose similar differences. In each case, there would have been a definite reason for the Settlement Officers suggesting for adoption, and the Government approving the adoption of, a particular set of rates. Areas settled or resettled together should be viewed together, and portions of them should not be taken up for piece-meal comparison with areas which were settled or resettled at other times; standardization should be applied only as between these various areas and with a view only to remove the disparities brought about by the application of commutation rates in which the price-levels of different sets of years have figured: otherwise, the results of settlements or resettlements should not be re-opened. Accordingly, the rates in Ongole taluk, in our view, should not be disturbed, and it should rightly remain in Group C.

77. Sri N. Raghavendra Rao also compared the rates in Tiruvannamalai and Tiruppattur taluks in the North Arcot district with the rest of the areas in that district, and in order to "cure" the anomalies, he had suggested that North Arcot district should be brought down from Group A to Group B, so as to equalize the rates. This would be unacceptable for the reason given in the preceding paragraph. But we find that, at the time of the resettlement of the North Arcot district, the prices of twenty non-famine years before 1915–16 entered into the calculations, i.e., except for the prices of the year 1914–15, the price-levels prevailing in the middle period, as well as the price-levels of the earlier periods, have entered into the calculations. On this basis, we consider that the North Arcot district except Tiruppattur taluk should be brought down from Group A to Group B, though not for the reasons given by Sri N. Raghavendra Rao.

78. On a comparison of rates, similarly, Sri N. Raghavendra Rao suggested that Chittoor district (except Vayalpad and Madanapalle) should be brought down from Group A to Group B. The Chittoor district except Vayalpad and Madanapalle taluks was resettled between 1912–16. The prices that entered into the calculations in these cases were the prices for twenty years before 1910–11. On the principle stated by us in paragraphs 73 and 74 above, the Chittoor district except Vayalpad and Madanapalle taluks would fall naturally in Group B, and the retention of the district in Group A is not justified. It is therefore recommended that the Chittoor district except Vayalpad and Madanapalle taluks should be brought down from Group A to Group B for this specific reason, and not for the reasons suggested by the Special Officer.

79. Thus, the shifting of North Arcot district except Tiruppattur taluk and Chittoor district except Vayalpad and Madanapalle taluks from Group A to Group B would really be in consonance with the general principles we have suggested. It would be seen, incidentally, that if this were not done, it would leave these districts with rates based on a commutation rate of 95, which is lower than that of any other district where it is proposed to hark back to the previous settlement, and it would also involve the anomaly that while Coimbatore, and Karur in Tiruchirappalli, where resettlement was made at a commutation rate of 167, would have the enhancement reduced only by half, the tracts in question, where the commutation rates at resettlement were 158 and 160, would have the enhancement completely cancelled. From the figures in column (5) on page 31 of the report of Sri N. Raghavendra Rao, it will be seen that after these areas are brought down to Group B, resettlement is left untouched where the commutation rates were up to 154 (Group C), half the resettlement enhancement is reduced for resettlements where the commutation rates varied between 155 and 167 both inclusive (Group B), and the enhancement is completely cancelled where the commutation rates at resettlements were higher. The recommendation of Sri N. Raghavendra Rao, that South Arcot and Madurai districts should be brought down to Group B from Group A, is not acceptable, as it does not conform to this general pattern, and it would give rise to the anomaly that Visakhapatnam and Tanjore districts with commutation rates of 105 and 121 at the original settlements would remain in Group A, whereas South Arcot with a commutation rate of 108 and Madurai with a commutation rate of 123 would come down to Group B.

80. It will be noticed that no details have been furnished in the several columns of the Table on page 31 of Sri N. Raghavendra Rao's report against the Gudalur taluk of the Nilgiris district, which was included in Group A, or against the rest of the Nilgiris, included in Group C.

The Gudalur taluk was a part of the Wynaads (before its transfer to the Nilgiris), and the whole of the area known as the Wynaads was originally included in the Malabar district. The portion now comprised in Gudalur taluk was transferred to the Nilgiris district in 1877. This taluk, except the Ouchterlony Valley, was settled in fasli 1296 (1886–87), and the Ouchterlony Valley of the Gudalur taluk was settled along with the Wynaad taluk of Malabar in fasli 1298 (1888–89). The resettlement of these tracts was due between the years 1916–17 and 1919–20. It was, however, postponed to 1926–27. The proposals for resettlement were published in 1924, and after due consideration of the representations, the Government finally issued orders on the proposals for resettlement in November 1926. No enhancements were made at the resettlement in the dry rates. The Government, however, sanctioned an enhancement of 18-3/4 per cent on the wet rates. The opportunity provided by the resettlements was availed of, incidentally, to combine the taram assessment and the so-called "Janmabogam" on Government janmam lands, or what are generally described as "new holdings". The enhancement in wet rates applied also to private janmam lands classified as wet, i.e., lands permanently brought under wet cultivation. On these grounds, we consider that the whole of the Wynaads should be included in Group A, or Schedule A; and consequently the Gudalur taluk of the Nilgiris district has rightly been included in Group A, and the rest of the area in the Wynaads stands included in the Malabar district, which also is placed in Group A.

In the case of lands included in estates in the Wynaads, the Government applied the limit of 18-3/4 per cent to the expiring rates. Only the developed lands were charged this rate, whereas on undeveloped lands in those estates a pepper-corn rate of six pies per acre was levied. We are dealing with the question of assessment on plantations, and also this special question of the land revenue problems of the Wynaads, separately later on. In this section, our examination is confined to the assessment on lands growing ordinary crops.

In the case of the rest of the areas in the Nilgiris, there were no enhancements at the last resettlement in the year 1936 in regard to ordinary crops; in respect of plantations, however, although a flat rate of Rs. 2 (which was a higher rate than the previous one in most cases) was proposed, it was decided that the rate should not be levied until the conditions in the plantations improved; these enhanced rates eventually came into force only in fasli 1353 (1943–44). In effect, therefore, in the case of ordinary crops, the rates are those imposed at the original settlement made between the years 1881 to 1884. But, in the case of plantations the old rates of assessment, ranging from 2 annas to Rs. 2 per acre, were based on no consideration of soil, situation, prices or any such factor and were far less than what the lands could afford to pay, according to the Collector who reported on this question in 1936. So, the resettlement in this case, so far as plantations were concerned, amounted to an original settlement. We are dealing with this question of assessment on plantations separately later on, as indicated above. Confining our attention, therefore, to the assessment on lands on which ordinary crops are grown, we consider that the inclusion of this area in Group C or Schedule C is proper.

In both sets of cases, however, since the resettlements, as well as the original settlements, were made in a comparatively summary fashion, the usual figures about commutation rates were not worked out, and are not available, therefore, for "plotting" into the table.

81. While on this question of commutation rates, we did examine particularly the case of Tirunelveli and Ramanathapuram districts. As the districts now stand, those resettlements with commutation rates from 122 to 154 remain in Group C. If Tirunelveli and Ramanathapuram districts were removed from Group C and put in Group B, the rest of the districts in Group C would have the commutation rates varying from 122 to 146, and this would really be a very much narrower range. The effect of this would be, in Group B would be found the districts with commutation rates of 154 to 167, and in Group A the lowest commutation rate would be 182. It might be argued, therefore, *prima facie*, that there would be a more reasonable and understandable gradation if Tirunelveli and Ramanathapuram districts were to be placed in Group B instead of being retained in Group C. An examination of the resettlement reports of the Tirunelveli and Ramanathapuram districts shows, however, that in calculating the commutation rates, the prices of faslis 1300, 1301, 1302, 1307 and 1310—(1890–91, 1891–92, 1892–93, 1897–98 and 1900–01) were excluded on the ground that scarcity conditions were prevailing in those years, and therefore, the ruling prices were abnormal. The effect of this was to let into the calculations the prices of the three years 1881–82 to 1883–84. The prices of these three years were the lowest of the prices of the twenty years that entered into the calculations. Some of the taluks in these districts were re-settled in 1911, but even there the prices of the years 1905–06 to 1909–10 were definitely excluded as being years of abnormally high prices. In effect, therefore, the commutation rates were calculated on the basis of the prices prevailing between 1881–82 and 1904–05, or the pre-1905–06 period. Sri N. Raghavendra Rao himself has examined this aspect of the matter and he has pointed out that the ruling prices in Tirunelveli and Ramanathapuram districts were, comparatively speaking, higher than in other parts of the State. Thus, although it seems at first sight arbitrary that the line should be drawn between commutation rates of 154 and 155, 154 remaining in Group C and 155 going to Group B, the result is really based on a

definite principle we have accepted, and we therefore consider that these two districts should remain in Group C only, i.e., they will not be entitled to any concession.

82. In effect, therefore, districts which were resettled with the commutation rates of 154 and less will remain in Group C; districts resettled with commutation rates of 155 to 167 both inclusive will remain in Group B. On this basis Chittoor except Vayalpad and Madanapalle taluks with a commutation rate of 160, and North Arcot district except Tiruppattur taluk with a commutation rate of 158 naturally fall into Group B. The rest of the areas in this State will fall into Group A.

83. As a result of the above, the districts and tracts will be arranged in the following schedules :—

Schedule A.

(Whole of resettlement enhancements to be cancelled.)

1. The Golgonda, Sarvasiddhi and Palkonda taluks of the Visakhapatnam district.*
2. The East Godavari district.
3. The West Godavari district.
4. The Krishna district.
5. The Bellary district.
6. The Anantapur district except the Kadiri taluk.
7. The South Arcot district.
8. The Salem district except the Hosur, Krishnagiri and Dharmapuri taluks and hill village of Kilavarai in the Attur taluk.
9. The Tiruchirappalli district except the villages in the Karur taluk other than the eleven villages which formed part of the Madurai district until 1932.
10. The Tanjore district.
11. The Madurai district.
12. The Anjengo sub-taluk of the Tirunelveli district.
13. The Gudalur taluk of the Nilgiris district.
14. The Malabar district.
15. The South Kanara district.

Schedule B.

(Half of the resettlement enhancement to be cancelled.)

1. The Srikakulam and Ichchapur taluks of the Visakhapatnam district.*
2. The Chingleput district.
3. The Coimbatore district.
4. The Karur taluk of the Tiruchirapalli district except the eleven villages which formed part of the Madurai district until 1932.
5. The Chittoor district except the Vayalpad and Madanapalle taluks.
6. The North Arcot district except the Tirupattur taluk.

Schedule C.

(Existing rates to be confirmed.)

1. The Guntur district.
2. The Kurnool district.
3. The Nellore district.
4. The Kadiri taluk of the Anantapur district.
5. The Cuddapah district.
6. The Vayalpad and Madanapalle taluks of the Chittoor district.
7. The Tirupattur taluk of the North Arcot district.
8. The Hosur, Krishnagiri and Dharmapuri taluks and the hill village of Kilavarai in the Attur taluk of the Salem district.
9. The Tirunelveli district except the Anjengo sub-taluk.
10. The Ramanathapuram district.
11. The Nilgiris district except the Gudalur taluk.

NOTE.—The recommendation of the Special Officer, Sri N. Raghavendra Rao, about bringing Chittoor district (except Vayalpad and Madanapalle taluks) and the North Arcot district (except Tirupattur taluk) from Group A to Group B, is accepted but on the ground that this conforms to our general principles; the recommendation about the rates in Ongole, and about South Arcot and Madurai districts being placed in Group B, are not accepted as they do not conform to our general principles.

84. We recommend that the rates thus arrived at should constitute the standard assessment. The range of the commutation rates (if we take for Groups B and C, the figure arrived at by applying the percentage of the enhancement left by these proposals to the commutation rate of the previous settlement), for the various districts, will be from 104 to 146, a range small enough for the variations between the districts to be considered to be substantially evened out, and the range is at a level low enough for the pitch of assessment to be considered reasonable and fair; we are suggesting later on, further, that the rates should be correlated to a higher range of price-levels. The principles of standardization set out at the outset, may, therefore, be considered to have been satisfied.

85. Sri N. Raghavendra Rao has pointed out an error which crept into the calculations of the resettlement rates in the Tirunelveli district. At the resettlement, the Government sanctioned an enhancement of $12\frac{1}{2}$ per cent in the assessment. The normal practice would have been to apply this enhancement to the single-crop wet rates and thereafter calculate the compounded double-crop wet rates at $1\frac{1}{2}$ times the resettlement assessment. Instead, the sanctioned enhancement of $12\frac{1}{2}$ per cent was applied directly to the

* As the district stood before bifurcation.

prevailing double-crop rates; these rates were compounded at an earlier settlement at 1⅝ the single-crop rates. From the enhanced double-crop rates so calculated the inferential single-crop rate was arrived at. To take a specific example, the old double-crop rate in the case of certain classes of lands was Rs. 20. This was on the basis of the old single-crop rate of Rs. 12, the compounded double-crop rate at 1⅝ single-crop rates amounting to Rs. 20. Enhancement of 12½ per cent was applied to the double-crop rate and the new double-crop rate was fixed at Rs. 22-8-0. From this double-crop rate the single-crop rate was inferentially worked out at Rs. 15 per acre. In actual practice, therefore, enhancement of the single-crop wet rate was from Rs. 12 to Rs. 15, an enhancement of 25 per cent. We consider that this error should be rectified, and the single-crop rates of the old Rs. 12 class of lands should be fixed at Rs. 13-8-0, the corresponding double-crop rate at Rs. 20-1-0, correct rates being worked out for all other tarams in accordance with the above principle.

3. Sliding Scale of Assessments.

86. After the standardization of the land revenue assessments as indicated by us in paragraphs 83 and 84, and the abolition of the resettlements as in the past as recommended in paragraph 63 above, the resulting position would be that the standard assessments would remain frozen as a permanent settlement, unless, as indicated in that paragraph, a simpler system of enhancements and rebates for variations in price-levels is adopted.

87. The question might be posed why there should be any revision or change at all, and why the standard assessment should not be made a permanent assessment on land. The disadvantage of a permanent assessment is that when there is a very steep fall in prices, as happened during the depression in the nineteen-thirties, even the present low pitch of assessment may bear heavily on the poorer class of landholders, and if the principle of granting, in such a contingency, a remission or rebate at a percentage, or at so many annas in the rupee, of the standard assessment were to be conceded, then, we see no justification why the State should be precluded from levying a small surcharge when there is a considerable rise in the level of prices. The standard assessment being based on a certain level of prices for foodgrains, a considerable rise in that level would reasonably justify an extra charge over that standard. Further, the costs of administration tend to rise steeply in a period of rising prices, and the bill of costs for normal services which the State has to render will be appreciably increased, and that would constitute a further justification for such a surcharge.

88. We recommend, therefore, in principle, that, instead of periodical resettlements as in the past, a simple and easily understandable system of sliding scale of assessment, based on the standard assessment, should be accepted, namely, with reference to suitable points in a range of price-levels, surcharges should be leviable when prices go beyond the higher point, and rebates should be given when prices go below the lower point. We may add that the principle was accepted by most of the persons with whom we discussed the question when taking oral evidence.

89. The next question is about the commodities the prices of which should be taken into consideration. We consider that it would make the scheme needlessly complicated if we were to adopt a weighted price index of commodities; and it is really unnecessary, in view of the fact that the whole scheme of resettlements was based on the prices of foodgrains, the grains taken into account being paddy for wet lands and the principal dry foodgrain for dry lands. It would be reasonable, therefore, to take the prevailing price-level of foodgrains as the criterion for applying the scheme of enhancements and rebates. And even here, it is not necessary to take into consideration the prices of all foodgrains. A scrutiny of the table of prices, and the graphs of prices, indicates that the movements of prices of paddy, ragi and cholam are similar over the entire period under consideration. When the price of paddy starts rising, the prices of ragi and cholam also follow in its wake; when the price of paddy starts falling, prices of ragi and cholam start falling in its wake. The price index of paddy alone should, therefore, be an adequate standard frame of reference. Here again, there are two sorts of paddy, first and second sort, and it would, in our view, be more satisfactory to take the average price of first and second sort paddy. There would be minor variations in district prices depending upon local factors and the situation in the adjoining areas, but it would not be necessary to allow for all these in the scheme which we propose. Such local differences will get ironed out because we are thinking of alterations only when the changes in price-levels are considerable. And, for the purpose which we have in view, the primary requisite is only a simple and reliable index to price alterations, and the average prices of first and second sort paddy furnish such an index. Therefore, we consider that the price index, with reference to which the sliding scale should be worked, should be the Presidency average price of first and second sort paddy. In the scheme of settlements and resettlements, the district average price of first and second sort paddy, expressed as rupees per garce of 3,200 Madras measures, was the price index adopted. Therefore, we recommend that the price index with reference to which the sliding scale of assessment should be worked should be the Presidency average price of first and second sort paddy expressed as rupees per garce of 3,200 Madras measures.

90. The next question is as to the range of prices to which the standard assessment should be correlated. In Schedule A districts, the whole of the resettlement enhancements are proposed to be cancelled. The resultant rates would correspond to the commutation rates in column (3) of the table on page 31 of Sri N. Raghavendra Rao's report on Land Revenue Reforms. The lowest commutation rate is 105, being the rate adopted for Visakhapatnam settlement in 1889-90. (North Arcot and Chittoor districts with the commutation rate of 95 at the first settlement have been moved

to Schedule B.) The highest commutation rate will be found in Group C in column (5) where the existing resettlement rates will be confirmed as the standard rates. The highest commutation rate is 154, the rate applied in the Tirunelveli and Ramanathapuram districts. Therefore the standard assessments could be equated to a commutation rate ranging from 105 to 154. The commutation rates are arrived at after deducting from the commutation or average prices the cartage and merchants' profits. The largest allowance made on this account was 28 per cent. Calculating on this, the commutation rate of 105 would correspond to a price-level of 146 and the commutation rate of 154 would correspond to a price-level of 214. So, it may be taken that the standard assessment arrived at on the lines indicated in paragraphs 83 and 84 above will stand equated to a price range of 146 to 214, being the Presidency average prices of paddy first and second sort expressed as rupees per garce of 3,200 Madras measures. But we consider that it would not be equitable to take this as the range for the application of the sliding scale. If we begin to think of enhancements at the level of 214, that would be unjustifiably too early; and if we are to think of reductions only below a level of 146, it is unlikely a case for reduction will arise at all. We consider that a wide margin is necessary, to allow for variations or for inadequacy in the calculations that went into the fixing of the assessments, and also a wide margin for improvement in the standard of living. In our view, therefore, it would be more reasonable and just to equate the standard assessment to a higher range of prices, say, roughly double that range. Doubling the lower limit of 146 we arrive at 292 and doubling the higher limit of 214 we arrive at 428. And so, we consider that the standard assessment should, for the purpose of applying the sliding scale, be correlated to a range of price-levels from 300 to 400. Even then, if surcharges were to be leviable the moment the price-levels top 400 or rebates to be admissible when prices fall below 300 level, it may not fully and completely satisfy the canon of certainty, as fluctuations may be more frequent, particularly when prices start oscillating above and below the 400 level. Moreover, it would be cutting it too fine to levy enhancements immediately after the higher point has been passed. It would, in our view, be more reasonable to allow greater room for adjustments of the cost-structure, and in this view the rise beyond 400 up to 100 points may be ignored. It is only when the prices reach the level of 500 that an enhancement on the standard assessment should be leviable. On the same basis we would suggest that rebates should not be admissible immediately the prices fall below 300 but a further range should be provided. But as distress to the agricultural classes would become acute when prices are falling, we would suggest that the rebates should be admissible when the prices fall by 50 points below the lower limit; that is, rebates should be admissible as soon as prices touch the 250 level. In effect, therefore, surcharges will be leviable when the price-level goes beyond 500, that is, 100 points above the upper-limit; and rebates will be admissible when the prices reach 50 points below 300, or 250.

91. We also consider that the reduction should be at half-anna in the rupee for every 50 points, and the enhancements should be at the rate of half-anna in the rupee for every hundred points up to a price-level of 1,000, and thereafter at one anna per 100 points.

92. Our intention definitely is that the existing assessments, where they are higher than the standard assessment, should be brought down to the standard assessment, and that surcharges should be levied on the standard assessments in all the districts in accordance with the principles laid down above.

93. Taking the present price-level, which is round about 850, the enhancement to be levied on the standard assessment would be two annas in the rupee. The effect would be that the districts in Schedule A, which have had an enhancement of three annas in the rupee at the last resettlement, will secure a slight reduction from the present level of assessment; in the case of districts in Schedule B, in three cases there will be a slight enhancement of roughly about ¾ anna in the rupee of the present level of assessment, and in the case of two other districts there may be no appreciable change; and in the case of districts in Schedule C, the current assessments will be enhanced all through by two annas in the rupee on the present level of assessments. As the districts in Schedule C have been paying less than their proportionate share for some time past, and the other districts more, and the present proposals secure an equalisation of pitch all round, we consider that there is nothing unreasonable in the immediate effect being that the districts in Schedule C should now have to pay something more, while the other districts will have a reduction to a greater or less degree, or no alteration at all. It would have been possible to allow a higher rate, say one anna per 100 points on the enhancement over 500 points, so that in view of the high levels of the existing prices there would be no reduction on current assessments even for districts in Schedule A; but that would mean that, correspondingly, the lee-way to be made for districts in Schedule C would get even higher, and the enhancement in those districts would have to be as much as four annas in the rupee—which would cause considerable discontent. It was with particular reference to that aspect that we have put the rate at 6 pies per hundred (100) points—deferring to the price-level of 1,000 an enhancement of one anna per hundred points.

94. As regards rebates, in a period of falling prices the primary producers, particularly agriculturists, are hard hit. So, we consider it more proper that rebates should be admissible for every step of 50 points fall below the lower limit. We consider it would be equitable to grant a remission of half-anna in the rupee of standard assessment for every 50 points below the lower limit.

95. The result of our recommendation would be that when prices are ranging from 500 and above but below 600 an enhancement of half-anna in the standard assessment will be levied; when the prices

are ranging from 600 and above but below 700 an enhancement of one anna in the rupee will be levied; for a range from 700 and above but below 800 an enhancement of 1½ annas in the rupee will be levied and so on up to 1,000; for prices between 1,000 and above but below 1,100 an enhancement of 3½ annas in the rupee will be leviable, for prices of 1,100 and above but below 1,200 an enhancement of 4½ annas in the rupee and so on. In the matter of rebates, when the prices are 250 and below but not less than 200, a rebate of half-anna in the rupee will be admissible; when they are 200 and below but above 150 a rebate of one anna in the rupee will be admissible, and so on. We have already set out above the immediate effect of the application of these principles.

96. To sum up, our recommendations are—

(*a*) The standard assessment should be correlated to a range of price-levels from 300 to 400, being the Presidency average price of first and second sort paddy expressed as rupees per garce of 3,200 Madras measures, and surcharges be leviable when the price-level reaches 100 points above 400 and rebates when the price-level reaches 50 points below 300.

(*b*) The reduction should be for every 50 points and should be at the rate of half-anna per 50 points.

(*c*) The enhancement should be for every 100 points and should be at the rate of half-anna per 100 points up to a price-level of 1,000, and thereafter at one anna per 100 points.

(*d*) The existing assessments, where they are higher than the standard assessments, should be brought down to the standard assessment, and surcharges should be levied on the standard assessments in all the districts with reference to the current level of prices in accordance with the principles recommended by us.

97. Our scheme ensures a wide range of stability, and variations will not be from year to year, except where yearly variations are very steep, in which case the changes will be clearly justified. When the principle that the variations will be definite, and will be over wide ranges, is clearly laid down, the element of certainty, one of the important canons of taxation, is satisfied. That will be even more satisfied if it is arranged that, every year before the kist is due, the Government should be in a position to declare, with reference to the price-levels then prevailing, whether any alterations will be made on the basic assessment or not, and if any alteration is to be made, what it is, and to have this duly published in the villages. There should be no difficulty at all in collection when any variation is ordered, as the calculations will be at six pies in the rupee of the standard assessment, a simple matter for calculation and check. The only complicated calculation will be at the initial stage when the standard assessments have to be worked out, but that will occur only once, and it is not beyond the resources of the revenue establishment to do the calculations and the necessary check on that occasion.

98. For the purpose of a declaration to be given by the Government there are two alternatives. The kist collection season starts in December and ends in March in some districts; in many others it starts in January and ends in April. The Budget is presented to the Legislature on or about the last working day in February of each year. Any variations that might be decided upon must either be announced in November or December before the kistbundi starts, or at the time of the presentation of the Budget. It would be an important point here to decide whether the variations will be made to depend on the price-levels of the previous year, or those of the current year. If the intention is that the prices in the ryot's selling months should be taken into account, remission or enhancement will accrue only in the next year on the basis of the price-levels of the current year. Remissions or enhancements of the current year will be determined by the price-levels of the previous year. On the other hand, it would be preferable to work on current price-levels, as the time lag of twelve months will mean that in the case of many small landholders, and particularly where lands change hands, relief will not accrue to the person who is really entitled to it in equity; and a levy will be made at a time when the current ruling prices may be lower than the previous year's price-levels, leading perhaps to hardship. So, it would be better for Government to make a preliminary decision in October or November in each year as to whether or not there will be an enhancement or reduction for the particular fasli. For this purpose the Government should have before them the ruling prices month by month from January to October. From the condition of the crops and the seasonal prospects, it should be possible to make a reasonable forecast of the trend of price-levels during the kist months. If the prospects indicate that there is likely to be no change over the previous year's levels, the matter may be allowed to rest there. But if the indications are that even on the current rates in October remissions or enhancements are called for, the Government may bring a "Land Revenue Bill" before the Legislature in advance of the presentation of the Budget, so that the vote of the Legislature could be obtained on the proposals and the remissions or enhancements be brought into effect immediately. In view of the wide margins that have been proposed, changes are likely to be operative not oftener than once in about five years, and a temporary dislocation in the first year is inevitable. Or, alternatively, the proposals can be framed as part of the Budget and be voted upon by the Legislature along with the other Budget proposals.

99. Our preference is for the arrangement by which a decision could be taken by Government in October or November each year, with reference to the average prices of the twelve months terminating with that period, the level then prevailing, and the anticipations of future trends that can then be made; the decision will of course have to be sanctioned by the Legislature.

100. We would also like to reiterate in this connexion that the sliding scale of land revenue assessment is proposed by us purely

and solely with reference to the alterations in price-levels, and there should not be any changes merely with reference to the exigencies of State finance. To introduce such an element into the land revenue structure would be to introduce an element of arbitrariness and uncertainty which, in the public interest, we consider it essential to avoid.

4. Exemption of small holdings from Assessment.

101. One of the defects urged against the present system is its regressive nature and also its lack of progression. The defect could be remedied by exempting the small holdings from any levy or charging them something less than the normal rate, and also by levying an extra charge on larger holdings. Either of these methods, or both of them, could be resorted to.

102. The fundamental objection to any proposal for the total or partial exemption of small holdings from land revenue, or the levy of a higher rate on larger holdings, is that the holdings would be subdivided. If, however, the exemption of small holdings from assessment were to be linked up with our proposal made in the First Report prohibiting subdivision below the unit of profitable cultivation, the evil may be minimized to some extent.

103. There are, however, weighty general considerations against the exemption of petty holdings from assessment wholly or partially. The land revenue even on small holdings can, as indicated by Sri N. Raghavendra Rao, scarcely be called a burden at the present level of prices of agricultural produce; it is doubtful whether even with the prices at a normal level it can be termed a severe burden. Taking the payment of Re. 1 on a holding whether it consists of, say, 4 acres of dry land paying four annas an acre, or a quarter of an acre of wet land paying Re. 1 on which wet or garden crops may be raised, the payment of a rupee as assessment cannot be called a burden. Land has been, and is a legitimate source of revenue, and there are few countries in the world where a tax is not imposed on all lands.

104. An exemption below the level of assessment of Rs. 30 will really not make an impression on the ryot. To be worthwhile, relief should be given to holdings paying an assessment of Rs. 30 or less. The financial effect of total exemption at that level would be a loss of revenue of about Rs. 3·24 crores. It is obviously impracticable to give relief on that scale. Even if the limit for total exemption were to be put at Rs. 10, it would mean a loss in revenue of Rs. 1·6 crores, an amount which the State can hardly afford to lose. If only partial exemption is given, by a 25 per cent remission of the normal assessment on holdings paying Rs. 30 and less (the Mysore Land Revenue Committee, it may be noticed, have recommended a 25 per cent rebate on small holdings), the loss in revenue would be about Rs. 81 lakhs. A 25 per cent

rebate at the level of Rs. 10 assessment would mean a loss in revenue of Rs. 40 lakhs. Putting the exemption limit at Rs. 5 would mean a loss of about Rs. 60 lakhs; a 25 per cent rebate would mean a loss of Rs. 15 lakhs. The exemption limit at Re. 1 would mean a loss of about Rs. 11 lakhs and a 25 per cent rebate would mean a loss in revenue of something less than Rs. 3 lakhs. But, as already indicated, partial exemption by a 25 per cent rebate even up to Rs. 30 assessment, and even total exemption up to a limit of holding of Rs. 5 would hardly give an amount of relief in individual cases that would justify the loss of revenue involved in the aggregate. Apart from that, we also consider that the land revenue should now come to be looked upon not so much as an exaction, but as a contribution by the landholders towards the growing governmental expenditure of a Welfare State, particularly as under present trends there is a strong likelihood, if not a certainty, of the money being spent in rural areas for the benefit of the rural masses generally.

105. In conclusion, therefore, we consider that there is no need to give any exemption from assessment, either total or partial, to any class of small holdings, since the level of general assessments which we are proposing cannot be considered burdensome even on the smallest of such holdings. It is sufficient, in our view, to meet the objective of progression by making extra levies on larger holdings and larger levels of agricultural income—which we proceed to deal with immediately below.

5. Agricultural Income Tax over and above the Land Revenue Assessment.

106. In Chapter II, section 3, we have examined the question of the levy of an agricultural income tax in complete replacement of the existing system of land revenue assessment, and have come to the conclusion that it is not a practicable proposition, and that, if an agricultural income tax is to be levied, it will have to be conceived of as a factor of progression to be superimposed on a scheme of suitable assessments on the land itself. It is in that aspect, and incidentally, as placing income from agriculture on a par with income from other sources in regard to liability to taxation, that the question of an agricultural income tax was discussed on previous occasions.

107. The Indian Taxation Enquiry Committee, after tracing the history of the exemption of agricultural incomes, came to the conclusion that there was nothing in history to justify the continued exemption of this class of income from income tax. Notwithstanding this conclusion, their final recommendation was that under the conditions then existing, for administrative and other reasons, the abolition of an exemption which had then been in existence for so many years was inopportune and undesirable.

108. The position continued unchanged till 1936, when, on the initiative of the Finance (Reforms) Department of this Government, "a general overhaul of revenue and expenditure, with a view to net increase in resources to a level reasonably adequate to needs," was taken up, and one of the questions actively considered was the question of the "Levy of income tax on agricultural incomes above a certain limit." The conclusion at that time was that the question had better be left to future Governments to decide.

109. In 1937 the Marjoribanks Committee considered the income tax idea to be not practical politics on the ground that "the great number of small holdings and the small amount of the assessment paid by each shows few ryots would be liable to pay anything at all on the basis of income tax, and the amount of worry and annoyance the investigation of the departmental staff would cause may be better imagined than described", but it is not clear whether they were thinking of an agricultural income tax in complete replacement of the land revenue, or of an agricultural income tax over and above the assessment on land.

110. On the advent of the First Congress Ministry in July 1937 the proposal was actively revived. But ultimately it was decided that the proposed legislation should be deferred as the Government had not yet formulated their land revenue policy and the principles of land revenue assessment. It was considered to be incongruous to proceed with the proposal before settling the land revenue policy.

111. It was about this time the opinion of the Advocate General was obtained on the question of the legality of the levy of an agricultural income tax on incomes accruing from permanently settled estates. His opinion was to the effect that such a levy cannot be said to alter the character of the permanent settlements. However, in view of the abolition of the zamindaris, this particular aspect of the matter is of purely academic interest now.

112. The next significant development was in April 1943, when the Government of India suggested a levy, or enhancement of the rates, of agricultural income tax as one of the measures to check inflation. Section 93 situation was prevailing in Madras at that time, and the Advisers' Government took up the matter for consideration in consultation with the Board of Revenue. On the basis of the Acts passed earlier in other Provinces, particularly Assam and Bihar, and after taking into consideration the remarks of the Board of Revenue, and the previous discussions, a Bill for levying agricultural income tax was prepared and published in the Gazette of the 20th March 1945 for public criticism. The measure had a hostile reception both from the Press and the Public. Even those who were prepared to support the measure

on grounds of principle, objected to the enactment at that particular time, on the plea that such a measure should be sponsored by a popular Government and not by the Advisers' Government. Another objection raised was that the finances of the Government were then quite satisfactory, and so there was no justification for the levy of additional taxation. Yet another objection, and possibly the most important one, was that an essential pre-requisite to the imposition of an agricultural income tax was that the inequities and inequalities in the present system of assessment should be reduced to a minimum. Once again further consideration of the Bill was dropped.

113. In April 1945, the Government secured the services of an officer of the Income Tax Department from the Central Government, Sri K. Govindan Nair, for making an investigation into this question of agricultural income tax and the likely yield. His estimates have already been examined in paragraphs 36 to 38 above.

114. In 1946 on the advent of the Second Congress Ministry this was again revived, and after taking into account the criticisms of the Bill published in 1945 during the section 93 situation, a fresh Bill providing for the levy of an agricultural income tax was published in the Gazette on the 2nd January 1947. After some discussion, the papers were referred to Sri N. Raghavendra Rao. The consideration of Sri Raghavendra Rao's report itself has been deferred pending the Report of our Committee.

115. In the discussion of any tax, apart from the question of yield, which we have discussed earlier in paragraphs 36 to 45, the practical and administrative considerations that would arise in implementing the scheme, and the possible reactions on the tax-paying public would have to be considered. When the tax is being levied primarily with a view to secure an element of progression, the actual yield itself is not particularly relevant, provided that the expenses of collection do not absorb the bulk of the yield from the tax, for whatever net income is derived by the tax would be in addition to the assessment levied on land as such. When this question of staff was discussed in connection with the Bill of 1947, the idea seems to have been that there should be an Income Tax Officer for two or three districts together, of the cadre of a Deputy Collector, with a Deputy Tahsildar for each district, a Deputy Commissioner to help the Commissioner of Income Tax, the Commissioner himself being a Member of the Board of Revenue; this machinery would rely on the regular Revenue machinery for basic information and for records. This arrangement, we consider, would be suitable and workable and the cost in any case would be a small fraction of the yield from the tax.

116. As regards the practical administrative difficulties in the implementation of the scheme, Sri K. Govindan Nair has pointed out in his report that "the assessees could be detected only by

an intensive survey. There are no records in the revenue offices showing a man's total holdings in the Presidency. The revenue records merely show the number of pattas but not the number of pattadars, and one pattadar may have more than one patta. The preparation of an exhaustive list of assessees is therefore a matter of great difficulty and this has to be done mainly by local enquiries which should, to be successful and complete, be entrusted to incorruptible staff who will work loyally and devotedly . . ."

117. Sri N. Raghavendra Rao in his report indicated that there will be scope for evasion from taxation and inaccuracies in assessment; but he has held that this is not a serious objection, and in course of time the assessment of the tax can be made with a good deal of accuracy.

118. The Indian Taxation Enquiry Committee have quoted an experienced Collector in Madras as having observed :—

"Even if the land revenue registers were a record of rights and our list of pattadars was in fact a list of owners, and even if our land revenue assessments were in fact what they are in theory, i.e., half the net yield of the land, it would be difficult to arrive at a list of agricultural assessees which would be sufficiently exhaustive to justify the imposition of income tax without laying Government justly open to the charge that they were imposing an inequitable tax which was a tax on honesty. The task would be difficult owing to the scattered nature of the agricultural holdings of any one man, the ignorance in one village of the conditions of other villages, even those in its immediate neighbourhood, the existence of capital encumbrances on land, the fluctuating nature—particularly in India—of the yield of agricultural land, and the difficulty of ascertaining accurate information in villages from people—more particularly those possessed of special knowledge whose interested sympathies are entirely with the assessees and against the Income Tax department. The task becomes insuperable when it is realized that the land revenue registers are not records of rights and that the land revenue assessment on a field is not in practice what it purports to be in theory, when in fact, it is realized that the land revenue shown in a patta is no indication of the income from the land, and the name shown in the patta is no indication of the earner of that income."

The Committee went on to say that the other side of the case was stated by an Income Tax Commissioner (also of Madras) as follows :—

"It is obvious that there would be considerable evasion at first but I consider that it would be no greater than existed in the early days of taxation of business, and I think that after two or three years our list of assessees of agricultural incomes would be as accurate as our list of business assessees.

"In regard to the ascertainment of the profits, I think it would be feasible to follow our existing methods, i.e., if an assessee produces satisfactory accounts proving his receipts from and expenditure on lands, he would be assessed accordingly. If such proof were not forthcoming, he would be assessed on the best information available. This would probably take the form of a multiple of the kist. The multiple would vary with the class of land, the leases prevailing in the village and the nature of the season in question. The information necessary to make such an estimate would be easily available from the settlement registers or from the Land Revenue officers. On the whole, I believe our estimates of agricultural profits would be more accurate than our present estimates of business profits because the yield of particular kinds of land can be ascertained fairly accurately. It might be enacted, as I think it has been in England, that if a farmer does not produce complete accounts, the tax shall be a fixed proportion of his kist. If estimates made on these lines were faulty, the remedy would be in the hands of the assessee, viz., to produce accurate accounts.

"The procedure does of course depend very largely on the Land Revenue Department registers being approximately accurate."

In conclusion that Committee observed that the same officer suggested, in common with others, that an easy way of mitigating the difficulties that might arise would be to raise the limit of exemption in the case of agricultural incomes.

119. While no doubt there will be administrative difficulties at first when a scheme of this kind is implemented, we do not consider them to be insuperable, and we are inclined to take the view of the Income Tax Commissioner referred to in the Taxation Enquiry Committee's report. As indicated in paragraph 115 above, the staff appointed to administer the scheme should be able to ensure close and continuous co-operation with the Land Revenue Department, and there will be the advantage that the existing accounts relating to holdings will remain and will offer a convenient jumping off ground for the preparation of the list of assessees, who will come out of the larger holdings which will be on record.

120. The objection in principle that is sometimes put forward is that an agricultural income tax will constitute double taxation on the land. In our view, there is not much substance in this criticism. Income tax is on a different footing since it relates to the income derived from the land, and makes that income subject to taxation just like income from any other source. While examining this objection, Sri K. Govindan Nair observed that an importer of foreign goods pays customs duty at the port, later on sales tax when he sells the goods, and ultimately income tax on the profits of his business, and dismissed this argument as confused thinking. We agree with his view. In the exercise of many vocations, taxes of various kinds are paid—which are merely

deducted as costs before the income is assessed to income tax. Similarly, the basic land-tax (which will in future be the standard assessment subject to the sliding scale), will be merely a tax paid in the process of getting an income from the land. Admittedly, there is the distinction that the income tax and the basic tax relate more directly to the same subject matter than in other cases; and in view of the fact that the basic tax is related to the fertility or productivity of the land, its incidence has a relation also to the income from the land; but, for one thing, the latter point is more theoretical than practical under present conditions, and, for another, the justification for an income tax on land is the introduction of the principle of progression into the scheme of land revenue assessment—that is, to subject holders of land of over a certain size to a higher rate of taxation on the whole than the owners of the smaller holdings. In other words, the essential element is one of extra taxation and not of double taxation—and for such extra taxation there is ample justification. That progression is necessary and justifiable cannot reasonably be denied, and we consider that, in principle, the levy of an agricultural income tax would be a proper way of securing a measure of progression in the scheme of land revenue assessment.

121. But its immediate implementation throughout the agricultural sector, plantation areas excepted, would give rise to a degree of hardship among the agriculturists which, in our view, it is essential to avoid at this juncture. There is a fundamental difference in the maintenance of accounts in the running of a business and in the running of a farm. In business, accounts have necessarily to be maintained, more or less systematically, to record each transaction as and when it takes place, but in agriculture it would not be essential except for purposes of the income tax. In the case of farmers, the overwhelming majority of whom, including large farmers, are illiterate, maintenance of accounts in a form which would satisfy the officers of the Income Tax Department would give rise to almost insuperable difficulties. The effect would be to force them to employ an accountant. That would constitute a serious additional burden to agriculturists if we consider the wages or salary to be paid all through the year to a competent and reliable accountant. They cannot leave matters entirely in the hands of the accountants they employ either, and they will have necessarily to exercise a close supervision over the accountant's work. All this would distract the farmer's attention, besides affecting the return he gets from the land—which are developments to be avoided at the present juncture when it is imperative to focus the farmer's undivided interests on food production. On all these considerations, we are of the view that there should be no immediate levy of an agricultural income tax in the agricultural sector (except in plantation areas, which we deal with below), and that progression, instead, should be by a surcharge on land revenue in the case of larger holdings, which we discuss in the next section.

122. Conditions in plantation areas are, however, different. Most plantations now have to maintain accounts for purposes of the general income-tax, and a portion of their net profits excluded as being attributable to the agricultural share of their total income. In their case, there will be no great difficulty in assessing them to income-tax on the basis of the accounts they are already maintaining. We recommend, therefore, that an Agricultural Income-tax Act should be placed on the Statute Book and be applied to the plantation areas in the first instance.

123. We are thinking of the surcharge only as an interim measure for the other areas; when, as a result of the general progress in education, the farmers there become competent to maintain proper accounts, the agricultural income-tax should be extended to the other areas later, replacing the scheme of land revenue surcharge on large holdings.

124. We also consider that for the purposes of income-tax, the levy and exemptions should ordinarily follow the schedules of levy and exemptions that are current at the time under the relevant Union Act; but we recommend that in the interim period, when the scheme of land revenue surcharges in lieu thereof is operative, the exemption limit for plantations where the income-tax would be operative, should be only Rs. 1,500 (rupees one thousand five hundred only) annual income. This is because, otherwise, while holdings paying Rs. 150 as assessment (answering to an income of Rs. 1,500) would be subject to that surcharge in the other areas, in the plantation areas they would be exempt from income-tax and free therefore from a corresponding charge.

125. In view possibly of legal difficulties, and certainly of the administrative difficulties, in reckoning income from land along with income from other sources for purposes of calculation, and in view particularly of the fact that the main justification is the idea of progression, for which the income from land should be considered separately, we consider it better to have an income-tax from land completely separate for all purposes from the general income-tax.

126. As we have suggested, the exemption limit should be only Rs. 1,500 in the transition period, and this was the limit that was allowed in calculations in Appendices IV, V and VI. If and when the agricultural income-tax is extended to the whole of the agricultural sector, it would be desirable in the beginning to have the number of assessees within manageable limits. An exemption merely at Rs. 1,500 would bring in a very large number of assessees at the same time contributing no commensurate additional income. A higher limit as fixed for the general income-tax, which at the time of writing the Report is Rs. 3,600 annual income, would eliminate quite a large number of the smaller assessees, and would have the advantage of securing uniformity with the general income-tax, and that is why we have recommended that the exemptions as well as the rates may be as in the current Union Schedules.

127. When the agricultural income-tax is introduced throughout the State, the income, calculating on the rates and exemptions now current under the general income-tax will, as indicated in paragraph 42, be about Rs. 45 or 47 lakhs. That is the gross income. Taking into account the extra staff, and possibly allowances to the village officers in respect of the extra work thrown on them, a deduction of 10 per cent may perhaps be made as representing the cost of collection; the net income may, therefore, be put down as about Rs. 40 lakhs.

128. We have no data for estimating the yield from the tax which we are now proposing in the first instance for plantation areas alone. The staff to be employed will, of course, be only such as is required for this limited area. We have indicated in paragraph 259 of our First Report what we mean by 'plantation areas.'

6. Surcharge on Land Revenue on larger holdings.

129. We have indicated in paragraph 120 that the principle of progression in the land revenue system should be accepted. The levy of a surcharge on larger holdings is a measure of progression, and is an alternative to an agricultural income-tax. We can see no objection in principle to the levy of such a surcharge. The calculation of surcharge would be an extremely simple matter, and the whole scheme would dovetail into the existing system of levy and collection of land revenue assessment, no extra staff for assessment, or for collection, being required.

130. The income from such a levy will, however, be very much less than what can be secured by an agricultural income-tax. It would be proper to levy the charge only on the excess over the exemption level, and not throughout on the holding which comes under the purview of the surcharge. Taking, for instance, the figures given by Sri N. Raghavendra Rao, the income by a surcharge as calculated in the above manner will be only about Rs. 6 lakhs on a scheme of surcharges on holdings paying over Rs. 250 as assessment, whereas an income-tax with an exemption of incomes below Rs. 3,600 per annum (answering to an assessment of Rs. 360) will, as indicated in paragraph 42, give a net income of Rs. 40 lakhs. To get by a surcharge the same income as by an income-tax, we should have to put up rates to a very high pitch. An income-tax is, therefore, preferable. But for the reasons given in paragraph 121, we have considered it inexpedient to introduce the agricultural income-tax at present except in the plantations, although the income-tax should be placed on the Statute book. Until such time, therefore, as the agricultural income-tax is applied to the other areas, we recommend that a scheme of surcharges on larger holdings should be applied in those areas.

131. The surcharge should be on the standard assessment and should be levied on holdings paying a standard assessment of over Rs. 150. The levy should be restricted to the portion above the exemption limit. It should be based on the slab system and be at the following rates :—

Up to Rs. 150 of assessment	No charge.
Above Rs. 150 and up to Rs. 250 of assessment.	1½ annas per rupee.
Above Rs. 250 and up to Rs. 500 of assessment.	3 annas per rupee.
Above Rs. 500 and up to Rs. 1,000 of assessment.	4 annas per rupee.
Above Rs. 1,000 and up to Rs. 2,500 of assessment.	6 annas per rupee.
Above Rs. 2,500 of assessment	8 annas per rupee.

7. Special Charge on Commercial Crops.

132. In the general scheme of land revenue assessment, the crops taken into consideration are food crops—paddy in wet areas, and the principal dry cereal or foodgrain in dry areas. In the settlements and re-settlements, no notice was taken of commercial or other valuable crops grown on the lands, and, in fact, the principle deliberately adopted was that the assessment was on the land and was not to vary with reference to the crops actually raised. The cultivation of commercial crops is always profitable, and the income derived is much higher, even after making due allowance for the extra cost of cultivation, compared with that derived by the cultivation of food crops, with the result that the assessment is a much smaller proportion of the net income from the land. There may have been in earlier times, in order to encourage initiative and enterprise in regard to the cultivation of these valuable crops, justification for making no differentiation in the land revenue assessment with reference to the crops raised on the land. But now that these crops have come to have a definite place in the picture, there is no longer such a justification, and so, we consider that the ordinary rates of assessment, based as they are on the calculations of the net-produce derived from growing food crops, are inappropriate in these cases, and that there is ample justification for levying an extra charge on land growing these commercial and other valuable crops, even on settlement principles. Therefore, we recommend for acceptance the principle of levy of a special charge on commercial or other valuable crops on an acreage basis, over and above the current assessment, that is, the standard assessment to which the sliding scale has been applied.

133. The question arises whether this surcharge should be levied even in cases where a surcharge on larger holdings is levied, or an agricultural income-tax is levied. It may be urged that a large holding which pays a surcharge on the basis of its being above a certain exempted limit, or the owner of which is assessed to agricultural income-tax, should not be subject to a further levy in the form of a special charge for growing commercial crops. We consider that this is not a valid argument. The levy of a surcharge

on large holdings, or of an agricultural income-tax, has been recommended by us with the definite intention of introducing an element of progression in the land revenue structure. The extra surcharge, or the income-tax, is to be levied because of the fact of the possession of holdings above a certain size. In the scheme of surcharge, the assumption is the same as that made in the case of the assessment itself—viz., that only food crops are raised on the lands in the holding. But the levy of a special charge for commercial crops is based on a different ground altogether—that these crops yield a higher income to the land-owner than the ordinary foodgrains with reference to which the assessment was fixed, and this distinguishing factor will apply to the lands in the larger holdings where the surcharge is levied, as well as to lands in the smaller holdings where no surcharge is levied. As far as the agricultural income-tax is concerned, too, the basis of levy is different; in assessing the income-tax, it is irrelevant whether the income was derived from ordinary food crops or from commercial crops; if commercial crops bear an extra charge, that will merely be an extra item of cost to be allowed when computing the assessable income; there is no reason at all for exempting from the special charge lands belonging to persons who are assessed to the income-tax. We therefore recommend that the special charge on commercial or other valuable crops should be independent of, and over and above, the scheme of surcharge on larger holdings and the agricultural income-tax.

134. At the same time, we consider that the levy of this special charge on all holdings, big and small, would entail hardship on the poorer class of ryots. Having regard to this aspect, Sri N. Raghavendra Rao has recommended that one-fourth of the holding may be allowed to be cultivated with such crops without any additional liability, the limit of such exemption being, however, restricted to a maximum of three acres. We agree with him and consider that the exemption from levy up to 25 per cent of a holding is necessary, and should be granted; we also feel that an absolute upper limit to the exemption is necessary, in order that undue advantage may not accrue to the large landholder under cover of this exemption, and that a limit of three acres is appropriate, and we agree therefore that the limit may be three acres as recommended by Sri N. Raghavendra Rao.

135. In paragraph 16 of Chapter IV of his Report, Sri N. Raghavendra Rao has mentioned twenty-one varieties of commercial crops, but he has recommended the levy on an acreage basis, varying from Rs. 5 per acre to Rs. 1-8-0 per acre, on only ten varieties of commercial crops. But the question arises whether the levy on these commercial crops should not, instead of being at a flat rate of so many rupees per acre for each variety of crop, be a fixed proportionate enhancement of the current assessment, that is, the standard assessment to which the sliding scale has been applied. In respect of certain types of crops, chiefly, groundnut, the anomaly is observed that they give a much better yield when grown on dry lands assessed at comparatively lower rates than

when grown on lands assessed at higher rates. But generally speaking, however, the large majority of commercial crops which give a high yield such as sugarcane, or betel-vines, or coconut, require better types of soil. To take a specific example, Sri N. Raghavendra Rao has suggested the levy of Rs. 5 per acre for sugarcane. In rich delta lands assessed at about Rs. 10 or Rs. 12 per acre, the yield from sugarcane is very many times what can be obtained in dry lands assessed at a rate of a rupee per acre or thereabouts irrigated by wells. The levy of a flat rate of Rs. 5 per acre would bear harshly on the poorer varieties of soil, while, on the other hand, it may bear comparatively lightly on the richer varieties. Apart from a few exceptions, it is generally the case that the yield of commerical crops is dependent on the fertility of the soil as for foodgrains, and an index of such fertility is provided by the level of assessment, and particularly after the standardization of assessment in the manner suggested by us in paragraphs 83 and 84 above, this index may be held to be of uniform application throughout the State. It will be more appropriate to relate the charge on commercial and other valuable crops to the assessment itself, than to levy an independent flat rate. We, therefore, consider that, on the whole, it will be more equitable to levy the commercial crop charge as a fixed proportion of the current assessment, i.e., the standard assessment to which the sliding scale has been applied.

136. However, in the case of groundnut (which we have referred to already), and even more markedly in the case of tobacco, the yield is not so definitely relatable to the land revenue assessment. In these two cases, therefore, we consider that the levy should be by way of flat rates per acre.

137. We agree with Sri N. Raghavendra Rao that the following ten crops should be classed as commercial crops for the purposes of this levy :—Turmeric, sugarcane, mangoes, plantains, onions, fruits of citrus variety, groundnut, coconut, cotton, and other drugs (betel-vines only). We would, however, add chicory, pepper, vine-yards and tobacco to the list, as these are also very valuable crops; and we consider that Sri N. Raghavendra Rao's reason for omitting tobacco, viz., that a cess is paid, is not valid as the cess touches only a fraction of that very valuable crop.

138. Having regard to the value of the various crops, and the relative value of each as among the group, we recommend that the fixed proportionate enhancement of the current assessment, and the special flat rates in the case of tobacco and groundnut, should be as follows :—

Sugarcane, turmeric, fruits of citrus varieties, betel-vines, pepper, chicory and vine-yards.	As. 12 in the rupee of current assessment.
Coconut	As. 10 in the rupee of current assessment.
Mangoes, plantains and onions	As. 8 in the rupee of current assessment.

Cotton	As. 6 in the rupee of current assessment.
Tobacco	Rs. 10 per acre.
Groundnut	Rs. 1—8—0 per acre.

139. The advantage of linking up the levy, in the case of all the crops except tobacco and groundnut, to the current assessment, is that provision is thereby made automatically for variation of the charge with variations in price-levels. It might be argued that the variations in the prices of commercial crops and their products are more frequent, and the fluctuations are more marked, compared with the variations in the level of prices of foodgrains. But it would obviously be difficult to make this charge variable from year to year, or in the course of the same year. It would be desirable, as far as possible, to iron out the steep fluctuations, and to relate the levy to what one might call the average trends of prices over a series of years. Although short-range fluctuations in the value of commercial crops may be steeper and more frequent than the variations in the price-levels of foodgrains, we consider that over a long range or series of years, taken by and large, the prices of commercial crops generally follow the same trends as the prices of foodgrains. Therefore, in our view the correct principle to adopt would be to link the levy to the same standard frame of reference, viz., the sliding scale of assessment.

140. For the same reasons, the flat rates proposed by us for tobacco and groundnut should also be correlated to the standard assessment and be variable in accordance with the sliding scale, so that, in the matter of variations with reference to price-levels, they are put on the same footing as the other commercial crops.

141. In one particular respect, mangoes and fruits of citrus variety deserve special treatment. We consider that when these are grown on small extents, more or less for domestic consumption, they should not be subject to the levy on commercial crops, since the general justification for the levy of such a charge, namely, the higher return accruing to the ryot when such crops are marketed, would not exist in such a case. We consider it desirable also that growth of these fruits for domestic consumption should be encouraged. As the test of domestic consumption would not be easy to apply, we suggest a simple and outright exemption when the area under such crops does not exceed one acre. So, we would recommend that mangoes and fruits of citrus variety, when not grown on a commercial scale, that is, when grown in extents of less than one acre in a holding, should not be treated as commercial crops. Where more than one acre in a holding is cultivated with any of these crops, the whole of it should be treated as a commercial crop, and the charge be leviable, subject to the 25 per cent exemption not exceeding three acres as recommended in paragraph 134 above. Where, however, the extent is less than one acre, it will be reckoned only as a non-commercial crop, and any other commercial crop that might be grown in the holding will be subject to the levy when the extent of such crop is in excess of the limits specified in paragraph 134 above.

142. When two or more commercial crops are grown in the course of one fasli on the same plot of land, there should not be cumulative charges levied on the holding. The charge in each fasli should be limited to one levy only, that being the one to which the highest rate is applicable. This will keep the levy moderate, and will not act as a curb on individual initiative and enterprise.

143. In the case of a crop standing on the ground for more than one fasli, the charge shall be leviable only from the fasli when it starts yielding, and shall continue to be levied in each fasli as long as it is yielding. The justification for this recommendation is obvious, the charge being collected only when there is a return accruing to the ryot, and not otherwise.

144. Lands in Malabar and South Kanara districts which are assessed as garden lands should be exempted from the extra charge for commercial crops. In those two districts the levy of a garden rate takes into account the extra yield from these more profitable or valuable crops, and in our view there would be no justification to saddle the lands with an additional levy when commercial crops are raised.

145. We also consider that power should be reserved to Government to modify the list of commercial crops from time to time, and to vary the levy on them. The first list, and the initial levy, as well as any subsequent changes either in the list or in the rates of levy, will have to be approved by the Legislature. When special steps are taken to encourage any particular commercial crop, it should be open to Government to remit wholly or partially the charge in respect of that crop.

146. We have deliberately excluded from the purview of this section, the levy on plantations and plantation products. We are dealing with the question of the assessment on plantations separately later on.

8. Assessment on Plantation lands.

147. While dealing with the question of the standardization of assessment in the Gudalur taluk of the Nilgiris district, and in the rest of the Nilgiris generally, in paragraph 80 of our Report, we have indicated that the resettlements as well as the original settlements there were made in a comparatively summary fashion; and that in respect of plantations, particularly in the case of the Nilgiris district, the old rates of assessment, ranging from 2 annas to Rs. 2 per acre, were based on no consideration of soil, situation, prices, or any such factor, and were far less than what the lands could afford to pay. Now that an attempt is being made to place whole scheme of land revenue assessment on as scientific and as uniform a basis as possible throughout the State, it is necessary to ensure

that the lands on which plantations have been raised are assessed also at an equitable rate, and, as far as possible, they also share their appropriate burden of taxation in any scheme of land revenue assessment or land tax.

148. The simplest and the best arrangement would be to assess these lands also on current settlement principles, standardize the assessments in accordance with the principles set down by us in paragraphs 83 and 84 of this Report, also apply to such standardized assessment the principles of the sliding scale, and then, over and above this current assessment, i.e., the standard assessment to which the sliding scale has been applied, to levy a special charge on plantation crops on the ground of these crops being more valuable than ordinary food crops, on the principle that has been accepted by us in respect of commercial crops like sugarcane, turmeric, etc.—vide section 7 of this chapter.

149. In actual practice, however, there has been no proper survey and settlement in accordance with the principles of the ryotwari system in a large part of the area where these plantation crops are raised. In these cases an *ad hoc* arrangement appears to have been entered into between the planters and the Government, the former agreeing to pay a certain amount per acre of plantation land, and such arrangement has been entered into on an individual basis between each planter or plantation on the one hand, and the Government on the other. This arrangement is generally prevalent in the case of the Nilgiris and part of the Wynaad plantation areas, and to a smaller extent and in isolated cases in a few other districts.

150. In a number of other cases, however, particularly in Palni hills and certain developed areas of the South Kanara, Malabar and other districts, where, at first presumably, ordinary crops used to be grown, those areas have been settled under the ryotwari system of taram assessment. Later on, when those lands were converted to plantations, the Government continued to levy the taram assessment, which was subject to enhancement at the resettlement.

151. In effect, therefore, we have plantations paying taram assessment in some areas; and, in other areas, we have plantations paying an *ad hoc* assessment, varying from 2 annas up to Rs. 2, Rs. 2–6–0 and Rs. 3 per acre. The higher rates, fixed as "special rates", seem to have had some reference to the fact that the lands raise more valuable products than ordinary dry lands; the taram assessments have no reference to that, but have reference to the ordinary settlement principles fixing assessment for dry lands; the lower *ad hoc* rates have no reference to either of these two aspects.

152. Sri N. Raghavendra Rao, who was asked to report on this question, had suggested that a special rate of Rs. 5 per acre may be imposed on plantations generally. The Board of Revenue had suggested, on the other hand, a levy of Rs. 3 per acre on tea and coffee plantations and Rs. 2 per acre on rubber, and in the case of wattle and cinchona, the old nominal rates, in any case, not exceeding 8 annas per acre, so long as the Government consider it necessary to give special encouragement to these two crops.

153. Any attempt, at this juncture, to survey (or resurvey) the plantations which have been assessed at *ad hoc* rates, and to carry out a settlement, and it will have to be a full-dress settlement, in accordance with the ryotwari system, would necessitate the incurring of very large expenditure by Government in view of the very difficult nature of the country, and, at the end of it all, the results or the benefits likely to accrue may not be commensurate with such a large outlay. It is not feasible, therefore, to apply *in toto* in these areas the principle mentioned in paragraph 148, by arriving at a taram assessment first. The next best arrangement, while keeping that principle otherwise intact, is to have a uniform flat rate of assessment for these areas, to which would be added the special charge on plantation crops. Having regard to the range of the taram assessments (where they are prevalent), we consider that the flat rate on plantations, where taram assessments are not applicable, can, appropriately, be fixed at Rs. 1–8–0 per acre throughout the State; this flat rate will be in substitution of the existing *ad hoc* rates varying from 2 annas to Rs. 2 or Rs. 2–6–0 or Rs. 3 per acre. Where taram assessments have been worked out on the ordinary settlement principles, they will of course continue, and be subject to the standardization and the sliding scale, and the special levy on plantation crops will be over and above that assessment.

154. Having regard to the value of the various plantation products as compared with other produce on the land, and to the relative value of the products as among themselves, we consider that Rs. 3 an acre will be appropriate as a special charge on coffee, tea and cardamom, and Re. 1 an acre on rubber. We agree that cinchona and wattle require special encouragement, and consider that no special charge need be levied on them at present, and that even the flat rate, or taram assessment, as the case may be, may also be temporarily remitted or reduced in the case of these crops so long as they require special encouragement.

155. In conclusion, therefore, we recommend that in those plantations where taram assessments are being levied, they should continue to be levied, and the taram assessment should be subject to standardization in accordance with the principles suggested by us in paragraphs 83 and 84 of our report, and be also subject to alterations in accordance with the principles of sliding scale suggested by us in paragraph 96; in all other plantation areas, a flat rate of Rs. 1–8–0 per acre should be levied in substitution of the existing varying rate; over and above the taram assessment, or the flat rate, as the case may be, a special levy on plantation crops should be made as follows :—

(a) Rs. 3 per acre on coffee, tea and cardamom;

(b) Re. 1 per acre on rubber; and

(c) no charge at present on cinchona and wattle (so long as these two crops require special encouragement, the flat rate or the taram assessment also may be temporarily remitted or reduced).

156. We consider that the opportunity now provided should be availed of to abolish freehold as a tenure in plantations and to have a uniform tenure throughout. Its continuance means a continuing surrender of the State's share in the unearned increment in values, which would otherwise be open to taxation under the general scheme. Where freeholds have been created on collection of a lump-sum payment, if the legal position is that no compensation is payable for the levy of the taram assessment or flat rate, as the case may be, no distinction need be made in their favour. If, however, compensation is payable, such compensation may be paid on the basis of the assessment that would otherwise have been payable before our scheme is brought into effect, and thereafter they may be subject to our scheme.

157. Congnizance also should be taken of the fact that plantations take some years to yield any return on the investments. Where, under the present arrangement, pepper corn rates are levied before the lands are brought under cultivation, the arrangement may continue. The arrangement by which when plantation crops are raised the assessment is not levied in the first five years should also continue, but in the modified form, namely, that the flat rate of Rs. 1–8–0 per acre suggested by us, or the taram assessment, should be payable during the first five years, only the special levy not being imposed during that period.

9. Assessment on lands put to non-agricultural use.

158. Lands put to non-agricultural use, particularly those located in growing cities and towns, or in their vicinity, appreciate in value considerably, and in the absence of any system of taxation which takes note of this feature, the landowners are left with the unearned increment in values, which are almost entirely attributable to the expenditure incurred from out of public revenues, whether it be from the State exchequer or the local funds, for the provision of necessary amenities and facilities, as a result of which alone such unearned increment becomes possible. The existing arrangement of absorbing this unearned increment is confined almost entirely to recent cases of assignments of house-sites in the Madras City and in a few mufassal municipalities; and this is sought to be effected by the levy, in the first instance, of the economic rental as ground rent, this ground rent remaining in force for a period of ten years, the original order of assignment or allotment reserving the right to Government to revise the ground rent in the eleventh year after assignment in the City, and thereafter periodically every ten years.

159. The ground-rent is the revenue charge levied on lands in towns which are not privately owned natham sites or old ryotwari holdings paying dry or wet rates of assessments. Two principles are in operation in respect of ground-rent—

(1) In Madras City where the rent is fixed at a figure slightly below the estimated competitive annual rental value, and the occupancy right sold in auction; and

(2) in mufassal towns where there are—

(a) ground-rents of the Madras type, and also

(b) ground-rents at a flat rate of Rs. 6–4–0 or Rs. 12–8–0, or a similar figure per acre—these sums being considered equivalent to the assumed agricultural assessment.

160. These rates are now revisable on different principles in the Madras City and elsewhere. In the City the rate on each site is re-examined once in ten years and compared with the prevailing competitive rent, and raised or lowered according to the movement of the latter. Elsewhere, the assumed agricultural assessment is revised at resettlements in the ratio of the rise or fall in agricultural prices.

161. The essential distinction between the Madras City rules and the rules applied elsewhere is that under the former the aim is to get nearly the full competitive rent as a recurring payment, the initial payment for the occupancy right (sold in auction generally) being, on that account, comparatively lower, while under the latter the annual payment as ground-rent is kept at a very much lower level, the initial payment for the occupancy right (generally sold in auction, too) being, on that account, comparatively higher.

162. There was a thorough examination of this question in 1940, when it was suggested that ground-rents in all really urban areas outside the Madras City should be fixed and revised on Madras City principles; that they should be divorced from any connexion with agricultural assessment or prices, only, instead of aiming at taking nearly the whole estimated competitive rental value, as in the Madras City, the ground-rent should not exceed half such rental value. The idea was that the remaining half should still be left as margin for taxation by the municipalities. (It was also implicit in the proposals made in 1940 that the practice then existing in the Madras City, and still continuing should not be modified.) It was also suggested that the extension of the Madras City principles should be confined to mufassal towns of a really urban character, and in the case of areas which are not municipalities, but are "towns" under the Board's Standing Orders (5,000 population), where building sites are sold subject to payment of ground-rent, the existing practice of levying Rs. 6–4–0 per acre as ground-rent should be left undisturbed. We are in agreement with these principles generally.

163. The question also was raised whether the discontinuance of the land revenue resettlements involved the discontinuance of the ground-rent resettlements. The conclusion was that the abandonment of the land revenue resettlements would not involve the discontinuance of the ground-rent resettlements and that it was competent for the Government to change the method of resettlements of ground-rent in mufassal towns of a really urban character in suitable manner. We agree with this conclusion.

164. These proposals were not pursued beyond the stage of examination as the first Congress Ministry soon went out of office. They were revived in 1946, when the Board of Revenue examined the question and recommended the application of the Madras City rules to all mufassal municipal towns including class III municipalities, and also made certain consequential recommendations. The papers were in due course referred to Sri N. Raghavendra Rao, and his report will be found in Appendix VIII.

165. We recommend that the existing rules for the levy and revision of ground-rents in the Madras City may continue, including the provision for periodical revision and reassessment once in ten years. These rules embody the salutary idea that the State should get the benefit of the full competitive rental on the lands from time to time.

166. We also recommend, for the same reason, that the same rules (including revision periodically in ten years) may now be extended to all mufassal municipalities, and a revision may also be made there now applying these rules, but providing for absorption only of 50 per cent of the competitive rental value. This means that the existing *ad hoc* rates of Rs. 6–4–0 and Rs. 12–8–0, etc., prevalent in these areas should be abolished, and they should all be assessed on the same uniform principle. We consider that when assignments have been made on favourable terms, the power to grant favourable terms carries with it the power to cancel or modify those terms also. Where a flat rate of ground-rent had been stipulated and occupancy right conferred on that footing, the initial payment for occupancy right might have been higher, but as against that, in most cases, has to be set off the benefit derived by the payment something considerably less than the competitive rental. That is why we have proposed in these cases also a revision straightaway on the lines proposed.

167. We also consider that the Madras City rules should not be applied to overgrown villages which are classified as towns under the Board's Standing Orders (5,000 population), where building sites are sold subject to payment of ground-rent. In these cases the ground-rent may remain at Rs. 6–1–0 per acre, and the existing rules for disposal of sites may remain. But the rates should be periodically revised once in ten years with reference to the general features of development in the locality, and the revision in these cases should not be linked up with the revision of the agricultural assessment.

168. In our view, no upper limit need be fixed for enhancements of ground-rent at revision in the Madras City and in mufassal municipalities where the Madras City rules apply. However, in places which are not municipalities, but are towns under the Board's Standing Orders (5,000 population), the enhancements at revision should not exceed 50 per cent of the expiring demand. We would like to reiterate here, that it is implicit in our recommendation, that, when these exempted or special categories of " towns " are subsequently included in municipal areas, the rules applicable to the municipalities will apply in supersession of the more favourable rules.

169. There are cases where sites were occupied free, because they were part of the old village natham, and later on they were included in municipalities. We consider that the continuance of this favourable treatment is no longer justifiable in such cases. There are also cases where house-sites have been disposed of on more favourable terms *as house-sites*, and in other cases on favourable terms as to quit-rent. In these two cases also we consider the continuance of favourable treatment is no longer justifiable. In effect, therefore, we recommend that in all the three categories referred to above, i.e., the Madras City, the mufassal municipalities and other areas classed as " towns " for the levy of ground-rent, lands held on favourable terms as house-site, for example, old natham, completely free of assessment, and other cases of favourable terms as to quit-rent, may now be charged the full ground-rent under these rules.

170. In the case of revision of ground-rent in localities inhabited by poorer classes, special attention should be directed to the provisions in the rules which lay down that valuation should be made with reference to similar lands in the locality, and that ground-rents may be lowered in the case of such localities.

171. As indicated in paragraph 156 above, we consider the opportunity now provided should be availed of to abolish free-holds as a tenure in this State. In the case of free-holds created on collection of a lump-sum payment of ground-rent fixed *as for a building site*, if, on a legal examination of the case, it is found no compensation is payable for levying full ground-rent, then, there need be no distinction, and full ground-rent may be levied; if, however, compensation is payable, such compensation may be paid and full ground-rent levied, as it would still be worthwhile.

172. In villages " natham " may be occupied free so long as the site is used as house-site only.

173. We consider that there is no justification to allow lands which were originally agricultural lands but have been converted to non-agricultural use, to pay only the original agricultural assessment. We recommend, therefore, that in Madras and in

the mufassal municipalities and in other places classed as "towns" under the Board's Standing Orders, all cases of conversion of agricultural land to non-agricultural use—existing cases as well as future cases—may also be brought under the appropriate ground-rent rules proposed above, both for initial fixation now and for revision hereafter. In villages this may be applied to non-residential buildings, with exemptions in favour of buildings ancillary to agricultural operations, and the ground-rent may be fixed at Rs. 6–4–0 per acre, liable to revision only in proportion to variations in the standard assessments. If the existing assessments in any of these cases should be above Rs. 6–4–0 per acre, those assessments should be continued. In this scheme no exceptions or modifications need be made in the case of inams and other cases of favourable treatment, or in the case of free-holds purchased as for agricultural assessment. The ground in justification of this will be that those immunities were given on the understanding that the land would be used for agriculture, and that those immunities lapsed when the land was converted to other uses.

174. The arrangements indicated above may also be made applicable, as far as possible, to the cases of 99 years' leases and other similar leases, on the expiry of the lease period.

175. Provision may be made for suspensions and remissions in the following circumstances :—

(1) when the buildings, etc., are affected by fire, floods, storm, etc., and become unsuitable for short periods and where they are not covered by building insurance;

(2) when the buildings remain vacant owing to plague or other epidemics; and

(3) when construction is prohibited for security reasons or under town-planning schemes.

The justification for these concessions is obvious.

176. No special concessions need be shown in the case of bungalows with large compounds.

177. The various proposals made above about ground-rent will not apply to lands in estates which remain governed by the Estates Land Act and which are not subject to the ground-rent rules now.

178. Special staff will be necessary for giving effect to the proposals—by way of extra staff in each district to be put on special duty. For the sake of expedition, the required staff should be employed simultaneously in all districts.

10. Levy of Full Assessment on Inams.

179. Under item (c) of the Terms of Reference, we have been asked to report on "whether it is desirable and practicable to assess any class of inams now held at favourable rates, at the full rates payable for similar lands in the neighbourhood."

180. The inams fall into two broad classes—major and minor. The major inams, also referred to as whole inam villages, consist of the grant of whole villages on favourable tenure, with or without conditions of service attached to them. The minor inams consist of grants of isolated fields or blocks on favourable tenure to the inamdars, and subject to the rendering of some service or other in most cases, or as a reward for past service, etc.

181. Before the amending Act of 1936, only those major inams which consisted of the melwaram only, and not the kudiwaram or the cultivating rights in the lands, were subject to the provisions of the Madras Estates Land Act, 1908. But after the amendment, all the whole inam villages became estates within the meaning of the Madras Estates Land Act, 1908. Under the Madras Estates (Abolition and Conversion into Ryotwari) Act of 1948, only the former class of major inams, i.e., where the grant consisted only of the melwaram, stand abolished. It is the duty of the Inam Settlement Officer to ascertain by enquiry which of the whole inam villages consisted only of the grant of the melwaram, and which of both warams. The latter, i.e., major inams consisting of both the melwaram and kudiwaram, will fall outside the purview of the Abolition Act. It is only after the enquiry contemplated by that Act has been completed, that the Government would be in a position to have an idea of the magnitude of the problem; and the Government would then have to decide on the manner in which this class of major inams should be dealt with. Until then, they would be estates governed by the Estates Land Act (subject to the application of the Rent Reduction Act), with tenants, where they are in existence, having occupancy rights, and there is no question, therefore, of the application in these cases straightaway now of the principle of terminating the favourable tenure and imposing full ryotwari assessment. We are accordingly leaving these major inams altogether out of consideration, and confining our attention to minor inams.

182. Under the terms of the Inam Settlement, a large number of minor inams, particularly those that were classified as personal benefit inams and inams granted as a reward for past services, or those granted for the rendering, or continued rendering, of revenue or police services in the villages, have all been enfranchised. The effect of enfranchisement has been that, in exchange for an annual payment called quit-rent, calculated at a fraction of the normal assessment on the land at that time, the Government conferred absolute title on the holders, and also made a categorical declaration that there will be no further interference with the holdings, with the implication that there will be no further enhancement in the levy on the land by way of assessment proper.

183. The minor inams which were not dealt with in that manner, i.e., the unenfranchised inams, consist largely or religious and charitable service inams, and artisan service inams (for services

to be rendered to the village community, e.g., by carpenters, blacksmiths, washermen and barbers); there are also, besides, a small extent of public utility inams, and also a few inams for the maintenance of irrigation works yielding public revenue. The religious and charitable service inams and artisan service inams are held free of assessment, but they are liable to resumption for breach of the conditions of service subject to which only the inams are held; alienation of the land almost invariably constitutes a breach of the conditions of service. In cases of village services or artisan inams, the rules particularly provide that in case of breach of the conditions of service, etc., an attempt should be made for the continuance of the services as far as possible by re-grant of the resumed inam to some other artisan willing and capable of rendering the appropriate service. Resumption previously used to mean merely the imposition of full assessment, the land being left in the hands of the person in enjoyment; but by virtue of recent amendments of the law by which the land itself is presumed, unless the contrary is proved, to be the inam, resumption would mean the taking possession by Government of the land itself.

184. As far as enfranchised or quit-rent inams are concerned, there is no objection at all in principle to terminating the favourable assessment and levy the full assessment; the only difficulty is over the question whether compensation would be payable. They have been obviously undisturbed so far because the implication of enfranchisement (as embodied in the rules relating to some of these inams too) was understood to be that the quit-rent was in complete quittance of not merely the existing but the reversionary claims of Government on the land. On that footing there would be ground for a claim for compensation at the capitalized value of the difference between the full assessment and the quit-rent, i.e., on the ground that the grant constitutes a freehold (and is described as such in the Rules of the Inam Settlement), and instead of a lump-sum payment an annual fixed and unchangeable amount is paid year after year for the privilege. On the other hand, it is possible to take the view that, whatever may have been the position previously, as a result of the provisions of the Constitution of India, such a claim for compensation will not lie now. No citizen, under the Constitution, can claim immunity from taxation, and the State is not competent to alienate public revenue or to grant such immunity; and in so far as the levy of full assessment partakes of the nature of a tax on land, to that extent immunity cannot be claimed. The mere fact that some concessions have been shown in the past cannot be held to bind the hands of Government from levying the appropriate rate of tax now, and therefore, no compensation will be payable for levying full assessment on quit-rent inams. We consider there is considerable force in this argument, and although, naturally, it is a question on which, in due course, the Government will have to take expert legal opinion, we feel that, on a consideration of the circumstances of the case with reference to the relevant Articles of the Constitution, no compensation will be payable, and on that ground we recommend that full assessment may be levied on this class of inams.

185. If, however, it should turn out, on an examination of the legal aspects of the case, that compensation is payable, the compensation will have to be reasonable and adequate. We have no up-to-date figures to go by, but a rough estimate on the lines of capitalization of the difference between full assessment and quit-rent, shows that it would be in the range between six (6) crores and eighteen (18) crores. Even so, nevertheless, we consider that it would be worthwhile to pay compensation and levy full assessment, as the Government would derive thereby an adequate return on the investment by way of recurring payment of assessments which are higher—in many cases much higher—than the quit-rent.

186. There remains the category of unenfranchised inams for us to consider. The bulk of these relate to religious and charitable services and to artisan services. The net result of the recent amendments to the law, referred to in a previous paragraph, is that most of these inams now will have to be deemed to consist of both the land revenue assessment and the land itself. Under the Terms of the Constitution, as has been observed by us already, no person can claim immunity from taxation; in this view, therefore, and for the sake of uniformity, we consider that full assessment could and should be levied on these classes of inams. And one further ground that particularly weighs with us is that since the assessment constitutes at present only a small fraction of the income from the land, which itself also constitutes the inam in most of these cases, the levy of full assessment will not be felt as a great hardship, and the enjoyment of the land itself as inam will be sufficient inducement for the rendering of the prescribed services. It is definitely our intention that the services should continue to be provided for in that manner, the land itself, though subject to full assessment, being held as inam saddled with the prescribed services. We recommend therefore that full assessment should be levied on religious and charitable service inams, but the lands themselves should continue to remain saddled with the prescribed services. Where the lands are held by the institutions themselves, they will continue to hold them as inam, and the question of resumption would arise only when the institutions themselves fail, or in the case of alienation. Where the lands, however, are not held directly by the institutions, that is, when the grantee holds it subject to the condition of rendering certain specific prescribed services in connection with the affairs of any particular institution, the existing rules relating to the resumption of inams for default, etc., should continue to be in force. Where lands are resumed in such cases the endeavour should be, as far as possible, to have the services continued by re-grant of the land as inam (subject to full assessment) to somebody else on the same conditions as previously.

187. In the case of artisan and other village service inams also, similarly, we recommend that full assessment should be levied, but the lands should remain as inams saddled with the prescribed conditions of service, and be subject to resumption for default, etc., as at present. And here, too, we expect that in cases of resumption of the land, the normal procedure would be to re-grant the land as inam (subject to full assessment) to somebody else who will render the services in question, and be prepared to hold the land on the same conditions as before.

188. There would remain still a small number of inams, such as those held for the repair of irrigation sources from which public revenue is derived, and other miscellaneous categories of inams. In these cases we see no point in continuing these inams, as we understand they are merely a continued source of considerable trouble to the administration with no corresponding counter-vailing benefit. We, therefore, recommend that these inams should be fully assessed and be freed from the conditions of service. And without going into the question whether or not the original grant consisted of both the warams, we would be in favour of allowing the inamdar continue to hold the land on ryotwari tenure thereafter.

11. Water-rate—Differential Water-rate v. Fixed Water-rate.

189. In his report on the proposals for Land Revenue Reform, Sri N. Raghavendra Rao has examined the question of the charge for water supplied from Government sources of irrigation under the following three heads:—

(1) Charge on classified wet lands;

(2) water charge under special projects; and

(3) water-rate on dry lands which are irrigated from Government sources of irrigation.

About seventy per cent of the irrigated land in this State is classified as wet. The charge for water is deemed to be included in the wet assessment fixed at settlements or resettlements. Sri N. Raghavendra Rao has also explained how, for accounting purposes, a certain portion of the consolidated wet assessment is taken to the credit of irrigation.

190. The Indian Taxation Enquiry Committee, which went into this question, doubted whether the system of levying a consolidated wet assessment was theoretically sound. But, after a careful examination of the case, they expressed the doubt whether it would be ever possible to split up the charge for water in such cases in the case of old works. However, they went on to recommend that in the case of all new works at least, this system of levying the charge for water as a consolidated wet assessment should be abandoned.

191. In paragraphs 17, 20, 49 and 57 of our Report we have discussed the question whether the consolidated wet assessment could be split up into the component elements of assessment proper and the charge for water. We have come to the conclusion that such splitting up would be a complicated and laborious process, and that there is really no satisfactory alternative to the consolidated wet assessment as levied in this State in the case of lands already classified as wet under the old sources or projects, and therefore, the consolidated wet assessment should not be disturbed.

192. In the case of recent irrigation projects, the classification of dry lands has been retained unchanged, and special project rates are levied for water taken for irrigation. The principle adopted in the case of "productive" works is to fix water-rates at a level which would bring in an adequate return on the capital invested. In the case of "protective" works, however, no attempt is made to secure any specified return on the capital invested, and the only consideration in fixing the charge for water is what the land will bear.

193. In case where special project rates are not applicable, a separate charge for water is levied when water is taken to irrigate the dry lands. The normal practice is to insist on permission being obtained for irrigating dry lands, and permission is generally granted if the seasonal conditions be such that sufficient water is available after meeting the demands of the registered wet ayacut. Two systems are in vogue in this State, namely, the fixed water-rate system and the differential water-rate system. The merits of the two systems have been examined in this State time and again between the years 1905 and 1923, and ultimately the Government decided that the system of fixed water-rates was the best for this State. However, the Government did not immediately bring this system into effect throughout the State, but directed that in tracts where the differential water-rate system was in force, the change-over should be effected at the time of the resettlement of the tracts as and when they fell due. But in 1939 there was a proposal to reverse this decision, and to introduce the differential water-rate system throughout the State. The proposal, however, was not pursued.

194. Sri N. Raghavendra Rao has examined the merits claimed for the differential water-rate system, and has pointed out that the scientific accuracy claimed for this system is only of limited application, but, on the other hand, it involves the serious disadvantage of complicated calculations not easily understood by the ordinary ryot, and that the system was condemned by the Indian Taxation Enquiry Committee, 1924-25, as unsound in theory and exceedingly clumsy in practice.

195. The question of the relative merits of the two systems of water-rates has been examined very thoroughly in paragraphs 19

to 31 of the Proceedings of the Board of Revenue, No. Mis 3009 (Confdl.), dated 22nd October 1939—a copy of these paragraphs is in Appendix VII. We have also perused the dissenting minute of the Commissioner for Land Revenue and Settlement annexed to those Proceedings—a copy of this also is in Appendix VII. We are in agreement with the Indian Taxation Enquiry Committee and with the majority view of the Board of Revenue in this matter, and in view of the reasons given in the Board's Proceedings referred to above, we have no hesitation in recommending that the system of fixed water-rate is preferable to the differential water-rate system, and that it should be introduced in the districts where the differential water-rate system is now in force.

196. We consider it convenient to refer here to the scale of water-rates under the Godavari and Krishna anicut systems. The Marjoribanks Committee had recommended, a recommendation with which Sri N. Raghavendra Rao also agreed, that under the Godavari and Krishna anicut systems, that is, in the area irrigated under the anicuts in the districts of East and West Godavari, Krishna and the deltaic portions of Guntur, the water-rate should be reduced from Rs. 6-4-0 to Rs. 5 per acre, on the ground that these rates were enhanced at the time of the resettlements in 1931–32 by 25 per cent. because of the increase in the level of prices. When examining Sri N. Raghavendra Rao's Report, the Board of Revenue pointed out that the assumption that the water-rates in Godavari and Krishna Deltas were enhanced by 25 per cent on account of the increase in the level of prices was not correct, and that what was really done was the opportunity provided by the resettlement was availed of to replace the differential water-rate system, which was the system till then in force, by the fixed water-rate system. As a matter of fact, while coming to the conclusion in the nineteen-twenties that the fixed water-rate system was superior to the differential water-rate system, the Government did not immediately bring about the change in the system of water-rates throughout the State, but directed that the change-over should be made at the time of the resettlements. It is true that the water-rate levied on zamindari and inam lands used to be Rs. 5 per acre before the resettlement, and was fixed at Rs. 6-4-0 after the resettlement, but we consider that what is more pertinent to the discussion is the levy on Government dry lands. Seeing that what was done there was, in fact, replacement of the differential water-rate system by the fixed water-rate system, and having regard to the fact that the rate of Rs. 6-4-0 per acre then fixed, for an assured supply year after year in these settled projects, cannot be said to be unreasonable, we do not consider that there is any case for reduction of water-rate specifically under these projects alone; their case has, on the other hand, to be dealt with along with those of other projects for which special project rates are leviable, and we are doing this further below.

197. The special project rates, and the standard scale of water-cess applicable in the State in general outside the project areas, have been fixed at different periods of time. We consider that the same grounds which would justify the alteration of the standard assessment in consequence of alterations in prices, would justify alterations in similar circumstances of the scale of water-rates, whether it be the standard scale of water-cess, or the special project rates.

198. Taking first the standard scale of water-cess, details of which are given in Appendix III to Sri N. Raghavendra Rao's Report, we observe that these rates were fixed in 1873 and have not been changed since then. For the standardization of the assessment, we have adopted as a basis the commutation prices based on the price-levels prevailing in the pre-1905–06 period. It may therefore be urged that the standard scale of water-cess should be correlated to the same range of prices as the standard assessment, and thereafter be subject to variations in accordance with the principles of the sliding scale. The immediate effect of this would be an enhancement of 2 annas in the rupee of water-cess, assuming the present price-level to be in the neighbourhood of 850 (being the Presidency average price of first and second-sort paddy expressed as rupees per garce of 3,200 Madras measures).

199. Another view can also be taken, and that is, that although the assessments, both the wet and the dry, underwent periodical enhancements at the resettlements, the standard scale of water-cess was not interfered with at all, and the rates remained unchanged over the entire period, and that therefore, it would not be unreasonable to assume that, even after the resettlement enhancements, the standard scale of water-cess should be deemed to be the appropriate charge for water on the basis of the enhanced price-levels. We consider this to be the more acceptable view, particularly in view of the fact that the irrigation sources to which these rates apply are generally inferior in quality to the projects which carry special rates, and include large numbers of minor irrigation sources of varying degrees of precariousness, and therefore, we recommend that the current rates of standard scale of water-cess (outside the project areas in which special project rates of water-cess prevail), should be correlated to the present price-levels, and be subject to variations in accordance with the sliding scale proposed for the standard assessment.

200. In the case of Godavari and Krishna Deltas, and other old "productive" projects, except those which have been executed in recent years (starting, say, from Periyar), for which special project rates as distinct from the standard scale of water-cess are applicable, we consider that the rates should be correlated to the standard assessment and be subject to variations in accordance with the sliding scale. Admittedly, the principle we have adopted here is different from that adopted for the standard scale

of water-cess. One reason for that has been indicated in the previous paragraph—that these irrigation sources are generally of superior quality. Another reason is that in these cases the rates have generally a more definite and direct relationship to the expenses of inception and maintenance, and when there is a variation in price-levels, there is, besides the fact that the produce fetches a higher value, the consideration that the cost of maintenance also goes up. Having regard to these aspects, and to the fact that these old projects were generally carried out at a time when the price-levels were comparatively low and stable, we consider it appropriate that the rates under these sources should be correlated to the standard assessment and not to the current price-levels.

201. The rates of water-cess in force in the "productive" projects, as distinct from "protective", undertaken from time to time in recent years, starting, say, from the Periyar Project, should also in our view, for the reasons given in the previous paragraph, be correlated to the standard assessment and be thereafter subject to variations in accordance with the sliding scale: but since it is likely that in some of these cases the rates were fixed in years in which the price-levels were very high, and that in such cases it would be a hardship if the rates were equated to the standard assessment, we recommend also that in cases where the water-rates were fixed in years in which the prices were higher than the range to which the standard assessment is correlated, the water-rate should be correlated to the stage in the sliding scale appropriate to the year in which water-rates were fixed, and be thereafter subject to variations in accordance with the sliding scale.

202. In the case of non-productive works, we consider the scale of rates should be correlated to the present level of prices and be subject to variations in accordance with the sliding scale. We consider that "protective" works deserve this comparatively liberal treatment, as they generally are located in poorer areas compared to the rest of the State, and correlating those rates to the standard assessment would mean an increase in the rate applicable to them on current price-levels, which the area may not be in a position to bear.

203. We also consider that there should be a review, in respect of "productive" projects (as distinct from "protective"). undertaken from time to time in recent years, starting, say, from the Periyar Project, into the aspect whether there has been substantial difference between the costs of execution and maintenance and of the actual extent benefited, or likely to be benefited, as shown by actual experience, on the one hand, and the costs and benefits as originally estimated, with reference to which the water-rates were originally fixed, on the other, such as would justify an alteration of the water-rates: and in the case of combined hydro-electric and irrigation ...

should include the crediting on the irrigation side of profits earned on the electricity side beyond a reasonable return on the electrical side. This review is necessary not merely to ease the burden on the ryot, whenever possible and justifiable, in the case of combined irrigation and hydro-electric (hydel) projects, but also generally to see whether rates which were fixed on assumptions made at the time the projects were sanctioned do not require alteration if actual experience had belied those assumptions.

12. Baling Remission.

204. In the course of their report, the Marjoribanks Committee dealt with certain suggestions that were made to them for relief to ryots in certain minor respects or in particular localities. One of them was for the enhancement of the deduction for baling charges for water (general). At present a deduction of one-fourth (or less) of the charge is allowed. The Marjoribanks Committee recommended that the deduction should be one-half.

205. Under B.S.O. No. 4-8, the charge for irrigation by baling is three-fourths of the rate of water-cess or the usual tirvaijasti of the district for the quality of the land concerned. In the case of wet lands, under B.S.O. No. 5 5, the deduction on account of baling, whether in respect of the first or second crop, varies in the several districts. It is either Re. 1 per acre, or one-fourth of the full assessment or second-crop charge.

206. We agree that the existing deduction of 25 per cent of the water-cess is not quite adequate and that it should be doubled. But granting of a baling remission on the same scale in the case of wet lands would mean that not only half the charge for water but also half the charge for the land itself (seeing that the consolidated wet assessment consists of the two component elements, of the charge on land and the charge on water), will be foregone. We consider that while the concession needs liberalization in the case of wet lands also, it need not be on the same scale as in regard to water-cess. Therefore, we recommend that baling remission where water-rates are chargeable should be 50 per cent of the charge for water; in the case of consolidated wet assessment, the remission should be 37½ per cent of the wet asessment or the second-crop charge, provided that, where the existing concessions are more advantageous to the ryot, they may be continued.

13. Remission of Assessment on Restoration of Ruined Tanks.

207. One of the minor representations to the Marjoribanks Committee was that, where ruined tanks are repaired by the Government, a period of five years should be allowed to the ryots to bring the lands under wet cultivation again, without wet assessment or water-rate being charged. That Committee observed the matter did not perhaps come within the strict limits

of their Terms of Reference but they commended it to the consideration of the Government. The only justification for this concession would be that special difficulties are encountered in making a land, which had gone out of cultivation, fit for wet cultivation again. A hard and fast rule for granting remission for a period of five years would not be suitable in our view. Where wet cultivation is raised immediately after the restoration of the tank, it means that there had been no difficulty over the reclamation at all, and there is no justification for waiver of charge in that case. In other cases, the length of the period required for making the land fit for wet cultivation is bound to vary according to the circumstances: it cannot be uniform in all cases. We recommend, therefore, that when ruined tanks are restored by the Government, where a ryot takes water for growing a wet crop even in the first year, wet assessment should be imposed from that year onwards; in other cases, in order to meet the difficulty of making the land fit for wet cultivation, discretion should be given to the Collector to waive the wet assessment for such period as he may consider suitable in the circumstances of each case.

14. Remissions—Seasonal Remissions.

208. Board's Standing Orders Nos. 13 and 14 deal with the question of seasonal remissions, and suspension and remission of land revenue under exceptional circumstances. The issues that arise for consideration are—

(1) whether there should be a scheme of remissions at all, as in B.S.Os. Nos. 13 and 14;

(2) If the answer to (1) be in the affirmative, then, the question would arise whether the scheme should be placed on a statutory basis; and lastly,

(3) whether the existing rules are adequate as to relief, and appropriate in other respects.

209. In the scheme of assessment itself allowances have been made for vicissitudes of the season, and grant of remission for failure of crops would therefore seem to savour of duplication. However, it has been the longstanding practice under the ryotwari settlement in this State to charge wet assessment only under normal conditions of supply of water, and to give remission when the crop has failed owing to inadequacy or excess of supply, and to give remission in respect of complete or partial failure of crops on wet lands or on dry lands when calamities, widespread or local, occur. It would be inexpedient now to deny the right to remission, and therefore, our answer to the first issue, whether there should be a scheme of remissions at all, would be in the affirmative.

210. As regards the second issue, there has been a widespread desire among the public that the scheme should be put on a statutory basis. It may be urged, that although the remissions

are being granted *ex gratia*, the rules in the Board's Standing Orders, with which the ryots are familiar, are clear and definite, and in actual practice remissions are granted under the rules when the conditions set down therein are satisfied. In our view, however, even though the rules themselves may be clear and may be meticulously administered, the public will not have the same satisfaction as they would have if the rules were to be put on a statutory basis. The question is mainly one of sentiment—that the ryot should get remissions as a right in certain circumstances, and not as a matter of grace. So long as the scheme of land revenue assessment itself was based on executive orders, there might have been strong objections to put remissions alone on a statutory basis. But now we are suggesting that the scheme of assessment itself should be put on a statutory basis, and so there should not be any objection to put the scheme of remissions also on a statutory basis. When practically every aspect of land revenue administration is proposed to be put on a statutory basis, to leave out the question of remissions alone would be bound to invite legitimate criticism.

211. Apart from the question of sentiment, one consequence of placing the scheme of remissions on a statutory basis would be that the matter may be taken to courts by the parties. We do not consider that the practical effect of this would be serious. The charging of water-rate under the Irrigation Cess Act has been a statutory matter, and we understand that it will continue to be so under the proposed Irrigation Bill. The question of water-cess has often been taken to courts in the past, and we do not think that this circumstance has caused any great administrative embarrassment to Government. In any case, the Government should not mind any extra difficulty that might arise. We therefore consider that the whole scheme of remissions should be placed on a statutory basis. It is not our intention, however, that all the detailed provisions should find place in the enactment. It would be adequate, in our view, to make appropriate provision in the relevant Act for remission being granted in accordance with rules to be prescribed; and the rules, we consider, should be framed separately, and should be subject to the approval of the Legislature.

212. As to the existing rules, we propose, at the outset, to deal with certain aspects of the problem generally, and later on to consider in detail the provisions of the Board's Standing Orders Nos. 13 and 14, clause by clause.

213. In normal years a crop on wet land may fail in some localised areas due to failure of supply to a particular irrigation source. This kind of situation is met with by granting remission of the wet assessment under the particular irrigation source. In the case of dry lands, however, remission is not granted ordinarily, but only in years of exceptional or widespread calamities. This distinction is based besides the point that the consolidated wet

assessment carries a guarantee of supply of water sufficient for the raising of a wet crop, on a question of administrative expediency also. It would be easy to ascertain whether there has been failure of supply to a particular irrigation source. But in the case of dry lands there is no such definite factor to relate the failure of crop on an individual field (or the failure to raise any crop thereon) to the season in particular, and to exclude the possibilities of laches on the part of the ryot himself. It would be throwing too onerous a burden on the administration if it were to be prescribed that on all dry lands remission should be allowed year after year for failure of crops thereon (or if no crops are raised), and so we consider normally that this distinction of granting seasonal remissions on wet lands, and remissions on dry lands only in the case of exceptional circumstances, should continue.

214. But, at the same time, we consider that the existing rules regarding remission on dry lands need liberalization. Even in normal seasons, it has been brought to our notice, that crops on large blocks of dry lands have failed due to local and abnormal vagaries of the season. It may so happen that there may be a good crop in one block whereas in an adjacent block the crop may fail. So long as the area, on which there has been loss of crop, is appreciable so as to exclude the possibilities of individual idiosyncracies of soil, or negligence on the part of the ryots, we consider that remissions of dry assessment should be admissible in such cases also. Practical effect can be given to this recommendation by liberalizing the rules for remission on dry lands so as to provide specifically for cases, where there has been loss of crops on blocks of land even falling short of a revenue village in extent, so long as they are appreciable enough, say, a hundred (100) acres, to indicate the existence of some cause beyond the control of the ryot, to be classed as subject to a local calamity.

215. We further recommend that, apart from widespread or local calamities—the definition of local calamity being amplified as above—even in ordinary seasons, remissions should be allowed on dry lands, on application made by the ryot concerned, for the loss of crops due to specific causes (i.e., apart from seasonal conditions), beyond his control, e.g., damage due to pests.

216. We notice that " mamul wastes " are denied remissions under the scheme of seasonal remissions in ordinary years, though they are not disentitled to remissions in the case of exceptional or widespread calamities. Quite a considerable proportion of mamul wastes is accounted for by the fact that, particularly in wet areas, the ryots are compelled to set apart a certain portion of their holding for storing or threshing the grain, as a place for parking their carts or cattle, or for storing manure, etc. So long as there is a normal yield on the holding, the ryot cheerfully pays the normal assessment for the mamul wastes also. But when the crops in the rest of the area fail, and it follows generally that the crop would have failed in the area set apart for these specific purposes also, it would be imposing unnecessary hardship on the ryot to ask him to pay the assessment for the mamul waste, while remitting the assessment on the rest of the area, especially as the purpose for which it has been set apart would not be served in the season when the crops fail. Therefore, we recommend that even in ordinary years mamul wastes should not as such be disentitled to remission. When remission becomes admissible to the surrounding or adjacent areas, remission should automatically be granted to the mamul wastes also.

217. In the case of commercial crops we have recommended a special levy. We consider that to levy a charge for merely growing a crop would be imposing an unnecessarily heavy burden on the ryot. In fact, while dealing with the question of the charge on commercial crops, we have indicated that, in the case of crops standing on the ground for more than one fasli, the charge should be leviable from the fasli when the commercial crop starts yielding, and should continue to be levied only so long as it is yielding. We consider that the principle should be extended further, and that levy of commercial crops charge should be made only if the yield is above a prescribed limit, the limit to be fixed in respect of each crop after examination and enquiry. We would indicate that the limit should be fixed at such a level as to leave a margin for the ryot after meeting the cultivation expenses and other charges and dues legitimately payable.

218. But, we do not recommend that the ordinary assessment on lands on which commercial crops are raised should be remitted automatically when the commercial crop fails. We consider that remission of normal assessment should be governed by the general remission rules applicable to the case. Therefore, the ordinary assessment on lands on which commercial crops are raised should be remitted only if there has been remission in the tract under the general remission rules, provided, however, no remission should be granted for fields in respect of which liability to a commercial crop charge has been established. In effect, if in a season of exceptional severity which has affected other crops a commercial crop is raised successfully, then, both the normal assessment and the commercial crop charge will be payable: if in a season which is otherwise normal a commerciad crop fails, say due to pests, only the commercial crop charge would be remitted but not the normal assessment.

219. We now proceed to scrutinize the clauses in the B.S.Os. Nos. 13 and 14. In 1939, Sri O. P. Ramaswamy Reddiar made a careful study of these rules and suggested amendments to them. The issues were examined in the Secretariat and we have taken note of the relevant discussions that took place on his proposals at that time.

220. *B.S.O. No.* 13-1.—Sri O. P. Ramaswamy Reddiar had suggested that the necessity for application by the individual ryot should be dispensed with. We would point out, however, that

this requirement relates to ordinary seasonal remissions where, due to any local vagaries of the season, there has been failure of supply in certain localized areas. In such cases, unlike as in the case of widespread calamities where the Revenue Officers would themselves take the initiative for intensive azmoish, timely inspection must depend on the initiative of the landholder or tiller himself. We, therefore, consider that the rule requiring the party to make an application for remission should remain, and B.S.O. No. 13-1, in our view, does not require any alteration or amendment.

But, we consider that this rule should not be interpreted by overzealous officials as requiring application to be put in during widespread calamities; B.S.O. No. 14-1 (i) may be amplified by inserting the following proviso at the end :—

"provided no application need be insisted upon."

221. *B.S.O. No.* 13-2 *and* 3.—The provisions may be retained unchanged.

222. *B.S.O. No.* 13-4.—Under this Standing Order remission is granted either for an entire survey field, or a recognized subdivision. It sometimes happens, when the area of a field is large, there is loss of crop on portions of the field, and sometimes such portions may be more than one acre. It was brought to our notice that, in wet areas, large fields have to be split up sometimes, and transplanted at different times. When there is a flood subsequently, portions transplanted later are washed away, leaving the earlier portions not seriously damaged, thus disentitling the field for remission even under the theory of "constructive total loss." This causes grave hardship. We consider that part of a field or recognized subdivision, provided it is not less than one acre in extent, should be entitled to remission when there is total loss of crop in that part.

223. *B.S.O. No.* 13-5.—We have no comments to make.

224. *B.S.O. No.* 13-6 *to* 8—*Remission in unsettled tracts.*—We agree that the provisions require no alteration or amendment.

225. *B.S.O. No.* 13-9.—Sri O. P. Ramaswamy Reddiar had pointed out that when dry crops are raised on wet lands, the dry assessment for the entire field was levied. In his view the dry assessment should be limited to the area actually cultivated. We consider that cases of this type, where only portions of wet fields are cultivated with dry crops in adverse seasons, would arise when two or three people jointly own or enjoy the land, and when only one of them might raise the dry crop. Similarly, when two or three tenants cultivate a particular survey number or subdivision belonging to one individual, the same situation might arise. We consider that provision should be made for this class of cases, and we therefore recommend that where a field or recognized subdivision is cultivated by more than one person, each person cultivating a part

by metes and bounds, each such portion should be considered separately for the purpose of levying dry assessment. We also consider that in exceptionally bad seasons due to failure of the monsoon for a series of years successively, even this dry assessment should be waived as was done in faslis 1357 to 1359. We consider that the rule may be suitably amplified.

226. *B.S.O. No.* 13-10.—The rule as it now stands does not appear to incorporate the Government Order that, where two crops are raised, the wet crop should be treated as the first crop, and the total charge should not exceed in any case one and a half times the wet assessment. We consider that if the provisions of the Government Order were to be incorporated in this rule by a suitable amendment, the objections raised by Sri O. P. Ramaswamy Reddiar in 1939 would be met.

227. *B.S.O. No.* 13-11 *to* 16.—We have no comments to make.

228. *B.S.O. No.* 13-17—*Mamul Wastes.*—We have already considered this question in paragraph 216 above. The rule may be suitably amplified.

229. *B.S.O. No.* 13-18.—We have no comments to make.

230. *B.S.O. No.* 14-1 *to* 3.—We have no comments to make.

231. *B.S.O. No.* 14-4.—Clause (i) may be amplified as suggested by us in paragraph 220 above.

This sub-paragraph should be amplified also to provide for the method adopted during faslis 1357 to 1359, of granting partial remissions on dry lands on a more liberal scale due to exceptionally bad seasons caused by successive failure of the monsoon over a series of years.

Sub-paragraph (iii)—*Mamul Wastes.*—We have already dealt with the question of remission for mamul wastes under the scheme of seasonal remissions. We have indicated that they should not be disentitled for remission even in ordinary seasons. We consider that the provisions in this sub-paragraph of B.S.O. No. 14-4 should be amplified, to provide for the remissions for mamul wastes in exceptional seasons being made absolute, and not dependent on the discretion of the executive officers of the Government.

Sub-paragraph (iv).—We consider the limit of one acre should remain; it is consistent with the view taken by us in paragraph 222 above, when dealing with the question of remission on portions of a survey field or recognized subdivision under the scheme of seasonal remissions.

232. *B.S.O. No.* 14-5.—Sri O. P. Ramaswamy Reddiar seems to have suggested that remissions should be granted for loss of crops on dry lands even in normal years. We have already dealt with this question in paragraph 213 above, and have agreed that the grant of dry remissions in normal years would ordinarily be administratively impracticable, and should be given only to the

extent indicated in paragraphs 214 and 215. But where there has been extreme hardship due to the failure of the monsoon in successive seasons, we consider the scheme of remissions sanctioned in faslis 1357 to 1359 would be suitable and may be adopted, and this part of the Standing Order may be suitably amplified to provide for total remissions for crop outturns below four annas in such seasons, half remission for crop outturns between four annas and eight annas, there being no remission for crop outturns over eight annas. We have also noted the provisions for relief on land left waste, and also for mamul waste, and we consider they should remain.

233. *B.S.O. No.* 14–6 *to* 9.—We have no comments to make.

234. *B.S.O. No.* 14–10.—We consider that this part should be amplified as indicated in paragraph 214 above, so as to bring any loss of crops in restricted areas under the purview of 'local calamity' for purposes of granting remission under the provisions of this Standing Order.

We also consider that sub-paragraph (iii), which imposes a "means test" on the ryot for the grant of remission, should be deleted.

15. Levy and collection of cesses on behalf of local boards.

235. In the Terms of Reference we were asked to consider, among other questions, whether the present system of assessment could be completely replaced by any alternative system. Since, in that event, the land cess and education cess, which are now being levied and collected on behalf of local boards as a surcharge on land revenue assessment, would have disappeared, we were also asked to consider, in item (*g*) in the Terms of Reference, what arrangements should then be made to secure for the local boards the kind of income they are now getting by way of those cesses. We are recommending, however, that the main frame-work of the existing system of land revenue assessment should be retained more or less intact, subject to certain modifications in regard to standardisation of the assessment, the application of a sliding scale to such standardised assessment, and the introduction of an element of progression. The question as framed does not, therefore, arise, and cesses, as heretofore, may continue to be collected by way of surcharge on the land revenue assessment.

236. Apart, however, from that narrow aspect, we consider that it is within our province to examine the question whether the over-all burden imposed on the land, by the assessment and cesses together, is such that it can appropriately bear.

237. There is a school of thought which holds strongly that a scheme of cesses is itself unjust, in that it makes agriculturists alone bear, in the financing of local bodies, the burden of expenditure which should equitably be borne by the other sections of the population also, which, equally with them, share in the benefits of that expenditure. It is possible to sympathise with that view, but it has to be realised, however, that the remedy is not simply the abolition of cesses without indicating some alternative source of revenue for the local bodies so that more or less the same revenue would be secured to them, but the devising of means by which the other sections can also be made to contribute, along with agriculture. This raises questions of policy relating to the financing of local bodies, which is definitely beyond our purview, and which would really be a matter for comprehensive enquiry separately. A Committee set up by the Union Government is examining the question, and there may perhaps have to be a Committee set up by the State Government, to examine, with reference to local conditions, the recommendations made by the Committee set up by the Union Government. Meanwhile, for the present, it is clear that the system of cesses will have to continue.

238. In regard to the aspect mentioned in paragraph 236, however, we think that existing arrangements carry the possibility of the over-all burden bearing too heavily on the land, and that some restrictions are necessary.

239 We recommend that cesses should relate only to the standard assessment, and not to the altered rates of assessment that the application of the sliding scale may bring in. Though this may deny the ryots the advantage consequent on a reduction of rates of assessment below the standard assessment, that contingency is very remote at present, and, besides, the advantage to the local boards of having a settled income secured, should be taken as outweighing this consideration.

240. We recommend, further, that cesses should not be levied on either the charge on commercial crops, or on the land revenue surcharges on larger holdings, or on the agricultural income tax.

241. We recommend also that no enhancement should be made over the rates at which land and education cesses are now being levied; that in no case should the total burden of cesses exceed 25 per cent of the standard assessment and so, where the existing rates together are in excess of 25 per cent of the standardised land revenue assessment, the rates of land and education cesses should be brought down to 25 per cent of the standardised assessment.

16. Simplification of Village and Taluk Accounts.

242. The taluk accounts are mostly counterparts of the village accounts, and built up out of them; alterations would mainly depend upon alterations to the village accounts.

243. The village accounts are mainly for the assessment and collection of land revenue, and incidentally for statistical purposes.

244. The question of simplification of accounts appears to have been raised as consequential on the replacement of the existing system of assessment and collection of land revenue by some system radically different from it. Since we have considered that no alternative to the existing land revenue system is feasible, and since, therefore, the existing system would remain more or less intact, the question of simplification of accounts does not arise.

245. If any separate organization for the compilation of agricultural statistics were to be set up, the Government may review the existing sets of accounts in order to see which of them, or which portion of any of the accounts now maintained, can be dispensed with or should be modified. Meanwhile, on a general review of the existing sets of accounts, we do not consider that there is room for any simplification.

246. In fact, there will have to be, on the other hand, an amplification of the accounts in order to implement the recommendations made by the Committee, as for example :—

(1) Determination of the question whether a pattadar is a cultivator or not. (Accounts affected thereby, Adangal No. 2 and No. 10-I as already indicated in the First Report.)

(2) Maximum limit on future acquisitions.

(3) Prevention of subdivision of holdings below the unit of profitable cultivation.

(4) Levy of surcharge on holdings above the specified minimum.

CHAPTER IV—SOME SPECIAL PROBLEMS RELATING TO THE MALABAR AND SOUTH KANARA DISTRICTS.

247. In this Chapter we deal with some special problems relating to the Malabar and South Kanara districts, which arise either because of the existence of the special tenures in Malabar, or because of certain special features existing in either or both of these districts such as are not found elsewhere in this State.

1. Conversion of dry to wet or from dry to garden in South Kanara and Malabar districts.

248. Among the seven minor items on which the Marjoribanks Committee made its recommendations or suggestions to the Government, was this one relating to a complaint about over-strictness in the assessment of dry lands converted to wet or garden, and their being charged a higher wet or garden rate of assessment. The recommendation of that Committee in this regard is extracted below in full :—

" It is contended that the conversion of dry to wet or garden in the West Coast districts should not involve any change of assessment on the ground that such changes are the ryots' improvements. The exemption of ryots' improvements from additional charge has however never been intended or understood to include the utilisation of the advantages of nature by ordinary agricultural operations. It was intended to encourage and foster capital expenditure by the ryot particularly by sinking wells. Dry lands converted to garden or wet by help of wells sunk by the ryot are not liable to additional charge. If dry lands converted in future to garden or wet by levelling, fencing and cultivation are not to be charged at garden or wet, logically neither should lands so converted in the past be so charged and of course no such idea was contemplated when it was decided that ryots' improvements should not be taxed. It should not be forgotten that the rules also provide that the classification may be altered from garden or wet to dry. The complaints made to the Committee indicate, however, that there is some over-strictness perhaps in the working of this rule and in the conversion rates imposed on such cases. This is an administrative matter and the Committee has, no doubt, it will be looked into if cases are brought to the notice of the Collector or the Board of Revenue."

Sri N. Raghavendra Rao, when dealing with this question, agreed that this was an administrative matter to be dealt with on the merits of each case.

249. We consider that, for the reasons indicated in the Marjoribanks Committee's Report, it would not be justifiable to refrain from charging the altered assessment when conversions are made from dry to wet or garden (or vice versa). But in respect of conversion of dry lands to wet or garden with the help of wells in the Malabar and South Kanara districts, for the sake of uniformity throughout the State, it may be ruled that no reclassification should be made in such cases, irrespective of the fact whether the construction of the wells (or tanks) has been subsidised by the State or not.

2. Assessment of the Pepper Vine as a Garden Crop in South Kanara district.

250. The recommendation of the Marjoribanks Committee on this issue is extracted below :—

" It is argued that in South Kanara, the pepper vine should be removed from the list of ' garden ' crops, i.e., the list of trees, etc., the cultivation of which in certain number per acre constitutes a garden. The pepper vine in Malabar is not reckoned as a garden crop. Cultivators of pepper have been badly hit in recent years. The Committee would recommend the exclusion of the pepper vine from the list of garden products in South Kanara and that garden lands which are classified as such because of their pepper vines should be reclassified. At a rough estimate this proposal may involve a reduction of half a lakh."

251. According to Sri N. Raghavendra Rao,

"The difference in treatment between South Kanara and Malabar has been explained in the Resettlement Scheme report of Malabar district, dated 5th March 1930. It has been remarked therein that the pepper vine gardens in Malabar are in second and third group villages, that such lands cannot bear a rate higher than 12 annas and that therefore they are classified as dry. In South Kanara, however, the pepper gardens are very much better in yield than the dry lands in the district. Incidentally, it has to be remarked that in the South Kanara district, tamarind, palmyra and mangoes are also treated as garden crops."

252. The Government examined this question and ordered in 1939, taking into consideration the recommendations of the Marjoribanks Committee in this regard, that pepper plantations should be assessed at dry rates in South Kanara district. In our view, it is fair that Malabar and South Kanara should be placed on the same footing in this respect, and that the orders of the Government passed in 1939 should be allowed to stand; any step designed with reference to high prices fetched by the product should properly be by way of a surcharge on it as a commercial crop. Therefore, we recommend that pepper need not be classed as garden crop in the South Kanara district, but it should be subject to the commercial crop charge as in other parts of the State. We would point out incidentally that, in paragraph 138 of our Report, we have recommended a special levy of 12 annas in the rupee of current assessment on pepper over and above the current assessment. In effect there will be an extra charge over and above the normal dry rate applicable to the class and sort of soil in the tract in question.

3. Cancellation of the extra charge of one rupee per acre in the Coastal Villages of South Kanara.

253. The Marjoribanks Committee have observed as follows :—

"It is urged that the one rupee per acre extra rate charged on the lands in certain villages in South Kanara along the coast should be cancelled. The Committee would see no objection to this if the charge were one introduced at the recent resettlement for then its cancelment would be in accord with the reductions made elsewhere. But the charge was made at the previous settlement and was made, the Committee understands, to maintain a difference in valuation existing even before that settlement. To reduce the rates specially in this area would be contradictory to the Committee's plan to get a level of equal incidence in all areas. It must therefore leave it for the separate consideration of the Government."

254. Sri N. Raghavendra Rao has pointed out that the reason for imposing a special rate has been explained in the Settlement Scheme report of the original settlement of this district. The lands in the coastal villages subject to the special charge are reported to be very much better in quality than similar lands in the remaining first group villages. The Board of Revenue has pointed out that the special advantages, on the basis of which the extra charge was levied at the original settlement, are gradually disappearing, and in particular, the 'kisaru' or silt manure found in the mouths of rivers, and expressed the doubt whether with the efflux of time the extra advantages of storage, marketing, etc., were such as to justify this extra charge. The Board, therefore, recommended the abolition of the classification of a special group in the coastal villages.

255. In normal settlement practice, once commutation rates have been derived, the only differentiation made in regard to wet lands is in respect of quality of irrigation sources and with regard to dry lands, a series of groupings as from the normal downwards. The practice followed in this particular case, in having a special group above the normal, is alien to that general practice. In our view, therefore, there seems to be hardly any justification for this, particularly in view of the report of the Board of Revenue that even the favourable features, which were taken into account originally, are in the process of disappearance. We recommend that the extra charge of one rupee per acre levied on lands in certain coastal villages in South Kanara may be abolished.

4. The case of eighty-one villages disadvantageously situated in South Kanara.

256. It was represented to the Marjoribanks Committee "that the list of 81 villages in South Kanara in respect of which rates were reduced at the last resettlement because of their unfavourable situation and other economic disadvantages is not sufficiently comprehensive." The Committee went on to observe that it was not in a position to examine this complaint but commended it for investigation.

257. Sri N. Raghavendra Rao has observed that this special hardship was specifically considered by the Settlement Officer in adjusting the rates. He indicated that remission for waste, and for full or partial failure of crops, liberally granted, would be a suitable form of relief in such cases.

258. On the question of liberalization of the remission rules, we would invite attention to our recommendations in Section 14 of Chapter III. Also, our recommendations in regard to the grouping of dry villages (paragraph 64), and extension of the same principle to wet lands (paragraph 66), if implemented, may afford some further relief, if such relief is found to be justifiable. The Board

of Revenue had suggested that this question decided by the Settlement Officer long ago need not be reopened, and we agree with the Board that there is no case for reopening the question now, apart from action that might be taken in the normal course by virtue of our recommendations in paragraphs 64 and 66 of our Report as indicated above.

5. Charge for dry lands left waste in holdings in South Kanara.

259. The Marjoribanks Committee have observed as follows on this question :—

"It has been noted above that in Malabar dry lands included in holdings and not cultivated are not charged whereas in South Kanara they are assessed and charged whether cultivated or not. In South Kanara the holders of wet and garden lands are largely dependent on the scrub growth on the neighbouring dry areas for cattle grazing and leaf manure, firewood, etc., and to secure the source of supply many ryots have been compelled to have considerable areas of dry lands included in their holdings and pay assessment therefor though the land is not suitable for cultivation and is not cultivated. The Committee therefore recommends that such dry lands included in holdings in South Kanara though assessed, should not be charged unless and until cultivated. The reduction on this account is roughly estimated at 1·5 lakhs."

260. The Special Officer, Sri N. Raghavendra Rao, has observed "the peculiar conditions of cultivation in South Kanara warrant the grant of this concession." The Collector of South Kanara, to whom these specific proposals were referred to for remarks, has stated that there is no justification to extend the practice obtaining in Malabar, of exempting dry lands included in holdings from assessment when left waste, to the South Kanara district, for the reason that in the South Kanara district there is a great demand and keen competition for the assignment of waste lands included in Kumaki limits. No ryot in South Kanara is satisfied until the land is assigned to him in his sole name even though he is at liberty to enjoy the Kumaki privileges without taking up the land on assignment. There are no kumaki lands in Malabar district. The Collector went on to observe that if Government wished to extend the principle that dry lands left waste in a revenue holding should be entitled to remission of land revenue, then, the privilege should be made applicable only to 'kadim' dry lands, or dry lands included in holdings prior to fasli 1276, and not to 'Hosagame' lands, or lands assigned in or after fasli 1276. Kadim lands in South Kanara district are included in estates formed before fasli 1276 which enjoy the Kumaki privileges while 'Hosagame' lands are those lands assigned in or after fasli 1276 to which no Kumaki privileges are attached. The bulk of the dry land in Malabar district is private

janmam registered in the name of the janmis. The Board of Revenue, however, considered that the mere fact that there is a demand for assignment of these lands was no justification for the levy of a charge as this is not in consonance with the principles of assessment. The Board went on to observe that, to give effect to this recommendation, special staff may have to be employed to inspect each holding to determine the extent eligible for concession, and to measure and sub-divide the extents, wherever necessary.

261. In our view, the practice obtaining in Malabar seems to have turned largely on the theory that all waste lands belong to the janmi and not to the Government, and that the claim of the Government arose only when land is actually cultivated, and that it was expedient to enforce it only after land had come under settled cultivation, and not in cases of fugitive cultivation. But this theory is not applicable to other districts. This fundamental distinction would stand in the way of South Kanara being treated in the same manner as Malabar in this respect. And, in particular, we would like to point out that lands in respect of which "kumaki" rights are exercised, would be in the common enjoyment of a number of landholders. These lands, and other lands classified as assessed waste, if they were left unoccupied, would be available for the exercise of these rights generally by the ryots entitled thereto. If, instead, the adjoining landholders choose to stake out their claims for assignment and take these lands on patta, they should not grudge the payment of assessment on them, because, thereafter, other landholders are excluded from these lands. The burden of inspection and mapping subdivisions, were this concession to be extended to South Kanara, will be heavy in view of the nature of the terrain in this district. And, it would be difficult to deny the concession in other areas, once it is given in this district. Under the circumstances, therefore, we consider that there is no need for any concessions in respect of the charge for dry lands in holdings left waste in South Kanara district. But this, of course, will be without prejudice to any concessions they may otherwise be entitled to under the liberalised remission rules, recommended by us in Section 14 of Chapter III.

6. Distinction between old and new holdings in Malabar.

262. In Malabar, a distinction is made between the old and new holdings in the matter of rates of assessment. The Special Officer, Sri N. Raghavendra Rao, has explained the reasons for the distinction in paragraph 4 of Chapter V of his report. Sri N. Raghavendra Rao went on to recommend that "there seems to be no reason to treat these two sets of lands on different principles." The anomaly adverted to by the Special Officer does not, in fact, exist, as both the tenants of new holdings and old holdings get the same share, that is, the theoretical one-third of the net produce. In respect of new holdings the Government get the

theoretical one-third as the State's share plus another third representing the janmabhogam. If, on the other hand, this distinction between new holdings and old holdings is removed, the tenants of new holdings will stand to gain as they will be getting more than the tenants of the old holdings. At the same time, the Government will stand to lose annually a sum of about Rs. 12,750. The Board, therefore, recommended that no change in the existing practice was called for.

263. We would observe that this distinction is a necessary feature of the peculiar tenures in Malabar, a counterpart of which is not found elsewhere in this State. We agree that no change in the existing practice of distinguishing between the old and new holdings in the Malabar district is necessary or desirable.

7. Certain Land Revenue matters relating to Wynaad (Malabar).

264. In the year 1937, the Wynaad Ryots' Association, Kalpatta (Wynaad), made certain representations to Government on matters connected with land revenue assessment in the Wynaad area. The matter was examined in some detail in 1937, and it was then decided that these matters might be held over for consideration of the Committee proposed to be appointed by the Government to consider and advise them on the recommendations made in the Marjoribanks Committee's Report. But the first Congress Ministry resigned soon after. It was revived in 1946 and the matter was examined afresh and it was finally ordered that the question might be left for examination by the Land Revenue Reforms Committee, that is, our Committee.

265. A copy of the petition will be found in Appendix IX to our Report. The requests made in the petition were—

(a) That the darkhast rules now in force be modified and Government lands be granted as of old, viz., by taking a janmabhogam of 8 annas per acre per year along with the usual assessment, and by levying a nominal value of not more than Rs. 5 per acre as land and tree value.

(b) That the Government be pleased to order remission of land revenue both on wet and dry lands abandoned for the time being and re-assessed only when they are again brought under cultivation.

(c) That dry lands be treated revenue-free for the first five years of occupation for purposes of raising plantations.

(d) That the levy of the pepper corn rate of half an anna per acre of waste land be cancelled.

(e) That the rate of land revenue for the current fasli (1347) be reduced by 33-1/3 per cent on all developed areas, wet and dry alike.

The last issue is hardly a live issue now. The other four issues, (a) to (d), are examined below seriatim.

266. *Modification of the Darkhast Rules now in force.*—The body of the petition makes mention of Government reverting back to the old rules. But the final request as worded does not seem to ask for wholesale reversion, as in that case under the old waste land rules sale by auction would be invariably the normal procedure. Originally, the waste land rules were in force in the Malabar-Wynaad in respect of disposal of waste lands in it. The main features of the rules were—

(1) sale of land by auction, and

(2) recovery of the value of the tree growth on the waste lands from the persons taking up the land on darkhast before they were put in possession.

With effect from 1912, three sets of rules came to be in force, i.e., the old waste land rules in respect of applications for larger areas, special darkhast rules in respect of lands required for special products, such as tea, coffee, rubber, etc., and the ordinary darkhast rules in respect of the other lands. Subsequently, it was decided that a single set of rules should apply to all lands in the Malabar-Wynaad and the ordinary darkhast rules with some modifications were ultimately adopted. Under these rules, no minimum land value is prescribed for the lands in the Malabar-Wynaad. Under the existing practice land value is fixed by the selling Officer. If the applicant demurs to the price fixed by the selling Officer, and asks for the sale of the land by auction, the request may be complied with. The value of trees standing on the land is recovered from the assignee. If the applicant is unwilling to pay the value as fixed, the trees may be put up for auction subject to the condition that the auction-purchaser shall cut and remove them within a specified period. If, for any reason, the sale by auction is not considered desirable, the valuation may be reduced or the payment remitted altogether in cases of poverty.

In effect, as indicated above, reversion to the old waste land rules would mean sale in auction, which is not what the petitioners desire. Their specific request is that only 8 annas per acre per year should be charged as janmabhogam in addition to the usual assessment, and the land value should not exceed Rs. 5 per acre, this sum being deemed to include the tree value also. We consider that the rules, as they now are, provide for necessary safeguards both for the Government and the applicant. We do not consider that any change in the existing procedure is necessary or justifiable.

267. *Remission of land revenue on wet and dry lands abandoned for the time being.*—In the case of private janmam wet lands before the resettlement, remission of assessment on regularly cultivated lands which were left waste could be obtained by relinquishing them without losing janmam right thereby, but subject to the condition that the lands were not taken up for cultivation in the succeeding year. As regards other lands, only those lands which were actually cultivated were assessed every year after inspection. After the

resettlement, wet lands which have been cultivated in three out of five years are registered as 'permanent wet' and the ordinary rules for grant of remission apply to them. Other wet lands are registered as 'fugitive wet' and are charged with assessment only when cultivated. The Government have power to transfer 'fugitive wet' land to 'permanent wet' and *vice versa* during the currency of the resettlement.

In the case of dry lands in private janmam or old holdings, not included in estates, the position before the resettlement was the same as for the wet lands. But after the resettlement dry lands under occupation continued from year to year are classed as 'developed' lands and there is no rule for granting remission of assessment on the lands. Other dry lands are classed as 'undeveloped' lands. Fugitive cultivation on 'undeveloped' lands is not separately assessed but, as a composition for all such fugitive cultivation, 'undeveloped' lands are assessed at a flat rate (called the pepper corn rate) of six pies an acre.

The request is that the position which obtained prior to the resettlement, under which

(i) remission could be obtained by relinquishing lands without losing janmam right thereby, and

(ii) there was no levy of assessment at six pies per acre on waste dry lands,

may be restored.

We would observe that the acceptance of the suggestion would mean expenditure on inspection staff, and considering the nature of the terrain in this tract, it would be very heavy indeed. This question has been considered and discussed threadbare before the present system was adopted. In our view, in the case of permanent wet or developed lands, there would appear to be no justification in not cultivating them regularly; in the case of undeveloped dry lands only a nominal pepper corn rate of half anna per acre is levied, it being left to the landholder to resort to as much fugitive cultivation as he desires. It is only when the area settles down to normal cultivation that it would be assessed. If this system were to be abandoned, and only cultivated extents were to be charged, the expenditure on inspecting staff would absorb probably the whole of the extra revenue that Government might secure apart from the risk of harassment to the people caused by the necessity for periodical and frequent inspections. We can see no convincing reason why the system which has been adopted after so much deliberation should now be abandoned.

268. *Remitting the charge on dry lands for the first five years of occupation for raising plantations.*—This issue has already been examined by us, and in paragraph 157 we have recommended that where under the present arrangement pepper corn rates are levied before the lands are brought under cultivation, the arrangement may continue. The arrangement by which when plantation crops are raised the assessment is not levied in the first five years should also continue, but in the modified form, namely, that the flat rate of Rs. 1-8-0 per acre suggested by us, or the taram assessment, should be payable during the first five years, only the special levy not being imposed during that period. We consider this concession recommended by us is adequate and nothing more need be done in this behalf.

269. *Cancellation of the pepper corn rate of half an anna on waste land.*—The reference apparently is to undeveloped dry lands. Dry lands which are not under regular occupation are classed as 'undeveloped' lands. Under the terms of the current re-settlement notification, fugitive cultivation on 'undeveloped' lands is not separately assessed. As a composition for all such cultivation, 'undeveloped' lands are assessed at a flat rate (pepper corn rate) of six pies per acre (an extremely low rate).

Prior to the original settlement, the basis of assessment was a charge on the actual extent cultivated as ascertained by annual inspection and measurement. Though a ryot might hold extensive areas, he was required to pay only for that portion of his holding which the village officers brought to account in a fasli. So early as October 1885, the Board urged the desirability of assessing to land revenue the entire cultivable area included in the holdings of private janmis. The proposal, however, was not accepted by the Government as land revenue being a share of the profits of cultivation could not very well be levied on land which was unoccupied. The basis of the Government order was interpreted as requiring the rates of assessment should be fixed for all cultivable lands, but should be levied only on such lands as were then or might thereafter be brought under cultivation.

In the year 1914, Mr. Charles Innes as Collector of Malabar represented to the Government the practical difficulties in the way of satisfactorily carrying out the annual inspection and measurement necessary for bringing the fugitive cultivation into account. The Collector of the Nilgiris was also of the same view. Both of them recommended that opportunity should be taken at the resettlement to put a stop to the then existing system which they stated was productive of most pernicious results to the State and to cultivation generally. The Board strongly supported the views of the two Collectors and suggested that the best remedy in the circumstances was to levy an acreage rate, however small, on the whole of such area included in a holding as was capable of being cultivated. The Board stated that the charge should be regarded not as an assessment, but as a composition for the assessment on fugitive cultivation, based on the revenue derived for a series of three or five years. The question was next considered as to what the basis should be on which such a charge should be levied. The Board considered that as a tentative measure the charge should be fixed at one anna per acre on cultivable lands, the final settlement of the rate being postponed until detailed enquiries were made by a Special Settlement Officer. It was also recognized at the same time that the classification of lands as cultivable and uncultivable would be a difficult work and would have to be carefully done. The Government approved these proposals generally in 1917.

Mr. Todd was subsequently appointed as the Special Settlement Officer for the Nilgiri-Malabar-Wynaad. He reported that he carefully inspected a large part of the two taluks with a view to discover some principles on which this subdivision of cultivable and uncultivable should be effected and was not able to find any. He went on to observe :

"The fact is that practically every inch of the two taluks is cultivable. That it is not cultivated is due to lack of cultivators . . . You cannot devise any principle by which one lot of jungle can be considered uncultivable and another lot cultivable."

Mr. Todd also stated that even if it were possible to make such differentiation, subdivision for that purpose would involve a considerable amount of line clearing and extremely difficult survey, the cost of which will be out of all proportion to the advantage gained and considered that it would be sufficient to exclude from the area to be assessed at the pepper corn rate whole survey fields which consisted of rocky hills and were 50 acres or more in extent. The Board agreed with the view and also accepted the proposal that the final rate should be left for further consideration and that when decided it should be uniform for the whole tract. The Government approved these proposals.

In his report on the resettlement of the Wynaads, Mr. Todd examined the question of determining the pepper corn rate. He recommended that the rate should be determined by dividing the average revenue derived from fugitive dry cultivation in undeveloped dry lands in the past by the area of those lands. By adopting such a calculation, Mr. Todd recommended that a rate of six pies per acre might be adopted for private janmam undeveloped dry lands. This was approved by the Government and has been in force ever since.

It cannot be said that this charge sits heavily on the land and we consider that no justification exists for the cancellation of this very nominal levy.

CHAPTER V—REFORM OF THE MACHINERY FOR LAND REVENUE ADMINISTRATION.

270. A radical change in the Land revenue system (e.g., by replacing the present system of assessment and collection of land revenue by a sales-tax or an agricultural income-tax) would have entailed considerable changes in the land revenue machinery also—but we are not recommending any such change. The net

result of our recommendations will be that the general framework of the ryotwari system will remain undisturbed subject to the super-imposition of certain refinements to secure a more equitable distribution of the "burden" of land revenue among the various categories of landholders, and also the super-imposition of an element of progression on the system itself.

271. The present administrative machinery grew around the ryotwari system that was deliberately adopted in this State, and the present set-up has been reached as a result of years of experience and trial and error. Apart from this, the existence of a department like the Land Revenue Department which was, at all times, capable and willing to undertake new and undefined duties and responsibilities facilitated many changes in the past, and gave those reforms or measures a good start which otherwise might have been lacking. It also lent stability to the administration, particularly in times of stress and strain.

272. Theoretically, however, it is quite possible to conceive of a set of arrangements by which the work done at present in the existing Revenue Department may be entrusted to other agencies. Darkhast, relinquishment, encroachments, transfer of registry, collection of land revenue and water-rate, and remissions could be attended to by village panchayats. As the decision on these matters would be by popular village tribunals intimately acquainted with the local circumstances, there should be no question of appeals, and there would be no need therefore for inspecting and supervisory staff. Village statistics would go to a separate department of statistics or also be attended to by the panchayats. Maintenance of irrigation works would go over to the Public Works Department. Maintenance of survey marks would be looked after by an independent Survey department. The magisterial work of the village headman would go over to the Panchayat President or to any other individual nominated merely for that purpose. The magisterial work now left with the revenue officials as executive magistrates would go to the Police or to the judicial magistrates themselves or to honorary magistrates. Miscellaneous work (e.g., arms licences) would go to the Police. This would mean that the hierarchy above the village officers will disappear and its cost be completely saved, and that the village officers themselves will be replaced by staff working under the panchayats, and there will be saving in cost since they will be attending to the other work relating to the panchayats also.

273. Such a series of arrangements would be possible only if civic standards are high and only if we can, particularly, count on panchayats being bodies possessing efficiency and integrity and capable of discharging their duties free from factions or favouritism. Panchayats are still to prove their mettle, and proper civic standards still remain to be built up. For a long time to come, therefore, we cannot think of arrangements on these lines.

274. Another important aspect is that the Revenue Department, as indicated above, is not merely the agency for land revenue collection but the general executive machinery of Government. It is the agency through which policy is smoothly translated into action down to the point where the public is reached, and the agency which readily and immediately responds to the calls of emergent situations (e.g., controls), or sudden calamities (floods, cyclone and the like). Until the traditions of centralised action on these matters are forgotten, and are ready to be replaced, for normal action, by the panchayats, and for extraordinary situations, by widespread and well-knit voluntary organizations (e.g., social welfare organizations) which can command the fullest public confidence, and can spring to action at short notice, and can set up, and keep going, the machinery required for coping with the situation on hand, it would be hazardous to dispense with the Revenue Department. It will take a considerable time before we can reach such a stage.

275. We have proposed a number of reforms in our First Report; we are proposing some more in the present Report. Most of them presuppose the maintenance of the present system of assessment and collection of revenue more or less intact and contemplate additions to work within that system. It would obviously be advantageous, for securing the success of these reforms, to have the machinery administering that system also more or less intact; and, on the other hand, it would tend to initial inefficiency and confusion even in the existing sphere, and would jeopardize the success of these reforms, if we try to alter the machinery also at the same time.

276. The need for co-ordination of the activities of all Government departments working in the districts is a live issue now, and success in that direction clearly depends upon keeping in their present position the Collector, the Revenue Divisional Officer and the Tahsildar. Doubt has been expressed in certain quarters about the necessity for maintaining the post of the Revenue Divisional Officer. The Revenue Divisional Officer has a useful part to play in respect of this co-ordination, apart from his ordinary supervisory role in the Revenue Department. And we have suggested in our First Report that certain important additional duties should be attached to him. The Revenue Divisional Officer also should therefore continue.

277. On all these considerations we consider that it is not necessary or desirable to introduce any radical changes in the general framework of the administrative machinery of the Revenue Department, or to replace it by any alternative agencies.

278. But, while retaining the framework of the machinery intact, it is still possible to consider whether, at the bottom, the existing set-up of the village establishment need be kept unaltered, and at the top, whether the Board of Revenue is necessary.

279. Taking first the question of the Board of Revenue, the objections, so far as they can be found to be definitely voiced, seem to be that it is conservative to the extent of being reactionary and obstructionist, and that its existence and working tend to delay matters generally.

280. Whether a conservative attitude is good or bad depends on the merits of the stand taken. An attitude that is conservative cannot always be held to be *ipso facto* wrong. Apart from that, we notice that the Board is constantly changing in personnel and it is difficult to sustain a proposition that, at every period of time and on every matter, it was reactionary or obstructionist. In times as now, particularly, when proposals expressive of impatience with the *status quo* generally are likely to be mooted to Government, it is rather to the good that Government should have to advise them, a body likely to express a cool and objective view, and not afraid of being conservative if the circumstances require it. The danger of a conservative view being upheld merely because it emanates from the Board is truly far less now, when Ministers have to take the final decisions instead of officers who were of the same fraternity as the Board and shared their general background of training and experience.

281. As to delays, we do not think that there is any specific warrant for saying that the tempo of work in the office of the Board is slower than, for instance, in that of any other head of department.

282. It cannot be gainsaid that a head of department is necessary for the Revenue Department just as for any other department, to attend to the minutiæ of administration which the Government cannot be expected to attend to, to attend to appeals and reviews on matters important enough for the parties to be allowed to appeal over the orders of the district authorities, but not important enough for Government to take cognizance of in the first instance itself, and do the work of supervision and inspection of the Collector's work, which is necessary to secure efficiency and uniformity of standards in district administration, apart from the necessary co-ordination of work throughout the State.

283. The Board at the moment consists of four Members. Two of them are attending to work which is special and more or less temporary—Civil Supplies and Settlement of Estates. These two will have to function anyway as heads of departments so long as these duties last.

284. The remaining two attend mainly to Land Revenue and Commercial Taxes respectively. Even if the latter is treated as having duties distinct from Land Revenue proper, it is obvious that he will have to continue as a separate head of department too.

285. For the Land Revenue Department proper there will have to be a head of department for the reasons already indicated.

286. What enures now is that instead of having two heads of departments for what may be called the permanent duties, and two heads of departments for the temporary duties, we are having them all functioning together as a Board. That gives the advantage of some economy in staff. More important than that, it gives the advantage that the heads of departments other than Revenue proper are also sharing the work relating to general inspection and supervision. And it has the further advantage also of their all being able to bring their collective experience to bear on matters relating to the general administration of the Revenue Department on which advice has to be tendered to Government. It is obvious that if the alternative of having them attending to their work only separately as heads of their respective departments is adopted, all these advantages would be lost without any corresponding advantage being gained instead.

287. Another alternative, that of having regional Commissioners, would mean a number of officers to replace the one officer on the Board who is looking after the permanent duties relating to the Revenue Department proper; for, the other officers in the Board cannot be dispensed with, nor can the regional officers pertaining to the departments which they administer. The arrangement would, therefore, be more costly. The standards of inspection and supervision will not be uniform throughout; they would vary with the regions; and the work of co-ordination as between the various districts will not be so effective and tight. There is no point, therefore, in replacing the present system by one of regional Commissioners.

288. In effect, therefore, we consider that the alternative of having territorial or regional Commissioners is unnecessary and likely to be more expensive; we also consider that it is necessary to have heads of departments for the various branches of work in the Revenue Department; that being so, in our view, it is obviously an advantage to have these heads of departments also functioning collectively as a Board; and, therefore, we recommend that the Board of Revenue in its present form may remain.

289. At the same time we feel it is true that the existence of the Board of Revenue tends to delay in matters that have to be finally dealt with by the Government in this sense—that material is first prepared by the Board and presented to the Government, in the shape of a report, and that in the Secretariat the material is scrutinized again from the start and presented for the orders of the Government. We feel that it is unnecessary that the work done in the Board of Revenue should be dealt with in the Secretariat all over again and independently as is now the case. If the Board is to function also as the Secretariat of Government, there will be economy of time, labour and material secured by eliminating one link in the chain of correspondence in matters which require to be dealt with by Government, and there would be saving incidentally, of that portion of the staff in the Secretariat

which has to deal with the work coming from the Board as an independent unit. It is true that this is a comment on a drawback which is common to all departments where the Head of Department is separate from the Secretary to the Government. We would urge, however, that this separation of functions of technical and lay advisers to the Ministry is not so essential in the case of the Revenue Department as in the case of other Departments, since there is no clear cut distinction between the lay and technical adviser in the Revenue Department as in the others. Therefore, we would suggest that one and the same office should be made to work for the Board of Revenue as the Head of Department, and for the Revenue Secretariat of Government, making the members of the Board of Revenue function also as Secretaries to Government. In order to advise the Government on appeals from decisions made by these Officers as Heads of Departments, a separate Revenue Secretary would still be required. This Revenue Secretary would also deal with the questions that come up to the Revenue Department of the Government independently of the Board of Revenue. Under this arrangement there will be no saving of personnel at the top. The number of officers working as Members of the Board of Revenue would still be required. The Office of the Board of Revenue will deal with all matters that are finally disposed of in the Board itself as at present, and obtain orders of the Member or the Members of the Board as the case may be, before issuing the Board's Proceedings or the final orders. In respect of matters that have to come up to Government, after the internal discussions in the Board are over, discussions and correspondence being conducted as at present, the file will be transformed into a Secretariat file, and the Member of the Board in his ex-officio capacity as Secretary to the Government will mark the papers unofficially to the Departments of the Secretariat that have to be consulted, and after concluding the consultations at the Secretariat level, would submit the papers for orders of the Government. In effect, it means that there will be no need to draft a report to the Secretary to the Government in the Revenue Department, which, when it reaches the Secretariat, is broken down and subjected to detailed scrutiny and analysis. It is this link in the chain of correspondence that is eliminated, and it is the essential advantage of avoiding thereby the considerable amount of duplication and overlapping of work that now occurs that we attach considerable importance to; it would mean also saving on that portion of the staff in the Secretariat which has to deal with the work now coming from the Board as an independent unit. We feel therefore that this arrangement should be given effect to.

290. We also consider that this arrangement can work with the maximum of smoothness and efficiency if the office of the Board thus functioning as the Secretariat also is accommodated in the same place as the other Departments of the Secretariat, for, in that case, the full advantage of personal discussion between the Ministers and Secretaries, between the Secretaries and their

Deputies (the Members of the Board will be ex-officio Secretaries to Government, and the Secretaries of the Board will be ex-officio Joint or Deputy Secretaries as the case may be) and Secretaries and their Deputies in the other Departments, and convenience of transport of files inter-departmentally, will all be available. We consider that the possibilities of securing this may be explored; the proposed shifting of the Chambers of the Legislature and their offices seems to offer opportunities in that direction; but we feel that even irrespective of such arrangements for accommodation being completed or not, the advantages of the scheme are such that it should nevertheless be put into effect immediately.

291. There remains then the question of village officers. So long as the present system of revenue administration continues, we consider specific arrangements have to be made for the maintenance of accounts and registers at the village level and for the discharge of the relevant duties that are now being performed by the village officers. In effect, work of the same kind as is being done now, should continue to be done in the villages, with the additions entailed by our recommendations in the two Reports. Nevertheless, this leaves the question for consideration whether village officers need be hereditary at all, whether by statute or by convention, as they are now.

292. The advantages claimed for the hereditary system may be put as follows :—

That the prestige attached to the office commands respect; the heirs are in a way apprenticed to the job and get smoothly into their stride on appointment; the pride of office, and the fear of indignity of losing it, induce the incumbents to maintain high standards of work; since the emoluments attached are looked upon merely as honoraria the arrangement costs less than if full-time incumbents were to be appointed.

293. It would be no answer to these to say that in non-hereditary areas the system is as successful as in hereditary areas because in the non-hereditary areas also the principle of heredity is actually applied in practice; the advantages and disadvantages have therefore to be viewed as being the same in both the areas.

294. Points urged, in answer to the advantages claimed, may be put as follows :—

That with the efflux of time in many cases the families have ceased to have the pre-eminence which was the real source of respect, that they have stooped to corrupt practices and forfeited public regard; that where they still have influence they use it for oppression; that they all generally engender village factions; that as regards apprenticeship, it is not invariably the best among the heirs that cares to get qualified, that many fail to qualify at all, and that cases of minors having to be registered, with somebody else doing the work, are numerous; that the certainty of the post remaining in the family in any case tends to sloth and inefficiency

on the part of the incumbents, and that the agitation for increased emoluments is inconsistent with the theory of the job being considered to be merely honorary.

295. Actual oppression is, however, a rare exception, and, with the machinery for remedy of such evils always there and with the growing feeling of resentment against oppression and eagerness to expose oppression and seek remedy, it need not be counted as a prominent factor.

296. As to factions, it is a moot question whether the village officers are not impelled to take sides in factions which are there already, and which would be there irrespective of them.

297. As to corruption, it is, again, a moot question whether it is not merely a concomitant of low emoluments, and also whether, to some extent, the impression as to its existence is not a misunderstanding about returns taken for services which the village officer is free to render as he is not a full-time servant.

298. On the whole, it may be considered that, taking it by and large, the village officers have been a body of people doing their primary work efficiently, honestly and loyally, although they may not be up to the standard as intelligent agents for the developmental activities of Government and on emoluments which are lower than what may be called a market rate.

299. But even so we consider that it is an anachronism to continue the hereditary principle and it is doubtful whether its existence is valid under the Constitution. Therefore, we consider that the hereditary system should be abolished straightaway. The immediate effect of this would be that selection of village officers would have to be made from among suitable and qualified persons resident in the village, and if such suitable and qualified persons are not available from among the residents of the village, selection will have to be made from among suitable and qualified persons, subject to the condition that the selected officer takes up residence in the village, the present terms and emoluments and other conditions pertaining to the services remaining unchanged. We do not anticipate any great difficulty in filling the offices in this manner since, as we understand, there is no difficulty felt in filling up acting vacancies, or posts of deputies, which are now filled up in this manner. The important point is that the posts themselves carry a certain amount of prestige and power and the persons (usually of the locality) who offer themselves for the posts would have lands in the village, or some other avocation, or the freedom to have some other avocation; in other words we may expect to be able to secure, even after the abolition of the hereditary system, the same type of persons as we now get under the hereditary system, on the same terms and scale of emoluments—the posts being treated as now as part-time posts to which honoraria are attached. We consider, however, that such a continuance of present arrangements—barring the hereditary

system—should be only temporary. For one thing, there is agitation now afoot among the village officers as a class for increased dearness allowance, for increased emoluments, and for increased privileges, and also their demand for being treated as whole-time Government servants and being paid a market wage. It would not be possible for Government to concede these demands as the expenditure involved would be excessively heavy and not commensurate with the benefits likely to accrue therefrom—for, if emoluments are increased it should be possible to devise measures by which numbers are reduced and qualifications raised. In fact, we consider it quite necessary that we should have a more highly qualified set of village officers, who will be able to respond more intelligently and efficiently to the needs of a Welfare State. On the whole, therefore, we consider that as a long-term solution an alternative system has to be evolved. We also consider that this alternative system should be on an experimental basis in the first instance and it is only after it is proved successful, that it should be adopted throughout the State in supersession of the existing system.

300. The Retrenchment and Reorganization Committee (1947) suggested that a number of villages could be grouped together and two officers appointed, one to perform village headman's duties and the other to perform karnam's duties, the officers being treated as whole-time Government servants. The advantage of this system would also be that wherever its area of operation extends throughout a firka, the Revenue Inspector's post may be abolished. While we agree with the principle, we consider that in a scheme of that kind the status of the officers performing the village headman's duties should be higher than that of the officers performing the karnam's duties and this differentiation should be secured by differential rates of pay also.

301. In effect, therefore, we recommend that the village offices should after the abolition of the hereditary system be filled up in the following manner :—

(a) For a group of two or three villages combined there should be one officer on an Upper Division Clerk's scale of pay looking after the village headman's duties, and another officer on a Lower Division Clerk's scale of pay looking after the karnam's duties; and three village servants should be attached to them on peon's scales of pay;

(b) All these should be full-time Government servants entitled to the usual leave and pensionary privileges, etc.; only, they will not be entitled to promotions, or to dearness allowance (as they will live in the villages in a taluk). They should be residents of the taluk in which the village to which they are to be appointed lies, and will be liable to be transferred within the taluk:

(c) The officers doing the headman's and karnam's duties will be appointed from among persons who have passed the prescribed village officers' tests, and who have the minimum

general educational qualification of the S.S.L.C. standard. After selection they should be given training for one year during which they will be made to equip themselves properly for an intelligent performance of their duties in respect of the developmental activities of Government besides the duties pertaining to their offices. No Revenue Inspector will be necessary when this arrangement extends over a group of villages constituting the firka.

302. These arrangements should first be tried experimentally in selected areas in a number of districts, the unit of experiment being not less in extent than a taluk. Until the experiment has been successfully established the method of recruitment of village officers should be to select suitable and qualified persons, preference being given to the residents of the village, i.e., on the present terms and emoluments without the hereditary principle. Once the success of the experiment has been established, the present system of recruitment to village offices should be abolished altogether.

303. There are certain other minor issues that have been referred to us in connexion with the reform of the machinery for Land Revenue Administration. They are—

(1) Revival of the village service cess;

(2) the substitution for jamabandi of an audit system; and

(3) the status of the village officers under the existing system; enhancement of their pay; enhancement of dearness allowance; grant of travelling allowance and enhancement of Jamabandi allowance.

We deal with them seriatim below.

304. The emoluments of the village officers in ryotwari areas originally consisted of service inam lands and fees paid in grain by way of deduction from the gross produce under the old settlements before the division of the produce between the State and the ryot. Collection of these fees was a troublesome affair. In 1864 an Act was passed, which imposed, in lieu of the fees referred to, a money cess at a rate not exceeding one anna in every rupee of assessment and water tax payable to Government. A village service fund was also constituted consisting of the proceeds of this cess and the quit rent on service inam lands granted to the village officers which were enfranchised and also Government contributions. This Act was replaced by the Madras Village Cess Act, 1893, under which the proceeds of the cess imposed was not to exceed half the estimated cost of the village establishments, the other half being met by the Government. In 1906, the Government of India enunciated the policy that "no local cess should be imposed on lands, supplemental to the land revenue proper, except such as are levied by or on behalf of local authorities

for expenditure on genuinely local objects ", and, on a direction from them, the Madras Government abolished the village cess from April 1906. The Madras Government was compensated for this abolition of the cess, which however ceased with the introduction of Reforms of 1919.

In proprietory areas the emoluments of village officers originally consisted of lands and fees paid by the proprietors and tenants. In 1894 under the Madras Proprietory Estates' Village Service Act, provision was made for the levy of a cess at a rate not exceeding 10 pies in the rupee on the annual rent value on all occupied lands comprised within the limits of the estate. A village service fund was constituted, consisting of the proceeds of this cess, the quit rent on the service inam lands granted to the village officers and Government contributions. The cess was abolished with effect from 1st April 1912 at the instance of the Government of India and compensation was paid to the Madras Government towards the additional expenditure involved by this.

305. In view of the cessation of the compensation in 1919 and in view of the increase in the cost of the village establishments due to increase in their work, the Government in 1920, desired to revive the ryotwari and proprietory village service cesses. Accordingly they introduced two Bills for the purpose in 1923, both of which, however, were thrown out by the old Legislative Council. The Taxation Enquiry Committee of 1924 referred to these cesses and gave a guarded approval of the levy subject to the condition that they should be converted into a source of local taxation, with proper control. The revival of these cesses was examined in 1937 by the First Congress Ministry and it was considered then that " it would be irritating and that we should avoid multiplicity of levies on the same person in the same association of ideas." The question of revival of cesses was accordingly dropped. In 1946 the question was again revived and was ultimately deferred pending the report of the Land Revenue Reforms Committee, i.e., this Committee.

306. We have traced the historical background to indicate the evolution of the idea that a cess was to be levied for well-defined local purposes only and also that the village establishment as such should not be financed by a direct levy from the land. We consider that, under the present conditions, it would be unjustifiable to burden the land with further levies beyond those that exist now, and those which we are proposing. In our view, therefore, there is no justification for a village service cess mainly for the purpose of paying higher emoluments to village officers.

307. Turning now to the question of jamabandi, we consider that jamabandi is not merely an audit, but an opportunity provided for the higher Revenue Officers to know intimately about the standard of efficiency in regard to the maintenance of accounts and registers. It also gives them an opportunity to hear and remedy individual or collective grievances of ryots and take action on them on the spot. We agree with the Board of Revenue that jamabandi should not be replaced by a mere mechanical arithmetical check of the accounts and registers by a system of audit. Therefore, we consider that it is necessary to continue the jamabandi as such.

308. We now come to the last group of questions relating to the status of village officers. Some papers containing the representations which have been made by village officers in these matters have been referred to us for report. We have dealt with the question in a general way in dealing with the system of village administration in paragraphs 291 to 302 above. We consider that, if the new system proposed by us establishes itself as a success after the initial period of experiment, that would provide an answer to the issues raised. For the rest, for the interim period, our view, as already expressed above, is that while the hereditary system should be abolished, recruitment should continue otherwise to be on the same terms and emoluments as now. That is, so long as that system of recruitment and the present system of village administration continues, the existing principle of treating these posts not as whole-time posts but part-time posts to which honoraria are attached should continue to hold. On financial grounds it would be impossible to treat them like other whole-time Government servants entitled to like emoluments, increments, leave salaries and pensions. Nor, is it possible to increase the existing scale of emoluments—pay and allowances. But we would commend for acceptance the principle that whenever they are entrusted with duties falling outside the framework of the revenue system, e.g., civil supplies or the proposed agricultural income tax, they should receive extra remuneration for the extra work entailed; we would recommend that this principle should be accepted and acted upon by Government.

309. There is also the question that if we keep up the theory of part-time appointment with honoraria attached, then, of course, the village officers should be treated with the consideration due to persons holding appointments on that footing. While we regard that it is not possible to increase the emoluments, we consider that it would be mainly a question of courtesy of treatment that is important in this connection. We understand instructions have been issued by Government from time to time in this behalf; we would emphasise that the important thing is to see that they are properly implemented all the time.

310. The considerations set out above will, therefore, be operative only during the transition period where the present system of recruitment on the present terms and conditions of service, continues, with only the hereditary principle eliminated. But, in the regions where the new experiment of grouping villages

and having two officers, one drawing the same scale of pay as an Upper Division Clerk, and the other drawing the same scale of pay as a Lower Division Clerk is in operation, none of these considerations would apply. The initial fixation of pay should be deemed to take into consideration the extra responsibility that will be thrown on them by virtue of the reforms recommended by us in our two Reports. As they will be residing in the villages and ordinarily stick to one taluk, we see no justification for granting them any dearness allowance. We have indicated in paragraph 301 above that they should be considered as whole-time Government servants entitled to leave and pension privileges. That, we consider, is about as far as one need go at the present juncture.

311. In conclusion, therefore, our recommendations are that it is not necessary or desirable to introduce any radical changes in the general framework in the administrative machinery of the Revenue Department, or to replace it by alternative agencies. The Board of Revenue as such should continue but the Board Members should act as ex-officio Secretaries to Government in respect of matters on which orders of Government are to be obtained, there being a common office to serve the Members of the Board as Heads of Departments and also to take the place of the Revenue Secretariat in respect of matters on which orders of Government are to be obtained. This will mean retrenchment of that portion of the staff in the Revenue Secretariat which has now to deal with reports coming from the Board as an independent unit. For the complete success of this experiment it is desirable that the offices of the Board of Revenue should be housed in the same place along with the other departments of the Secretariat, but even irrespective of arrangements for such accommodation being completed or not, the advantages of the scheme are such that it should nevertheless be put into effect immediately. The hereditary system of village officers should be abolished and a new system should be introduced, of grouping two or three villages and having the village affairs administered by an Officer drawing an Upper Division Clerk's pay discharging the duties of the village headman, and a deputy drawing the Lower Division Clerk's pay discharging the present duties of the karnam with three menials on peon's pay to serve under them. The officer and the deputy should be recruited from persons who have passed the prescribed village officers' tests in addition to possessing the minimum general educational qualification. After recruitment they should be given training for a period of one year to equip themselves properly to deal with developmental activities of the Government apart from their own regular work. This system should be tried as an experimental measure in selected taluks and where it extends to a group of villages comprising a firka the post of Revenue Inspector may be dispensed with. Once the system establishes itself as a success, it should be extended throughout the State in supersession of the existing system of village officers. Until then, in the areas in which this experiment is not in operation, after the abolition of the hereditary system, recruitment to the village offices should be from among the persons who have passed the village officers' test, preference being given to the residents of the village, other terms and emoluments being as at present.

CHAPTER VI—LAND REVENUE CODE.

312. In the scheme of land revenue administration there are many matters which are now dealt with by executive orders. There are a few which are governed by Statute, e.g., Land Encroachment Act, Revenue Recovery Act and the Survey and Boundaries Act, to mention a few. Among those dealt with by executive orders are the question of assessment and remission, including assessment on land put to non-agricultural use, or converted to non-agricultural use; assignment and alienations; relinquishment, transfer of registry, etc. The public have been anxious that all important questions relating to land-holding, land revenue, land tenures, land revenue administration and the powers and functions of the various revenue authorities, should come on a statutory footing, and to have, for convenience of reference, all the statutory material put together. This raises two sets of questions—

(1) Legislation on matters, which are not regulated at all, or are governed by executive orders; and

(2) The question whether there should be only one comprehensive piece of legislation, or merely a putting together in one compilation—just for convenience of reference—of a number of independent pieces of legislation.

313. On the question of legislation on matters not now regulated, we have suggested in our First Report fresh legislation on a number of questions relating to land holdings and land tenures; we consider that the relevant statutory provisions should be made in one single piece of legislation on all the issues covered in our First Report.

314. As regards our recommendations in this, our Second Report, we consider similarly that there should be another piece of legislation dealing with the issues we have dealt with herein. In particular, we consider that some of the more important matters relating to land revenue assessment, remission, inams, etc., should all find a place in the new Law. We examine below in some detail which of our proposals in this Report requre legislation for implementation, or should be implemented only by legislation.

315. In paragraphs 64 to 67 of this Report we have recommended that, although resettlements should be abandoned, certain features of the resettlements should not be wholly abandoned. They are—

(1) Power to re-examine, as and when circumstances may call for such re-examination, the grouping of dry villages or tracts, with reference to the same criteria as were adopted at the time of the original settlement or resettlement, and to alter the groupings where circumstances justify such a course of action.

(Paragraph 64)

(2) Power to reclassify irrigation sources, and to recalculate the assessment as well as water-rates thereunder, as hitherto, in the case of improvement or deterioration of the sources, as the case may be, such as would justify the relegation of sources from one class to another.

(Paragraph 65)

(3) Extension of the principle of grouping to wet lands.

(Paragraph 66)

(4) Power to reclassify lands when there is permanent damage or deterioration of land due to act of God—floods, cyclones and the like.

(Paragraph 67)

316. The power to reclassify irrigation sources should find a place in the Irrigation Bill now under consideration of the Government, and we recommend the incorporation of the appropriate provisions therein by a suitable amendment, if need be, if provisions do not already exist in explicit terms. As regards the other three recommendations above, we consider that the appropriate principle should be included in the relevant Land Revenue Act (to be passed by the Legislature to implement the recommendations in this Report), details being settled by rules, which should, however, be subject to the approval of the Legislature. It would be cumbersome to put in all the details in the legislation.

317. Standardization of assessments, dealt with by us in paragraphs 68 to 84 of this Report, should be given effect to by legislation. We do not consider it necessary to embody in the legislation the principles enunciated by us in paragraph 71 or 72. It would be adequate to specify simply that the standard rate of assessment shall be—

(a) in each of the districts or tracts specified in Schedule A, the existing rates of assessment reduced by deducting therefrom the whole of the percentage or other enhancements in the rates imposed at the last current resettlement of the tract on account of rise in prices;

(b) in each of the districts or tracts specified in Schedule B, the existing rates of assessment reduced by deducting therefrom one-half of the percentage or other enhancement in the rates imposed in the last current resettlement on account of rise in prices; and

(c) in each of the districts or tracts specified in Schedule C, the existing rates of assessment without any reduction.

This would apply to areas under ordinary cereal or food crops.

318. The error in the calculation in the wet rates of Tirunelveli district, referred to in paragraph 85 above, will have to be rectified, and we are not certain if this would require any permissive legislative provision in the Statute. But this matter should not be lost sight of.

319. The sliding scale of assessment can be implemented only by legislation. In the legislation should be included appropriate provisions relating to the price index with reference to which the sliding scale should be worked (paragraph 89), the range to which the standard assessment should be correlated, the stage when enhancement becomes operative and the stage when reduction has to be granted, the rate of enhancements for the increase in the level of prices and the rate of reduction for the fall in the level of prices (paragraphs 90 to 96). Only the principles should find a place in the Act, and appropriate rules should be framed to give effect to the legislation, incorporating the detailed provisions. Consistent with the general principle recommended by us, all such rules will be subject to the approval of the Legislature. The actual imposition of the first rates, including the standard rates, and the variations in the sliding scale, would at every stage have to be approved by the Legislature as indicated by us in paragraph 99. We also consider it very desirable that the relevant legislation should include a specific provision that the scheme of surcharge and rebates under the sliding scale of land revenue assessment should be operative purely and solely with reference to alterations in the price-levels, and there should not be any change merely with reference to the exigencies of the State Finance—paragraph 100.

320. The super-imposition of the principle of progression on the structure of land revenue assessment will require legislation for its implementation. The agricultural income tax may form a separate section or chapter of the single legislative enactment that would be necessary to implement our recommendations in this, our second report. In the first instance the scheme of agricultural income tax would be applicable only to plantation areas (paragraphs 121 and 122); during this interim period the progression in the case of other agricultural sectors will be by a surcharge on land revenue, and this also would require legislative provisions. In the implementation of the scheme of surcharge (paragraph 131) certain refinements in the administrative machinery will be required in order to ensure that landholders who have lands in more than one village do not escape taxation. This matter would need further examination by the Government in consultation with the Board of Revenue.

321. The levy of a special charge on commercial crops (paragraphs 132 to 145), including exemptions when special steps are taken to encourage any of these crops, will need legislation. Only the principle need be incorporated in the legislation, the details being regulated by rules to be approved by the Legislature.

322. Similarly, a special levy on plantations including the levy of a flat rate of Rs. 1–8–0 per acre in lieu of the existing varying rates, would require appropriate legislative provisions (paragraphs 153 to 157). Here again, the principle may find a place in the Act, the details being left to be settled by rules to be approved by the Legislature.

323. The levy of ground rent, and the general scheme regarding the charges to be levied on lands put to, or converted to, non-agricultural use, recommended by us in paragraphs 165 to 177 would require legislation. In particular, the question of abolition of free-holds as a tenure in this State, both in the plantations and in town-sites, would require an examination of the legal aspects of the case. The general principles may be embodied in the legislation, details being left to be determined by rules to be approved by the Legislature.

324. Appropriate provisions relating to inams may be included in the legislation when dealing with the levy of assessment. Here again, an examination of the legal aspects of the case regarding the issue of compensation in the case of quit-rent inams (paragraphs 184 and 185) will have to be made.

325. Our recommendations relating to the levy of water-cess, the adoption of the fixed water-rate system in preference to the differential water-rate system, and the correlation of the standard scale of water-cess to the current level of prices, and the project scale of water-cess to the standard assessment, etc., would all require appropriate legislation (paragraphs 195 to 202). We consider that these provisions should find a place in the Irrigation Bill now under consideration of the Government, or by an appropriate amending Bill in case that Bill is passed into Law before our recommendations are considered by the Government.

326. Relevant provisions relating to baling remission may find a place either in the Irrigation Bill or in the Chapter under Remissions in the Land Revenue Bill itself (paragraph 206).

327. Regarding the grant of remission when ruined tanks are restored by the Government (paragraph 207) relevant permissive provisions may be incorporated in the appropriate Chapter of the Land Revenue Bill, probably under the Chapter on Remissions. On the general question of remission itself, we have already indicated that provision should be made in the relevant Act for remission being granted in accordance with the prescribed rules (paragraphs 210 and 211). The rules, we have recommended, should be subject to the approval of the Legislature. The details regarding the remissions should all be incorporated in the rules. We have dealt with the issues in paragraphs 213 to 234.

328. The scheme of the levy of cesses, limitation on future levy, and the overall maximum of 25 per cent of the standard assessment, etc., will require amendment of the Madras Local Boards Act, the Elementary Education Act, and possibly also the Panchayat Act. The levy of cesses, as we have indicated, is strictly outside the purview of land revenue proper, but became relevant to our enquiry only to the extent of limiting the overall burden to be imposed on the landholders (paragraphs 239 to 241).

329. As regards village and taluk accounts, a general provision may be included in the Act for such accounts and returns, etc., to be maintained as may be directed from time to time by Government in this behalf.

330. The special problems relating to Malabar and South Kanara would not require any special legislation but some of the aspects which may not have any legislative basis, will have to be provided for by the inclusion of appropriate provision incorporating the principle underlying the existing practice; such, for example, would be the distinction between old and new holdings in Malabar, the kumaki privileges of holders of pre-fasli 1276 (kadim) holdings in South Kanara.

331. Some transitory provisions may have to be included in respect of Abolition Act Areas—vide paragraph 360 infra.

332. We have so far dealt with those aspects in our Second Report which require legislation. We consider the opportunity now provided should be availed of to place on a statutory basis some of the other aspects of the land revenue administration which did not actually figure in the scheme of reforms recommended by us. But they would come in under the clause " . . . what items should be included in the Code ", in item (*l*) in our Terms of Reference—Appendix I.

333. Assignment and alienation are now dealt with by executive orders. We consider it necessary that there should be room for considerable elasticity over these. It is also inexpedient that Civil Courts should be allowed to intervene on these questions. Therefore, we recommend that only " the authority " as under the Government Grants Act need be transposed to the general piece of legislation referred to above, leaving the details to be dealt with by " rules " which may be subject to the approval of the Legislature. Leaving these rules to be dealt with by executive instructions may not altogether be satisfactory enough.

334. The principle of " relinquishment " which is now dealt with by executive orders may similarly be put into the Act, only the principle being put into the appropriate section of the Act, details being dealt with under the rules.

335. The duty of effecting transfer of registry may be put in also, similarly, into the Act and details under the rules. This

duty should, however, be confined to the existing scope—and no attempt should be made to compile a comprehensive "record of rights".

336. A modernized version of the following ten Acts may be incorporated by appropriate provisions in the Land Revenue Law :—

(1) The Madras Board of Revenue Regulation, 1803;

(2) The Madras Collector's Regulation, 1803;

(3) The Madras Revenue Malversation Regulation, 1822;

(4) The Madras Subordinate Collector's and Revenue Malversation Amendment Regulation, 1828;

(5) The Madras Revenue Commissioner Act, 1849;

(6) The Madras Uncovenanted Officers Act, 1857;

(7) The Madras Revenue Summonses Act, 1869;

(8) The Madras Revenue Enquiries Act, 1893;

(9) The Madras Board of Revenue Act, 1914; and

(10) The Madras Deputy Collectors' Act, 1914.

Any procedural powers not contained in these Acts but now provided for in the other Acts, and which are required to enable the Land Revenue Officers to effectively discharge their duties, may also be similarly provided for in the law.

337. The above, in brief, are the relevant detailed provisions on which legislation will be required. As indicated by us these provisions will be incorporated in a separate Act. When this Act, and the Act providing for the issues dealt with by us in our First Report are both completed, there would still remain the second question posed at the beginning of this Chapter, whether these and all other relevant pieces of legislation which are already on the Statute Book should go into one comprehensive piece of legislation as a Land Revenue Code.

338. Our view is that it would be extremely cumbersome and quite unnecessary; all that is necessary is to bring them all together, by compilation alone, for purposes of easy reference, to constitute a Land Revenue Manual in which all Acts bearing on land holding, land tenures, land revenue, land revenue administration, powers and functions of land revenue officers, and relations between the public and the land revenue authorities, will be put together, but each Act will stand by itself.

Thus all matters relating to irrigation will be left to be governed by the independent piece of legislation now under consideration of Government.

The Revenue Recovery Act will stand as it is separate; and similarly the Land Encroachment Act and the Survey and Boundaries Act.

Extracts of the Forest Act showing the rights of villagers as to free grazing, collection of fuel and removal of minor forest produce will find a place in the compilation.

It would perhaps be useful to have the Land Acquisition Act in the compilation also.

There may be "Estates" left for some time but it would make the compilation too bulky, without any proportionate advantage being gained, to have the Estate Land Act, the C.P. Tenancy Act and the Nugur, etc. Regulations put in; a note that these would apply to estates in certain areas will suffice. The residuary areas to which these Acts, etc., apply may also be indicated.

Special Acts relating to Malabar—Malabar Land Registration Act and Malabar Tenancy Act—may have to go into the compilation.

Until the hereditary system of village offices is replaced the present Acts will remain and will have to go into the compilation.

339. The arrangement will thus be—

an Act covering the points in the First Report on which legislation has been suggested;

an Act covering the points in the present Report where fresh legislation, or replacing of existing legislation, has been suggested;

rules, subject to the approval of the Legislature, on points where only principles have been embodied in the Act;

these Acts and rules, along with the other Acts relevant in the present context, and statutory rules under them, all to be brought together into a Manual for convenience of reference.

340. The above suggestions indicate only the broad outline of the principles to be followed; an elaborate scrutiny of all the existing Acts which have a bearing on the problem will have to be made in order to see which of them should stand, but independently, which of them should be embodied in the two comprehensive Acts referred to, and which of them can be completely replaced.

341. All these would still leave room for executive instructions, for the purpose of clarification and illustration, on the lines of the present Board's Standing Orders, on grounds not covered by the Acts and Rules themselves.

342. There would be room also for compendiums like the Village Officer's Manual which aim at a synthesis for a different purpose—the totality of the duties of village officers.

343. The Manuals of Village and Taluk Accounts will, of course, have to continue, and to remain separate.

CHAPTER VII.—APPLICABILITY OF THE RECOMMENDATIONS TO THE AREAS COMING UNDER THE MADRAS ACT XXVI OF 1948.

344. The reforms proposed by us will become applicable to the areas coming under the purview of the Madras Estates (Abolition and Conversion into Ryotwari) Act, 1948—Madras Act XXVI of 1948—only after the Estates are taken over in accordance with the prescribed formalities of notification, etc. Thereafter, pending a ryotwari settlement of the estate as provided for in the Act, an interim assessment is fixed on the lands in the estate areas thus taken over, the interim assessment being equal to the reduced rent fixed under the Madras Estates Land (Reduction of Rent) Act, 1947—Madras Act XXX of 1947. These interim assessments will remain in force until they are replaced by regular assessments after the initial settlement operation which is now in progress. So, in the application of the principles of land revenue reform to these areas, which, for want of an alternative suitable term, we propose to call "Abolition Act Areas", the interim as well as the ultimate position will have to be considered.

345. The manner of effecting the ryotwari settlement of an estate has been set down in Section 22 of the Act. The settlement assessment arrived at for an estate would ordinarily correspond to the rates of the last current resettlement in the particular district in which the estate is situated. In cases, however, where there are more than one settlement notification in force in the particular district, or where the estate extends to more than one district, the Government have power to direct the adoption of the rates set out in that one of the notifications which they consider to be appropriate to the case. For the purposes of standardization of assessment, therefore, the particular schedule in which the district itself falls or the set of rates in the particular notification that is taken as the standard frame of reference, will be the appropriate criterion, and the rates will be standardized in accordance with the principles set out in paragraphs 83 and 84 of our Report.

346. Although we have recommended that resettlement should be abandoned, and as a result there will be no further resettlement of the Estate areas after the initial settlement which is a statutory requirement, we have suggested that certain features of the resettlement scheme should be preserved. They are—

(1) Power to re-examine, as and when circumstances may call for such re-examination, the grouping of dry villages or tracts, with reference to the same criteria as were adopted at the time of the original settlement or resettlement, and to alter the groupings where circumstances justify such a course of action.

(Paragraph 64.)

(2) Power to reclassify irrigation sources, and to recalculate the assessment as well as water-rates thereunder, as hitherto, in case of improvement or deterioration of the sources, as the case

may be, such as would justify the relegation of sources from one class to another.

(Paragraph 65.)

(3) Extension of the principle of grouping to wet lands.

(Paragraph 66.)

(4) Power to reclassify lands when there is permanent damage or deterioration of land due to act of God—floods, cyclones and the like.

(Paragraph 67.)

347. Under the statutory provisions, the Settlement Officer will always have due regard to the conditions in the adjoining ryotwari area, or the particular area to which the settlement notification taken as the standard frame of reference applies, as on 19th April 1949 when the Act came into force by a notification in the Gazette. These sets of figures will have to be worked out for the purpose of assessing compensation payable to the proprietors. But, in the first settlement it should be possible for the Settlement Officers to have due regard to the criteria mentioned by us in paragraphs 64 to 67 above, and give effect to any changes that would be required. In effect, therefore, two sets of figures will have to be worked out, the first set to represent the unmodified conditions as on 19th April 1949, and the second to represent the actual rates that will have to be levied on the person entitled to the ryotwari patta in these areas.

348. Even in the case of standardization of assessments, the two sets of figures will have to be worked out separately, one set to represent the conditions as they stood on 19th April 1949 before standardization for the purpose of assessing compensation payable to the proprietors, and the other set of figures being the figures that will have to be actually brought into force, as between the ryot and the Government.

349. A question that would arise in this connection is whether the principle of standardization should be applied to the interim assessment also. In our view, it should be so applied because the interim assessment is correlated, albeit in a rough and ready way, to the current ryotwari assessment in the adjacent ryotwari areas. When in the case of the latter we apply the principle of standardization, it would be illogical not to apply the same principle to the interim assessment also. This means, in effect, that both the standardization of assessment and the sliding scale of assessment would be applicable during the interim period also: they will, of course, be applicable to the regular assessment worked out later on at the time of the ryotwari settlement of the estate; in the latter case, before applying these principles, there will also be a set of figures worked out according to the provisions of the Act, for the purposes of assessing compensation. The actual rates that will have to be given effect to as between the Government and the person entitled to the ryotwari patta will be the standard rates to which the sliding scale has been applied.

350. In the case of Tirunelveli district, when working out the wet rates under the ryotwari settlement, the errors referred to by us in paragraph 85 will have to be rectified; but, for the purposes of assessing compensation payable to the proprietors, a set of figures on the basis of the old rates will also have to be worked out.

351. The principle of progression, the levy of agricultural income tax on plantations and a land revenue surcharge in other sectors will be in operation during the interim period also—Sections 5 and 6 of Chapter III. In the case of land revenue surcharge, the holding liable to surcharge will be determined by the amount of standardized interim assessment payable.

352. The scheme of special charge on commercial crops as well as the special plantation charges—Sections 7 and 8 of Chapter III—may also be brought into effect during the interim period. In the case of plantations in Estate areas, it would probably be better to have taram assessments worked out for them on the usual ryotwari principles. The rates of surcharge will be based on the current interim assessment in the first instance and the current ryotwari assessment after the settlement, except in the case of groundnut and tobacco which will pay an acreage rate.

353. Our scheme of ground rents—Section 9 of Chapter III—will also be applicable to these areas as soon as the estates are taken over; but here again, the question will have to be examined whether a separate set of figures will have to be worked out for assessing the compensation payable to proprietors.

354. In the case of inams granted by the zamindar, section 17 of the Madras Act XXVI of 1948 makes special provisions. The special inam tenures, except those which are discharged from conditions of service under section 17 (1) (*a*) of the Act, will, in due course, have to be dealt with on a par with minor inams in the ryotwari areas—Section 10 of Chapter III. Here again two sets of figures may have to be worked out, one as on 19th April 1949 in the corresponding ryotwari area, and another being the actual rates that will be brought into force on the completion of the ryotwari assessment.

355. Our recommendations in respect of water-rates—Section 11 of Chapter III—will also be applicable to these areas generally after the ryotwari settlements are completed. During the interim period, however, in respect of sources which were previously zamindari, water-rates will have to be fixed having due regard to the rent reduction operations; later on, the rates will have to be refixed with reference to the settlement assessments, or alternatively, the settlement officers may propose appropriate classification of sources and the rates to be applicable under each source. As a normal rule, they would have reference to water-rates applicable in the case of similar sources under the old ryotwari settlements or resettlements. Here also, both sets of figures, one set before the application of our new principles to represent conditions as they stood on 19th April 1949, and another to represent the effect of the application of our new principles, will have to be worked out: the former set will be relevant for assessing compensation payable to the proprietors and for no other purpose; the latter will be the actuals that will be brought into operation.

356. In the matter of baling remission and remission of assessment on restoration of ruined tanks—Sections 12 and 13 of Chapter III—two sets of figures will have to be worked out as in all other cases. These schemes would be operative during the interim period also.

357. The new scheme of seasonal remissions—Section 14 of Chapter III—should be brought into force immediately during the interim period in the Abolition Act Areas.

358. Cesses will be levied on the basis of standardized interim assessments now (Section 15 of Chapter III); and, in due course they will be related to the standard ryotwari assessments for those areas.

359. The special recommendations made by us in respect of South Kanara and Malabar districts will also be applicable during the interim period only if there are estates in these areas. But the state of affairs before the application of these new principles should also be worked out.

360. In the Land Revenue Code, special transitory provisions may have to be included in order to facilitate the application of these principles as suggested by us above to the Abolition Act Areas during the interim period. This has been mentioned by us in passing in paragraph 331.

CHAPTER VIII—FINANCIAL ASPECT OF OUR RECOMMENDATIONS.

361. In this Chapter we propose to make a rough estimate of the difference in revenue which the recommendations made in our two reports would make, when compared with the present level. For this purpose we propose to work out two sets of figures, one with reference to conditions as they stand at present, and another set of figures as for the period when the price index, being the Presidency average price of first and second sort paddy expressed as rupees per garce of 3,200 Madras measures, would have reached the range when only the standard assessment will be leviable, i.e., the price index will be more than 250 and less than 500, and also assuming that the agricultural income tax would by then have been extended all over the State, in lieu of the surcharge on larger holdings.

362. We have also taken into account the effect of our recommendations in the " Abolition Act Areas " assuming generally that the same pattern as in the other ryotwari areas prevails therein. But

we have not entered into the calculations of the amount that would be necessary to level up the administration there (including the village establishments) to the standards of the ryotwari areas since those are not relevant to the line of calculations we are making, viz., a difference over the present levels, and those calculations are assumed to have been made before arriving at the present levels themselves.

363. *Result of standardization of assessment.*—Taking first the ryotwari area, there will be a reduction by Rs. 52,31,594 in the case of Schedule A districts. For the districts in Schedule B there will be a reduction by Rs. 4,37,584. The total effect of standardization of assessment will be a reduction of the land revenue assessment by Rs. 56,69,188.

Sri N. Raghavendra Rao estimated the reduction at Rs. 60 lakhs, and for our purpose this figure may be adopted. Bases of the calculations have been indicated in Appendix X-A (1).

In the Abolition Act Areas the total rent roll after the application of the Rent Reduction Act is Rs. 1,96,81,474. For purposes of our calculation we shall assume it to be Rs. 1,96,80,000 (rupees one crore ninety-six lakhs eighty thousand in round numbers). We note from the Jamabandi Report for fasli 1358 the assessment on ryotwari holdings, excluding water-rate, quit-rent on inams and peshkash, is Rs. 615 lakhs. Assuming the same pattern as in the ryotwari areas the reduction in the Abolition Act Areas due to standardization would amount to $\frac{60}{615} \times 196{\cdot}80$ lakhs. We shall assume that there would be a 10 per cent reduction to be on the safe side, i.e., Rs. 19,68,000 in round numbers (rupees nineteen lakhs sixty-eight thousand only). Details of calculations will be found in Appendix X-A (2).

364. *Application of sliding scale.*—Detailed figures have been worked out in Appendix X-B (1) and (2). The standard assessment in the ryotwari areas will be Rs. 615—60 or Rs. 555 lakhs. Enhancement due to the application of the sliding scale, as things stand at present, i.e., price index ranging above 800 and not exceeding 900, would be 2 annas in the rupee of standard assessment, or Rs. 69 lakhs (rupees sixty-nine lakhs only). Therefore, the net increase on the assessment prevailing at the time of writing our Report due to the application of the principles of the standardization and the sliding scale would be (Rs. 69—60) lakhs or Rs. 9 lakhs.

Similarly, in the case of Abolition Act Areas the standard rent roll will be Rs. 1,77,12,000 and the enhancement on the standard rent roll is Rs. 22,14,000. The net increase will therefore be Rs. 22,14,000—19,68,000 or Rs. 2,46,000 (rupees twenty-two lakhs fourteen thousand minus rupees nineteen lakhs sixty-eight thousand or rupees two lakhs forty-six thousand only).

Extra staff is required to give effect to the principles of standardization and also to work out the sliding scale of enhancements at the initial introduction of the scheme. A non-recurring lump-sum provision of Rs. 1 lakh for extra staff may be provided for. Also, another recurring lump-sum provision may be made for recurring expenditure on staff required for implementing this and other items in our recommendations, as indicated below.

365. *Levy of surcharge on larger holdings.*—We have made certain detailed calculations for estimating the revenue due to the levy of the surcharge in Appendix X-C. We have first taken the total assessment on single pattas in each range, and where figures are not available in the Statement No. 20 of the Jamabandi Report for fasli 1355 (1945–46), we have made an estimate of the numbers and the total assessment in question. We have first worked out the average size of the holding in the particular assessment range, and applied the rates to the average holding; rates in each range have been worked out in detail in Appendix X-D—working sheet for the land revenue surcharge on larger holdings.

The result is indicated below :—

			RS.
Extra income	on Rs. 150—250 range ...	...	42,200
Do.	on Rs. 250—500 range ...	...	1,50,900
Do.	on Rs. 500—1,000 range	...	1,98,000
Do.	above Rs. 1,000 range ...	...	3,21,300
	Total	...	7,12,400

The disadvantage of this type of calculation based on averages will be to depress the estimates unduly. The upper limit will be the totals worked out on the assumption that the rate of surcharge applies throughout the range. Calculations on this basis have also been made in Appendix X-C, and that gives a total of Rs. 17,25,000. The actuals will therefore be somewhere between Rs. 7,12,400, or say, Rs. 8 lakhs and Rs. 17 lakhs. We adopt an estimate of Rs. 10 lakhs (rupees ten lakhs only) on this account for single pattas, which we consider would be a reasonably correct and reliable estimate.

We have made similar calculations for joint pattas—(Appendix X-C). Here, we have found some errors in the statistics, but we have tried to do the best we can under the circumstances as indicated in the detailed calculations. (We have made a reference on this question of errors in the statistics to the Board of Revenue, so that correct estimates may be made later on, if necessary.) As we get for joint pattas a total of Rs. 1,80,000 and as we have raised the single patta estimates from Rs. 8 lakhs to Rs. 10 lakhs, on the same basis we propose to raise the estimate for joint pattas by another 25 per cent or to Rs. 2,25,000. So, in respect of the ryotwari areas, we get an estimate of Rs. 10 lakhs for single pattas and Rs. 2·25 lakhs for joint pattas, or a net total to Rs. 12,25,000 (rupees twelve lakhs twenty-five thousand only) being the land revenue surcharge on larger holdings adopted by us.

The total rent roll in the Abolition Act Areas is Rs. 1,96,80,000. Applying roughly the same principle, and on the assumption that the same pattern prevails in the Abolition Act Areas, the income on this account from these areas would be $\frac{12.25}{610}$ × Rs. 1,96,80,000 or, say, Rs. 4 lakhs.

We do not intend to provide for any extra staff on this account, as, in our view, the staff provided for under the scheme of standardization and sliding scale should be capable of dealing with this also, i.e., so far as the non-recurring expenditure on staff at the initial introduction of the scheme is concerned. But some kind of centralized records and card indexing will have to be maintained in order to see that persons owning lands in more than one village do not escape from this surcharge. For this and for a number of other similar items we propose to make a provision of Rs. 1 lakh recurring for the extra staff; among the other items will be included the question of levy of a charge on commercial crops which will require a certain amount of extra inspection and also the liberalization of the remission rules, standardization of water-rates, cesses, etc.

366. *Agricultural Income Tax on plantations.*—We have very little data about this. But we have made an estimate of Rs. 12 lakhs from this source in the ryotwari areas and Rs. 1 lakh from plantations in the Abolition Act Areas or a total of Rs. 13 lakhs—Appendix X-E.

The expenditure on the extra staff required on this account will be about Rs. 50,000 recurring. This will have to be increased to Rs. 2 lakhs roughly after the scheme of income tax is extended throughout the State.

367. *Special charge on commercial crops.*—We have made some detailed calculations in Appendix X-F. We have arrived at an estimate of Rs. 85 lakhs in the ryotwari areas and Rs. 20 lakhs in the Abolition Act Areas. We do not propose to provide for any amount for extra staff on this account as the Rs. 1 lakh (recurring) provided for in Appendix X-A and B under the scheme of standardization of assessment and the application of the sliding scale—paragraph 364 above—should be able to deal with this also.

368. *Standardization of cesses.*—Here again no accurate data are available, but we have estimated that there would be a loss to the local bodies of the order of Rs. 40 lakhs—Appendix X-G.

We have not made any provision for extra staff for this item as we consider the staff provided for under the scheme of standardization and sliding scale—paragraph 364 above—should be able to attend to this also.

369. *Levy of full assessment on inams.*—We have estimated Rs. 90 lakhs on the basic standard assessments and another Rs. 10 lakhs as a result of the application of sliding scale or a net increase

of Rs. 100 lakhs. Compensation, if payable for the levy of full assessment on quit rent inams, may be a non-recurring amount of the order of Rs. 10 crores.

We have no data available regarding the Abolition Act areas and so we have not made any estimates at all.

For the initial introduction of the scheme we consider the 10 per cent of the first year's income would be adequate. So we have included a lump-sum provision of Rs. 10 lakhs non-recurring for extra staff—details of calculation are in Appendix X-H. No separate provision for recurring expenditure on extra staff has been made: the staff provided for in paragraph 364 above should be adequate.

370. *Result of standardization of water-rates and the application of sliding scale.*—Out of a total amount of Rs. 110 lakhs collected as water-rate we have assumed Rs. 40 lakhs to be due to collections under projects, where special project rates prevail, and the balance of Rs. 70 lakhs under the standard scale. The surcharge with reference to the present price-level will be annas 2 in the rupee, and therefore, there will be an increase by two annas in the rupee, or $\frac{1}{8}$ of Rs. 40 lakhs, or Rs. 5 lakhs—detailed calculations in Appendix X-J.

When conditions return to the price range of the standard assessment, the total of project rates will remain at Rs. 40 lakhs, but the standard scale of water-cess will be reduced by 1/9 of Rs. 70 lakhs, or Rs. 8 lakhs.

No data are available regarding the Abolition Act areas and so we have not made any calculation for additional revenue as things stand at present. Water-rates levied in zamindari areas are already taken credit for and so the amount of Rs. 5 lakhs extra revenue taken credit for may be expected to cover this also. Ultimately, we expect a reduction of about Rs. 4·4 lakhs in the Abolition Act areas as a result of the standardization of water-cess—Appendix X-J.

We have not provided for any extra staff here as we expect that the staff provided for under the scheme of standardization and sliding scale—paragraph 364 above—should be able to deal with this also.

371. *Result of liberalizing the remission rules.*—We have made certain estimates in Appendix X-K based on the average or remissions granted in the last ten faslis, from faslis 1350 to 1359. We have put down the extra expenditure at Rs. 15 lakhs in the ryotwari areas and Rs. 5 lakhs in the Abolition Act areas.

No provision has been made for extra staff as we expect that the staff provided for under the scheme of standardization and sliding scale should be able to deal with this also.

372. *Levy on lands used for non-agricultural purposes.*—We have made detailed calculations in Appendix X-L. We have taken credit for an extra revenue of Rs. 20 lakhs in the city and mufassal municipalities. A lump-sum provision of Rs. 10,000 has been made

for the extra revenue in towns other than the city and the municipalities, a provision of Rs. 5 lakhs has been included for the application of the scheme to 99 years' leases and to other such cases. The net total is Rs. 25·1 lakhs (rupees twenty-five lakhs ten thousand only).

No data are available for the Abolition Act areas and we have put down a lump-sum provision of Rs. 5 lakhs.

As regards the extra staff we put them roughly at 10 per cent of the revenue or Rs. 2 lakhs recurring.

373. *Result of the revision in the rates of assessment on plantations.*—Detailed calculations have been made in Appendix X-M. We expect a decrease in revenue by Rs. 86,000 as a result of the application of the average rate of Rs. 1–8–0 per acre in lieu of the existing varying rates but we expect a sum of Rs. 5 lakhs as extra revenue by the special plantation levy.

We have no data regarding plantations in the Abolition Act areas. But we have taken credit for Rs. 40,000 in those areas.

No extra staff has been provided for on this account as we consider that the staff provided for under the scheme of standardization and sliding scale should be able to deal with this also; or alternatively the staff employed for the levy of agricultural income-tax on plantations.

374. *Cancellation of the extra charge of Re. 1 per acre in certain coastal villages of South Kanara.*—Details of calculations are given in Appendix X-N and the estimated loss of revenue is Rs. 25,000.

375. *Effect of making the office of the Board of Revenue function also as the Revenue Secretariat.*—There will be no retrenchment in the top personnel such as Members of the Board of Revenue, Secretaries to the Board or the Revenue Secretary. We have, however, indicated that that part of the Revenue Secretariat staff now dealing with the reports from the Board working as an independent unit can be dispensed with. We have no data for estimating the saving, but we think it may be put roughly at Rs. 50,000.

376. *Reorganization of village administration.*—If the experiment suggested by us establishes itself we expect that about two large villages and possibly three small villages could be clubbed together. If only two villages could be grouped together we shall save roughly two village headmen (2 × Rs. 17), two karnams (2 × Rs. 18) and five village menials (5 × Rs. 11) or about Rs. 125 per mensem. As against this we have to incur an expenditure on one Upper Division Clerk, one Lower Division Clerk and three peons, or say, an average cost of Rs. 180. In view of the possibility of three of the smaller villages being grouped together, and providing also for leave and pensionary contributions, and the saving on Revenue Inspectors, we consider that the extra expenditure under this system may be put at one-third over the existing expenditure, i.e., 1/3 of Rs. 2·40 crores or Rs. 80 lakhs (rupees eighty lakhs).

In the Abolition Act areas the extra expenditure on this account may be put roughly at Rs. 25 lakhs.

377. *Extra staff entailed by our recommendations in the first report.*—We have made some detailed calculations in Appendix X-P. We put the recurring expenditure at Rs. 6 lakhs on this account.

378. We give below a brief tabular statement of the financial aspects :—

STATEMENT I.

AS THINGS STAND AT PRESENT.

		Areas already ryotwari. RS. LAKHS.		Abolition Act areas. RS. LAKHS.
(1) Result of standardization of assessments ..	—	60	—	19·68
(2) Application of the sliding scale of assessments.	+	69	+	22·14
(3) Surcharge on larger holdings	+	12·25	+	4·0
(4) Agricultural income-tax on plantations ..	+	12	+	1·0
(5) Special levy on commercial crops	+	85	+	20
(6) Plantations—Substitution of flat rate	—	0·86		..
(7) Plantations—Special levy	+	5	+	0·4
(8) Levy of ground rent under the revised scheme.	+	25·1	+	5
(9) Liberalization of remission rules	—	15	—	5
(10) Standardization of water-rates	+	5		..
(11) Cancellation of extra charge of Re. 1 in the coastal villages of South Kanara.	—	0·25		..
Progressive total (one) ..	+	137·24	+	27·86
(12) Reorganization of the Board of Revenue and Revenue Secretariat (Savings).	+	0·5		..
(13) Reorganization of village administration ..	—	80	—	25
Progressive total (two) ..	+	57·74	+	2·86
(14) Levy of full assessment on inams .. .. (Compensation, if payable, would be of the order of rupees ten crores (Rs. 10,00,00,000).	+	100		..
Progressive total (three) ..	+	157·74	+	2·86
(15) Loss to local bodies on land and education cess incomes.			— 40	

If the last item, which does not directly relate to Government, is left out of account, there will thus be an increase in revenue of Rs. 160·60 lakhs (apart from expenditure on staff, referred to further below).

But if the position should arise that Government themselves should reimburse the loss in revenue on cesses to local bodies, the net effect on Government revenues will be a net increase of Rs. 120·60 lakhs or, say, Rs. 120 lakhs, apart, again, from the expenditure on Revenue staff; please see below :—

	Non-recurring. RS. LAKHS.	Recurring. RS. LAKHS.
(16) Extra staff excluding village officers—		
(a) Items (1), (2), (3), (5), (6), (7), (9), (10), (11) and (15).	1	1
(b) Item (4)—Agricultural income-tax on plantations.	..	0·5
(c) Item (14)—Levy of full assessment on inams.	10	..
(d) Item (8)—Ground rent cases	..	2·0
(e) To implement the recommendations in the first report.	..	6·0
	— 11	— 9·5

So, the ultimate net increase over present levels will be Rs. 110·5 lakhs grant in lieu of cess income becomes payable by Government to local bodies; otherwise, there will be a net increase over present levels of Rs. 151·50 lakhs or, say, Rs. 150 lakhs. In either case, there will also be a non-recurring expenditure of Rs. 11 lakhs on staff, and if compensation is found to be payable for levying full assessment on inams, a non-recurring payment of the order of about Rs. 10 crores.

STATEMENT II.

FOR THE PERIOD WHEN PRICE LEVELS RANGE ABOVE 250 AND BELOW 500 AND THE AGRICULTURAL INCOME-TAX IS EXTENDED THROUGHOUT THE STATE.

	Areas already ryotwari. RS. LAKHS.	Abolition Act areas. RS. LAKHS.
(1) Standardisation of assessment	— 60	— 19·68
(2) Agricultural income-tax throughout the agricultural sector.	+ 20	+ 5
(3) Commercial crops—(a reduction of about 12½ per cent. on the figures in Statement I assumed).	+ 75	+ 17
(4) Plantations—Substitution of flat rate	— 0·86	..
(5) Plantation—Special levy (reduction of about 12½ per cent on the figures in Statement I assumed).	+ 4·5	+ 0·35
(6) Ground rent (a slight reduction assumed) ..	+ 20	+ 4
(7) Liberalization of remission rules	— 15	— 5
(8) Standardization of water-rates	— 8	— 4·4
(9) South Kanara	— 0·25	
(10) Reorganization of Board of Revenue	+ 0·5	..
(11) Reorganization of village officers	— 80	..
(12) Levy of full assessment on inams	+ 90	— 25
Total ..	+ 45·89	— 27·73

	Areas already ryotwari. RS. LAKHS.	Abolition Act areas. RS. LAKHS.
(13) Extra staff—		
Excluding Village Officers: (a), (b), (d) and (e) in Statement I.	— 9·5 recurring.	..
Plus extra staff for Agricultural Income-tax.	— 1·5	..
	or — 11 recurring.	..
Total ..	+ 34·89	— 27·73

or a net increase of Rs. 7 lakhs roughly on present revenue.

Here again, there will be loss to local bodies on account of standardization of cesses to a total of Rs. 40 lakhs. If the Government were to have to reimburse the amount, there will be a net decrease of Rs. 33 lakhs on present revenue. And allowance will have also to be made, here again, for a non-recurring expenditure on staff of Rs. 11 lakhs and for a non-recurring expenditure of the order of Rs. 10 crores if compensation is found to be payable for levying full assessment on inams.

CHAPTER IX—SUMMARY. *

The levy of a sales tax on the first sale of agricultural produce by the primary producer is not an acceptable alternative to the existing system of land revenue assessment.

(Paragraph 25.)

2. The existing system of land revenue assessment cannot profitably be replaced by the levy of a tax either as a percentage of rental value, or as a percentage of capital value of the land.

(Paragraph 32.)

3. The Committee have examined the feasibility of replacing the existing system of land revenue assessment by an agricultural income tax, and specifically examined the following alternatives :—

(A) An agricultural income tax with a lower exemption limit but no charge of any kind, whether it be assessment or water-rate, on the land; or

(B) An agricultural income tax as in (A) above but without any exemption limit whatever; or

(C) An agricultural income tax with a lower exemption limit, no assessment being levied on land, but water-rates being collected for water taken from a Government irrigation source.

(D) The levy of an agricultural income tax over and above a " flat rate of land tax " plus water-rate.

* NOTE.—The paragraphs in this chapter have been numbered in a separate series.

None of the above alternatives is acceptable and an agricultural income tax can properly be conceived of only as a measure to be super-imposed, as a factor of progression, in a scheme of suitable assessments on the land—in which light the question is dealt with later on by the Committee.

(Paragraphs 50 and 58.)

4. The general framework of the present system of land revenue assessment should be retained subject to the reforms proposed below.

(Paragraphs 59 and 76.)

5. (1) Periodical resettlements of the kind that we had in the past should stand abandoned.

(Paragraph 63.)

(2) Nevertheless, power should be reserved to re-examine, as and when circumstances may call for such re-examination, the grouping of dry villages or tracts, with reference to the same criteria as were adopted at the time of the original settlement or the last current resettlement, and to alter the grouping where circumstances justify such a course of action.

(Paragraph 64.)

(3) Power should continue to be reserved to reclassify irrigation sources, and to recalculate the assessment as well as water-rates thereunder, in case of improvement or deterioration of the sources, as the case may be, such as would justify a relegation of the source from one class to another.

(Paragraph 65.)

(4) The principle of grouping should be extended to wet lands also, i.e., in the case of wet lands which are disadvantageously situated, judged by the criteria adopted for grouping of dry lands, namely, lack of communications, inaccessibilty to markets, unhealthiness of the tract and ravages by wild animals, there should be a differentiation in their favour by a suitable reduction in the existing level of assessment.

(Paragraph 66.)

(5) When there is permanent damage or deterioration of land due to an act of God—floods and cyclones and the like—the land should be reclassified, and power should be reserved to do this.

(Paragraph 67.)

6. The land revenue assessment should be appropriate with reference to the value of the land and should be at a level that is fair and equitable; and at the same time the pitch should bear uniformly throughout the State, i.e., the rate payable for similar lands similarly situated throughout the State, should be uniform.

(Paragraph 68.)

7. These objects can be achieved by arriving at rates for the various districts such as would have been secured if commutation rates had been adopted on the price-levels prevailing between the years 1860–61 and 1904–05.

(Paragraph 71.)

8. In the application of this principle, however, instead of applying these figures independently for each district, which would entail very elaborate re-calculation and re-construction of the table of rates, with the possibility of having to re-adjust the gradations from one taram to another, approximately the same result would be secured by the simpler process of cancelling, wherever necessary, wholly or partially, as the case may be, the enhancements made at resettlements, and leaving the rates in other areas intact.

(Paragraph 72.)

9. (1) In the application of the principle of standardization in that manner the rates for the several districts should be worked out on the following lines:—

(*a*) in the case of districts or tracts re-settled after 1914 wherein the price-levels of the middle period (1905–06 to 1913–14) and of a number of years of the later period, i.e., post-1914–15, and possibly very few years of the pre-1905–06 period, entered into the calculations, the whole of the resettlement enhancements should be cancelled;

(*b*) in the case of districts or tracts re-settled in the middle period wherein the price-levels of the earlier period, i.e., pre-1905–06, and of the middle period of 1905–06 to 1913–14 only, entered into the calculations, the resettlement enhancements should be reduced by 50 per cent;

(*c*) settlements or resettlements of the earlier period, i.e., prior to 1905–06, wherein the prices prevailing in the earlier period up to and inclusive of the year 1904–05 entered in the calculations, need not be disturbed.

(Paragraph 73.)

(2) In this connexion it is pointed out that what should properly be taken into account is the set of prices in the particular years that have entered into the calculation of the commutation rates, and not the actual year or years in which the resettlement took place, or resettlement operation was spread over.

(Paragraph 74.)

10. In pursuance of the above principles, the districts and tracts will be arranged in the following schedules:—

Schedule A.

(Whole of resettlement enhancements to be cancelled.)

1. The Golgonda, Sarvasiddhi and Palkonda taluks of the Visakhapatnam district. *

2. The East Godavari district.

*** As the district stood before bifurcation.**

3. The West Godavari district.
4. The Krishna district.
5. The Bellary district.
6. The Anantapur district except the Kadiri taluk.
7. The South Arcot district.
8. The Salem district except the Hosur, Krishnagiri and Dharmapuri taluks and hill village of Kilavarai in the Attur taluk.
9. The Tiruchirappalli district except the villages in the Karur taluk other than the eleven villages which formed part of the Madurai district until 1932.
10. The Tanjore district.
11. The Madurai district.
12. The Anjengo sub-taluk of the Tirunelveli district.
13. The Gudalur taluk of the Nilgiris district.
14. The Malabar district.
15. The South Kanara district.

Schedule B.

(Half of the resettlement enhancement to be cancelled.)

1. The Srikakulam and Ichchapur taluks of the Visakhapatnam district. *
2. The Chingleput district.
3. The Coimbatore district.
4. The Karur taluk of Tiruchirappalli district except the eleven villages which formed part of the Madurai district until 1932.
5. The Chittoor district except the Vayalpad and Madanapalle taluks.
6. The North Arcot district except the Tiruppattur taluk.

Schedule C.

(Existing rates to be confirmed.)

1. The Guntur district.
2. The Kurnool district.
3. The Nellore district.
4. The Kadiri taluk of the Anantapur district.
5. The Cuddapah district.
6. The Vayalpad and Madanapalle taluks of the Chittoor district.
7. The Tiruppattur taluk of the North Arcot district.
8. The Hosur, Krishnagiri and Dharmapuri taluks and the hill village of Kilavarai in the Attur taluk of the Salem district.

* As the districts stood before bifurcation.

9. The Tirunelveli district except the Anjengo sub-taluk.
10. The Ramanathapuram district.
11. The Nilgiris district except the Gudalur taluk.

(Paragraph 83)

11. The rates thus arrived at should constitute the standard assessment.

(Paragraph 84)

12. The error in the calculation of the wet rates in the Tirunelveli district, pointed out by Sri N. Raghavendra Rao, should be rectified.

(Paragraph 85)

13. In principle, instead of periodical resettlements as in the past, a simple and easily understandable system of sliding scale of assessment, based on the standard assessment, should be accepted, namely, with reference to suitable points in a range of price-levels, surcharges should be leviable when prices go beyond the higher point, and rebates should be given when prices go below the lower point.

(Paragraph 88)

14. The price-index with reference to which the sliding scale should be worked should be the Presidency average price of first and second sort paddy expressed as rupees per garce of 3,200 Madras measures.

(Paragraph 89)

15. The range to be adopted should not be the range of price-levels to which the standard assessments actually correspond—146 to 214—but should be considerably higher, so as to allow for variations or for inadequacy in the calculations that went into the fixing of the assessments, and also a wide margin for improvement in the standard of living.

(Paragraph 90)

16. (1) The standard assessment should therefore be correlated to a range of price-levels from 300 to 400, being the Presidency average price of first and second sort paddy expressed as rupees per garce of 3,200 Madras measures; and surcharges should be leviable when the price-level reaches 100 points above 400 and rebates when the price-level reaches 50 points below 300.

(2) The reduction should be for every 50 points and should be at the rate of half-anna per 50 points.

(3) The enhancement should be for every 100 points and should be at the rate of half-anna per 100 points up to a price-level of 1,000 and thereafter at one anna per 100 points.

(4) The existing assessments, where they are higher than the standard assessments, should be brought down to the standard assessment, and surcharges should be levied on the standard assessments in all the districts with reference to the current level of prices in accordance with the principles recommended by us.

(Paragraph 96)

17. The decision, whether there will have to be alterations in the level of assessments by way of enhancement or rebate under the scheme of sliding scale of assessment recommended by the Committee, should be taken by Government in October or November of each year with reference to the average prices of the twelve months terminating with that period, the level then prevailing, and the anticipations of future trends that can be made; the decision will of course have to be sanctioned by the Legislature.

(Paragraph 99)

18. The scheme of enhancements and rebates under the sliding scale of land revenue assessment should be operative purely and solely with reference to the alterations in the price-levels, and there should not be any changes merely with reference to the exigencies of State finance.

(Paragraph 100)

19. There is no need to give any exemption from assessment, either total or partial, to any class of small holdings since the level of general assessments which are being proposed cannot be considered to be burdensome even on the smallest of such holdings; land revenue should now come to be looked upon not so much as an exaction, but as a contribution by the landholders towards the growing governmental expenditure of a Welfare State.

(Paragraphs 104 and 105)

20. (1) It is necessary and justifiable to super-impose an element of progression on the land revenue structure, and, in principle, the levy of an agricultural income tax would be a proper way of securing such a measure of progression in the scheme of land revenue assessment.

(Paragraph 120)

(2) Nevertheless, immediate implementation throughout the agricultural sector, plantation areas excepted, would give rise to avoidable hardship and therefore progression in those other areas, should, instead, be by way of a surcharge on land revenue in the case of larger holdings.

(Paragraph 121)

(3) An Agricultural Income Tax Act should be placed on the Statute Book and be applied to plantation areas in the first instance.

(Paragraph 122)

(4) When, as a result of the general progress in education, the farmers in the ordinary agricultural sector have become competent to maintain proper accounts, the agricultural income tax should be extended to these sectors also, replacing the scheme of land revenue surcharge on larger holdings, which will be levied purely as an interim measure.

(Paragraph 123)

(5) For the purpose of the agricultural income tax, the levy and exemptions should ordinarily follow the schedules of levy and exemptions that are current under the Union Act; but in the interim period, when the scheme of land revenue surcharges in lieu thereof is operative, the exemption limit for plantations where the income-tax would be operative, should be only Rs. 1,500 annual income.

(Paragraph 124)

(6) In view possibly of legal difficulties, and certainly of administrative difficulties, the income from land should be considered separately, and the income tax from land should be completely separated for all purposes from the general income tax.

(Paragraph 125)

(7) The surcharge on larger holdings to be levied in the interim period should be on the standard assessment and should be levied on all holdings paying an assessment of over Rs. 150. The levy should be restricted to the portion above the exemption limit. It should be based on the slab system. It should be levied at the following rates :—

Up to Rs. 150 of assessment	No charge.
Above Rs. 150 and up to Rs. 250 of assessment.	1½ annas per rupee.
Above Rs. 250 and up to Rs. 500 of assessment ..	3 annas per rupee.
Above Rs. 500 and up to Rs. 1,000 of assessment.	4 annas per rupee.
Above Rs. 1,000 and up to Rs. 2,500 of assessment.	6 annas per rupee.
Above Rs. 2,500 of assessment	8 annas per rupee.

(Paragraph 131)

21. The principle of levy of a special charge on commercial or other valuable crops (excluding plantation crops, with which the Committee are dealing separately later on) on an acreage basis, over and above the current assessment, that is, the standard assessment to which the sliding scale has been applied, should be accepted.

(Paragraphs 132 and 146)

22. This special charge on commercial or other valuable crops should be independent of, and over and above, the scheme of surcharge on larger holdings and the agricultural income tax.

(Paragraph 133)

23. Twenty-five per cent of a holding subject to a maximum of three acres, should be exempted from this special levy.

(Paragraph 134)

24. Except for groundnut and tobacco, it would be more appropriate to relate the special charge on commercial and other valuable crops to the assessment itself than to levy an independent flat rate; and, therefore, the commercial crop charge should be

by way of a fixed proportion of the current assessment (i.e., the standard assessment to which the sliding scale has been applied), the proportion being fixed separately for each variety of crop, the rates being as follows :—

(a) Sugarcane, turmeric, fruits of citrus varieties, betel-vines, pepper, chicory and vineyards—12 annas in the rupee of current assessment.

(b) Coconut—10 annas in the rupee of current assessment.

(c) Mangoes, plantains and onion—8 annas in the rupee of current assessment.

(d) Cotton—6 annas in the rupee of current assessment.

(Paragraphs 138 and 139)

25. In the case of tobacco and groundnut the commercial crop charge should be at a flat rate of Rs. 10 per acre and Rs. 1–8–0 per acre respectively. These rates should be correlated to the standard assessment and be variable in accordance with the sliding scale.

(Paragraphs 138 and 140)

26. Mangoes and fruits of citrus varieties, when not grown on a commercial scale, i.e., *in extents of less than one acre in a holding*, should not be treated as commercial crops. Where more than one acre in a holding is cultivated with any of these crops, the whole of it should be treated as cultivated with commercial crops, and the appropriate charge be leviable, subject to the 25 per cent exemption not exceeding three acres.

(Paragraph 141)

27. When two or more commercial crops are grown in the course of one fasli on the same plot of land, there should not be cumulative charges levied on the holding. The charge in each fasli should be limited to one levy only, that being the one to which the highest rate is applicable.

(Paragraph 142)

28. In the case of a commercial crop standing on the ground for more than one fasli, the charge should be leviable only from the fasli when it starts yielding, and should continue to be levied only so long as it is yielding.

(Paragraph 143)

29. Lands in the Malabar and South Kanara districts, which are assessed as garden lands, should be exempted from any extra charges for commercial crops.

(Paragraph 144)

30. Power should be reserved to Government to modify the list of commercial crops from time to time, and to vary the levy on them. The first list, and the initial levy, as well as any subsequent changes either in the list or in the rates of levy will have to be approved by the Legislature.

When special steps are taken to encourage any one of these crops, it should be open to the Government to remit wholly or partially the charge in respect of that crop.

(Paragraph 145)

31. In those plantations where taram assessments are being levied, they should continue to be levied, and the taram assessment should be subject to standardization in accordance with the principle suggested in paragraphs 83 and 84 of the Report, and be also subject to alterations in accordance with the principles of the sliding scale suggested in paragraph 96 of the Report; in all other plantation areas a flat rate of Rs. 1–8–0 per acre should be levied in substitution of the existing varying rates; over and above the taram assessment, or the flat rate, as the case may be, a special levy on plantation crops should be made as follows :—

(a) Rs. 3 per acre for coffee, tea and cardamom;

(b) Re. 1 per acre for rubber; and

(c) No charge at present on Cinchona and Wattle : (so long as these two crops require special encouragement, the flat rate or the taram assessment also may be temporarily remitted or reduced.)

(Paragraph 155)

32. Free-hold as a tenure in plantations should be abolished. Where they have been created on collection of a lump sum payment, if the legal position is that no compensation is payable for the levy of the taram assessment or the flat rate as the case may be, no distinction need be made in their favour. If, however, compensation is payable, such compensation may be paid on the basis of the assessment that would otherwise have been payable before the new scheme is brought into effect, and thereafter they may be subjected to the new scheme.

(Paragraph 156)

33. Cognizance should be taken of the fact that a plantation takes some years to yield a return on the investment. Where under the present arrangement pepper corn rates are levied before the lands are brought under cultivation, the arrangement may continue. The arrangement by which when plantation crops are raised the assessment is not levied in the first five years will continue in the modified form, namely, the flat rate, or the taram assessment will be payable during the first five years, only the special levy will not be charged during the period.

(Paragraph 157)

34. The existing rules for the levy and revision of the ground-rents in the Madras City may continue, including the provision for periodical revision and reassessment once in ten years.

(Paragraph 165)

35. The same rules, including revision periodically in ten years, may now be extended to all mufassal municipalities, and a revision may also be made there now applying these rules, but

providing for absorption only of 50 per cent of the competitive rental value. The revision on these lines may be made applicable also to cases where a flat rate of ground-rent had been stipulated and occupancy right conferred on that footing.

(Paragraph 166)

36. The Madras City Rules should not be applied to overgrown villages, which are classified as "towns" under the Board's Standing Orders (5,000 population), where building sites are sold subject to payment of ground-rent. In these cases, the ground-rent may remain at Rs. 6-4-0 per acre, and the existing rules for the disposal of the sites also may remain. But the rates should be periodically revised once in ten years with reference to the general features of development in the locality.

(Paragraph 167)

37. (1) No upper limit need be fixed for enhancements of ground-rent at revision in the Madras City and in the mufassal municipalities where the Madras City Rules apply.

(Paragraph 168)

(2) In places which are not municipalities, but are "towns" under the Board's Standing Orders (5,000 population), the enhancement at revision should not exceed 50 per cent of the expiring demand; provided, however, when these exempted or special categories of towns are subsequently included in municipal areas, the rules applicable to the municipalities should apply in supersession of this special concession.

(Paragraph 168)

38. In all the three categories of cases referred to above, i.e., the Madras City, the mufassal municipalities and other areas classed as "towns" for the levy of ground-rent, lands held at favourable terms as house-site, for example, old Natham, completely free of assessment, and other cases on favourable terms as to quit-rent, may now be charged the full ground-rent under these rules.

(Paragraph 169)

39. In the case of revision of ground-rent in localities inhabited by poorer classes, special attention should be directed to the provisions in the rules which lay down that valuation should be made with reference to similar lands in the locality, and that ground-rents may be lowered in the case of such localities.

(Paragraph 170)

40. As in the case of plantations, so in the case of lands put to non-agricultural use, free-hold as a tenure in this State should be abolished. In the case of free-holds created on collection of a lump sum payment of ground-rent fixed *as for a building site*, if, on a legal examination of the case, it is found no compensation is payable for levying full ground-rent, then, there need be no distinction, and full ground-rent may be levied; if however, compensation is payable, such compensation may be paid and full ground-rent levied, as it would still be worthwhile.

(Paragraph 171)

41. In villages, natham may be occupied free so long as the site is used as house-site only.

(Paragraph 172)

42. In Madras and in mufassal municipalities and in other places classed as "towns" under the Board's Standing Orders, all cases of conversion of agricultural land to non-agricultural use —existing cases as well as future cases—may be brought under the appropriate ground-rent rules proposed above, both for initial fixation now and for revision hereafter. In villages this may be applied to non-residential buildings, with exemptions in favour of buildings ancillary to agricultural operations, and the ground-rent may be fixed at Rs. 6-4-0 per acre, liable to revision only in proportion to variations in the standard assessments. If the existing assessments in any of these cases should be above Rs. 6-4-0 per acre, those assessments should be continued. In this scheme no exceptions or modifications need be made in the case of inams and other cases of favourable treatment, or in the case of free-holds purchased *as for agricultural assessment.*

(Paragraph 173)

43. The arrangements indicated above may also be made applicable, as far as possible, to the cases of 99 years' leases and other similar leases on the expiry of the lease period.

(Paragraph 174)

44. Provision may be made for suspensions and remissions in the following circumstances:—

(1) When the buildings, etc., are affected by fire, floods, storm, etc., and become unsuitable for short periods and where they are not covered by building insurance;

(2) when the buildings remain vacant owing to plague or other epidemics; and

(3) when construction is prohibited for security reasons or under town-planning schemes.

(Paragraph 175)

45. No special concessions need be shown in the case of bungalows with large compounds.

(Paragraph 176)

46. The proposals made above about ground-rent will not apply to lands in estates which remain governed by the Estates Land Act and which are not subject to ground-rent rules now.

(Paragraph 177)

47. For the sake of expedition the required special staff should be employed simultaneously in all districts to bring into effect these proposals for the levy and revision of ground-rents.

(Paragraph 178)

48. (1) Full assessment may be levied on the enfranchised or quit-rent minor inams; on a consideration of the circumstances of the case with reference to the relevant Articles of the Constitution it is felt that no compensation will be payable.

(Paragraph 184)

(2) If, however, it turns out on an examination of the legal aspects of the case, that compensation is payable for the levy of full assessment on enfranchised minor inams, it would be worthwhile to pay the compensation and levy full assessment as there would be an adequate return on the investment.

(Paragraph 185)

49. In the case of unenfranchised inams, full assessment should be levied on religious and charitable service inams, but the lands themselves should remain saddled with the prescribed services, and in the case of lands not held by the institutions directly, be subject to resumption for default, etc., as at present.

(Paragraph 186)

50. In the case of artisan and other village service inams also, similarly, full assessment should be levied on these inams, but the lands themselves should remain saddled with the prescribed services and be subject to resumption for default, etc., as at present.

(Paragraph 187)

51. In the case of inams not falling in any one of the above categories, these also may be fully assessed, but they should be relieved of the conditions of the service, the inamdar being allowed to hold the land on ryotwari tenure thereafter.

(Paragraph 188)

52. The fixed water-rate system is preferable to the differential water-rate system and it should be introduced in the districts where the differential water-rate system is now in force.

(Paragraph 195)

53. There is no case for the reduction of water-rates under the Godavari and Krishna anicut systems or in these deltas and the recommendations of the Marjoribanks Committee in this regard need not be accepted.

(Paragraph 196)

54. The same grounds which would justify the alteration of the standard assessment in consequence of alterations in prices would justify alterations in similar circumstances of the scale of water-rates, whether it be the standard scale of water-cess, or the special project rates.

(Paragraph 197)

55. The current rates of standard scale of water-cess (outside the project areas in which special project rates of water-rates prevail), should be correlated to the present price-levels, and be subject to variations in accordance with the sliding scale proposed for the standard assessment.

(Paragraph 199)

56. In the case of the Godavari and Krishna anicut systems, and other old 'Productive' projects, except those which have been executed in recent years (starting, say, from Periyar), for which special project scales of rates as distinct from the standard scale of water-cess are applicable, the rates should be correlated to the standard assessment, and be subject to variations in accordance with the sliding scale.

(Paragraph 200)

57. The rates of water-cess in force in the 'productive' projects, as distinct from 'protective', undertaken from time to time in recent years, starting, say, from the Periyar Project, should be correlated to the standard assessment and be thereafter subject to variations in accordance with the sliding scale:

Provided that in cases where water-rates are fixed in the years in which the prices were higher than the range to which the standard assessment is correlated, the water-rates should be correlated to the stage in the sliding scale appropriate to the year in which water-rates were fixed, and be thereafter subject to variations in accordance with the sliding scale.

(Paragraph 201)

58. In the case of non-productive works the rates should be correlated to the present level of prices and be subject to variations in accordance with the sliding scale.

(Paragraph 202)

59. There should be a review in respect of 'productive' projects, as distinct from 'protective', undertaken from time to time in recent years, starting, say, from the Periyar Project, into the aspect whether there has been substantial difference between the costs of execution and maintenance and of the actual extent benefited, or likely to be benefited, as shown by actual experience, on the one hand, and the cost and benefits as originally estimated, with reference to which the water-rates were originally fixed, on the other, such as would justify an alteration of the water-rates; and in the case of combined hydro-electric and irrigation projects, such a review should include the crediting on the irrigation side of profits earned on the electricity side beyond a reasonable return on the electrical side.

(Paragraph 203)

60. Baling remission where water-rates are chargeable should be 50 per cent of the charge for water; in the case of consolidated wet assessment the remission should be 37½ per cent of the

wet assessment or the second crop charge, provided where the existing concessions are more advantageous to the ryot, they may be continued.

(Paragraph 206)

61. When ruined tanks are restored by the Government—

(1) where the ryot takes water for growing a wet crop even in the first year, the wet assessment should be imposed from that year onwards;

(2) in other cases, in order to meet the difficulty of making the land fit for wet cultivation, discretion should be given to the Collector to waive the wet assessment for such period as he may consider suitable in the circumstances of each case.

(Paragraph 207)

62. In view of the longstanding practice in this State, it would be inexpedient now to deny the right to remission, on the ground that in the scheme of assessment itself, allowances have been made for vicissitudes of the season, and grant of remission for failure of crops would, under the circumstances, savour of duplication.

(Paragraph 209)

63. The scheme of remissions should be placed on a statutory basis, provision being made in the relevant Act for remission being granted in accordance with the prescribed rules; the rules should be framed separately, but be subject to approval by the Legislature.

(Paragraphs 210 and 211)

64. (1) The normal distinction of granting seasonal remissions on wet lands, and remissions on dry lands only in the case of exceptional circumstances, should continue.

(Paragraph 213)

(2) Nevertheless, the rules for remission on dry lands should be liberalized so as to provide specifically for cases, where there has been loss of crops on blocks of lands falling short of a revenue village in extent, so long as they are appreciable enough, say, 100 acres, to indicate the existence of some cause beyond the control of the ryot, to be classed as subject to a local calamity.

(Paragraph 214)

(3) Apart from widespread or local calamities, even in ordinary seasons, remissions should be allowed on dry lands, on application made by the ryot concerned, for loss of crops due to specific causes (i.e., apart from seasonal conditions), beyond his control, e.g., damage due to pests.

(Paragraph 215)

65. Even in ordinary years mamul wastes should not as such be disentitled to remission. When remission becomes admissible to the surrounding or adjacent areas, remission should automatically be granted to the mamul wastes also.

(Paragraph 216)

66. The levy on commercial crops should be made only if the yield is above a prescribed limit, the limit to be fixed by the Government in respect of each commercial crop after examination and enquiry at such a level as to leave a margin for the ryot after meeting the cultivation expenses and other charges.

(Paragraph 217)

67. The ordinary assessment on lands on which commercial crops are raised should be remitted only if there has been remission in that tract under the General Remission Rules:

Provided, however, no remission should be granted for fields in respect of which liability to commercial crop charge has been established.

(Paragraph 218)

68. The existing remission rules in Board's Standing Orders 13 and 14 may be amplified or amended as indicated below:—

(1) *B.S.O. No.* 13-1.—This rule requiring the party to make an application for remission should remain, and B.S.O. No. 13-1 does not need any amendment. But the rule should not be interpreted by over-zealous officials as requiring application to be put in during widespread calamities. B.S.O. No. 14-1 (i) may be amplified by inserting the following proviso at the end:—

"provided no application need be insisted upon".

(Paragraph 220)

(2) *B.S.O. No.* 13-4.—Part of a field or a recognized subdivision, provided it is not less than one acre in extent, should be entitled to remission when there is loss of crop in that part.

(Paragraph 222)

(3) *B.S.O. No.* 13-9.—Where a field or recognized subdivision is cultivated by more than one person, each person cultivating the part by metes and bounds, each such portion should be considered separately for purposes of levy of dry assessment. This rule may also be amplified to provide for the complete waiver even of the dry assessment in exceptionally bad seasons, as was done in faslis 1357 to 1359 due to successive failure of the monsoon rains.

(Paragraph 225)

(4) *B.S.O. No.* 13-10.—This part of the Board's Standing Order does not appear to incorporate the Government Order that where two crops are raised, the wet crop should be taken as the first crop and the total charge should not exceed in any case one and a half times the wet assessment. Suitable amendment should be made to the Board's Standing Order.

(Paragraph 226)

(5) *B.S.O. No.* 13-17.—This order relating to mamul wastes may be suitably amplified as indicated in paragraph 216 of the Report.

(Paragraph 228)

(6) The other rules in B.S.O. No. 13, i.e., 2, 3, 5 to 8, 11 to 16 and 18 do not need any amendments or alterations.

(Paragraphs 221, 223, 224, 227 and 229)

(7) *B.S.O. No.* 14-4 (*a*).—Clause (i) may be amplified as suggested in paragraph 220 of the Report.

(*b*) This sub-paragraph of the Board's Standing Order should be amplified also to provide for the method adopted during faslis 1357 to 1359 for granting partial remissions on dry lands on a more liberal scale due to exceptionally bad seasons caused by successive failure of the monsoon over a series of years.

(*c*) *Sub-paragraph* (iii)—*Mamul wastes.*—The provisions of this sub-paragraph should be amplified to provide for the remission on mamul waste in exceptionally bad seasons being made absolute, and not dependent on the discretion of the executive officers or the Government.

(*d*) The limit of one acre in sub-paragraph (iv) should remain as being consistent with the view taken by the Committee in paragraph 222 of the Report.

(Paragraph 231)

(8) *B.S.O. No.* 14-5.—Grant of dry remission in normal years for yields below 4 annas would be administratively impracticable except to the extent indicated in paragraphs 214 and 215 of the Report. In the case of extreme hardship due to repeated failure of monsoon in successive seasons, the scheme of remissions sanctioned between faslis 1357 and 1359 may be adopted. This part of the Board's Standing Order should be suitably amplified to provide for suitable remissions for crop outturns below 4 annas in such cases, half remissions for crop outturns between 4 annas and 8 annas and no remission for crop outturns above 8 annas.

(Paragraphs 213, 214, 215 and 232)

(9) *B.S.O. No.* 14-10.—This part of the Board's Standing Order should be amplified as indicated in paragraph 214 of the Report so as to bring the loss of crops in restricted areas under the purview of local calamities for purposes of granting remission under the provisions of this Standing Order.

Sub-paragraph (iii) which imposes a "means test" on the ryot for grant of remission should be deleted.

(Paragraph 234)

(10) *B.S.O. No.* 14-1 *to* 3 *and* 6 *to* 9.—These portions of the Board's Standing Order do not require any alterations or amendments.

(Paragraphs 230 and 233)

69. Cesses should relate only to standard assessment.

(Paragraph 239)

70. Cesses should not be levied either on the charge for commercial crops, or on the land revenue surcharges on larger holdings, or on the agricultural income tax.

(Paragraph 240)

71. No enhancement should be made over the rates at which the land and education cesses are now being levied; and where the existing rates together are in excess of 25 per cent of the standard land revenue assessment, the rates should be brought down to 25 per cent.

(Paragraph 241)

72. Since we have considered that no alternative to the existing land revenue system is feasible, the existing system would remain more or less intact, and, therefore, the question of simplification of Village and Taluk Accounts does not arise.

(Paragraph 244)

73. If any separate organization for the compilation of agricultural statistics were to be set up, the Government may review the existing sets of accounts in order to see which of them or which portion of any of the accounts now maintained, can be dispensed with or should be modified. Meanwhile, on a general review of the existing sets of accounts, there is no room for any simplification.

(Paragraph 245)

74. In fact there will have to be, on the other hand, an amplification of the accounts in order to implement the recommendations made by the Committee, as for example—

(1) Determination of the question whether a pattadar is a cultivator or not. (Accounts affected thereby, Adangal No. 2 and No. 10-1 as indicated in the First Report).

(2) Maximum limit on future acquisitions.

(3) Prevention of subdivision of holdings below the unit of profitable cultivation.

(4) Levy of surcharge on holdings above the specified minimum.

(Paragraph 246)

75. In respect of conversion of dry lands to wet or garden with the help of wells in the Malabar and South Kanara districts, for the sake of uniformity, it may be ruled that no reclassification should be made in such cases.

(Paragraph 249)

76. Pepper need not be classed as a garden crop in the South Kanara district, but it should be subject to the commercial crop charge as in the other parts of the State.

(Paragraph 252)

77. The extra charge of one rupee per acre levied on lands in certain coastal villages of South Kanara may be abolished.

(Paragraph 255)

78. In respect of the reduction in the rates of assessment allowed during the last resettlement in 81 villages in the South

Kanara district on account of their unfavourable situation and other economic disadvantages, there is no case for reopening the question now.

(Paragraph 258)

79. No concessions need be made in respect of the charge for dry lands in holdings left waste in the South Kanara district.

(Paragraph 261)

80. No change in the existing practice of distinguishing between the old and new holdings in the Malabar district is necessary.

(Paragraph 263)

81. With regard to certain representations made by the Wynaad Ryots' Association, Kalpatta, in 1937—

(1) the Committee consider that no change in the existing darkhast rules is necessary or justifiable, and that the request that Government lands be granted by taking a Janmabhogam of 8 annas and by levying a nominal value of not more than Rs. 5 per acre as land and tree value should not be granted.

(Paragraph 266)

(2) The request for remission of land revenue both on wet and dry lands abandoned for the time being, the lands being re-assessed only when they are again brought under cultivation, need not be granted; the existing practice (of classifying wet lands as 'permanent wet' and 'fugitive wet', and 'developed' or 'un-developed' in the case of dry lands), which was brought into force after the last resettlement, needs no change.

(Paragraph 267)

(3) The request that dry lands should be treated as revenue-free lands for the first five years of occupation for the purpose of raising plantations has already been dealt with in paragraph 157 of the Report—paragraph 33 of the summary. No further concession is necessary.

(Paragraph 268)

(4) The request for the cancellation of the pepper corn rate of half-anna per acre on waste lands need not be granted.

(Paragraph 269)

82. It is not necessary or desirable to introduce any radical changes in the general frame-work of the administrative machinery of the Revenue Department, or to replace it by alternative agencies.

(Paragraphs 277 and 311)

83. (1) It is necessary to have Heads of Departments for the various branches of work in the Revenue Department; that being so, it is obviously an advantage to have these Heads of Departments also functioning collectively as a Board; the Board of Revenue in its present shape may, therefore, remain.

(Paragraphs 288 and 311)

(2) It is felt, however, that it is unnecessary that work which is done in the Board of Revenue should be dealt with all over again independently in the Secretariat as is the case now, and that by making one and the same office do work for the Board of Revenue as Head of Department and for the Revenue Secretariat of the Government, making the Members of the Board of Revenue function also as Secretaries to Government, and retaining a separate officer as Revenue Secretary for dealing with questions that come up to the Revenue Department of the Government independently of the Board, and with questions of appeals, etc., against the decisions given by the Members of the Board of Revenue as Heads of Departments, there will be considerable advantage by way of economy of time, labour and material secured by eliminating one link in the chain of correspondence in matters that require to be dealt with by the Government, and also saving of that portion of the staff in the Secretariat which has to deal with work now coming from the Board as an independent unit. We feel, therefore, that these arrangements should be given effect to.

(Paragraphs 289 and 311)

(3) These arrangements can be worked with the maximum of smoothness and efficiency, if the Office of the Board thus functioning as the Secretariat, is also accommodated in the same place as the other Departments of the Secretariat for, in that case, the full advantages of personal discussion between the Ministers and Secretaries, between the Secretaries and their Deputies and other Secretaries to Government and their Deputies, and convenience of transport of files inter-departmentally will be available.

(Paragraphs 290 and 311)

(4) Possibilities of securing this may be explored: but we feel that even irrespective of such arrangements for accommodation being completed or not, the advantages of the scheme are such that it should nevertheless be put into effect.

(Paragraphs 290 and 311)

84. (1) The hereditary system of village offices should be abolished straightaway.

(Paragraphs 299 and 311)

(2) Village offices should thereafter be filled up in the following manner :—

(a) For a group of two or three villages combined there should be one officer on an upper division clerk's scale of pay looking after the village headman's duties, and another officer on a lower division clerk's scale of pay looking after the karnam's duties, and three village servants should be attached to them on peon's scale of pay;

(b) All these should be full-time Government servants entitled to the usual leave and pensionary privileges, etc.; only, they will not be entitled to promotions, or to dearness allowance.

They should be the residents of the taluk in which the villages to which they are to be appointed lie and will be liable to be transferred within the taluk.

(c) The officers doing the headman's and karnam's duties will be appointed from among persons who have passed the prescribed village officers' tests, and who have the minimum general educational qualification of the S.S.L.C. standard. After selection they should be given training for one year during which period they will be made to equip themselves properly for an intelligent performance of their duties in respect of developmental activities of Government, besides the duties pertaining to their offices. No Revenue Inspector will be necessary when this arrangement extends over a group of villages constituting the firka.

(Paragraphs 301 and 311)

(3) These arrangements should first be tried experimentally in selected areas in a number of districts the unit of experiment being not less in extent than a taluk. Until the experiment has been successfully established, the method of recruitment of village officers should be to select suitable and qualified persons, preference being given to the residents of the village, i.e., on the present terms and emoluments without the hereditary principle.

(Paragraphs 299, 302 and 311)

85. It would be unjustifiable to burden the land with further levies beyond those that already exist and those which we are proposing now, and, therefore, there is no justification for the levy of a village cess mainly for the purpose of paying higher emoluments to village officers.

(Paragraph 306)

86. It is necessary to continue the jamabandi.

(Paragraph 307)

87. During the interim period, when village officers are recruited from among the persons who have passed village officers' tests, preference being given to the residents of the village, other terms and emoluments being as at present, i.e., in areas where the new experiment is not in force. The village officers, whenever they are entrusted with duties falling outside the frame-work of the Revenue Department, e.g., Civil Supplies or the proposed Agricultural Income-Tax, should receive extra remuneration for the extra work entailed; it is recommended that this principle should be accepted and acted upon by Government.

(Paragraph 308)

88. So long as the system continues to be in force, the village officers should be treated with the consideration due to persons holding appointments on an honorary basis; it would be mainly a question of courtesy of treatment, and the instructions that have been issued by Government from time to time in this regard should be properly implemented.

(Paragraph 309)

89. All important questions relating to land holding, land revenue, land tenures, land revenue administration and the powers and duties of the various revenue authorities should be placed on a statutory basis; and for this purpose appropriate legislation should be undertaken as indicated below.

(Paragraph 312)

90. In respect of questions relating to land holding and land tenures and allied problems—please see Chapter XIV of the First Report—the relevant statutory provisions should be made in one single piece of legislation on all the issues covered in the Committee's First Report.

(Paragraph 313)

91. (1) As regards the recommendations in this, the Committee's Second Report, there should be another piece of legislation dealing with the issues dealt with herein. In particular, legislation should provide for the following :—

(a) Retention of certain features of resettlement, namely:

(i) examination and the grouping of dry villages and making alterations therein as and when circumstances call for such action;

(ii) reclassification of irrigation sources and recalculation of the wet assessment as well as water-rates thereunder;

(iii) extension of the principle of grouping to wet lands; and

(iv) power to reclassify lands when there is permanent damage or deterioration due to act of God.

(Paragraph 315)

Reclassification of irrigation sources, item (ii) above, will have to be by an appropriate amendment of the Irrigation Bill now under the consideration of the Government. The rest of the items should find a place in the Land Revenue Act.

(Paragraphs 315 and 316)

(b) Standardization of assessments.

(Paragraph 317)

(c) Rectification of the error in the calculations of the wet rates in the Tirunelveli district.

(Paragraph 318)

(d) Sliding scale of assessment. A specific provision that the sliding scale should be operative purely and solely with reference to alterations in the price-levels, and there should not be any change merely with reference to the exigencies of State finance, should also be included in the legislation.

(Paragraph 319)

(e) Super-imposition of the principle of progression by the immediate levy of an agricultural income tax in the plantation areas, and the levy of a land revenue surcharge in the other agricultural sectors as an interim measure.

(Paragraph 320)

(f) Levy of a special charge on commercial crops.

(Paragraph 321)

(g) Scheme of assessments on plantations.

(Paragraph 322)

(h) Scheme for revision of ground rents.

(Paragraph 323)

(i) Levy of full assessment on inams. Appropriate provision should be included when dealing with the question of assessments as indicated in paragraph 333 of the Report.

(Paragraph 324)

(j) Introduction of the fixed water-rate system, and correlation of the standard scale of water-cess to current price-levels, and the project scales to the standard assessment, etc.

(Paragraph 325)

(k) Baling remission.

(Paragraph 326)

(l) General scheme of remissions and remission on restoration of ruined tanks.

(Paragraph 327)

(m) Certain limitations on the levy of cess proposed in this Report—appropriate legislation will have to be by amendment to Madras Local Boards Act, Elementary Education Act, etc.

(Paragraph 328)

(n) A general provision that such accounts and returns, etc., be maintained as may be directed from time to time by Government.

(Paragraph 329)

(o) Providing legal basis for certain special features of tenure in Malabar and South Kanara.

(Paragraph 330)

(p) Transitory provisions in respect of application of the Act to the Abolition Act areas.

(Paragraph 331)

(2) Only the general principles should find a place in the relevant Act, details being provided for by rules to be prescribed, the rules being subject to approval of the Legislature before being put into effect.

(Paragraphs 314 to 331)

92. (1) Opportunity now provided may be availed of to provide for certain other matters also in the Land Revenue Act. They are—

(a) Assignment and alienation, now dealt with by executive orders, general principle being embodied in the Act, detailed provision being made in the rules to be prescribed.

(Paragraph 333)

(b) The principle of relinquishment being provided for in the Act, details being provided for in the rules.

(Paragraph 334)

(c) Transfer of registry—confining provisions to the existing scope only—no attempt being made to compile a record of rights.

(Paragraph 335)

(d) Modernized version of the ten Acts mentioned in paragraph 336 and also appropriate provisions for such additional procedural powers as may be required.

(Paragraph 336)

(2) As a principle, only the general principles should find a place in the Act, details being put in the rules to be prescribed, the rules being subject to approval by the Legislature.

(Paragraphs 333 to 336)

93. (1) There is no need to have on the Statute Book one single comprehensive piece of legislation to cover all matters dealt with under the existing enactments, and also under the new enactments proposed by us above; as it would be extremely cumbersome and quite unnecessary.

(2) (a) However, to facilitate easy reference to legislative provisions affecting land and its problems generally, it would be necessary to compile a "Land Revenue Manual" in which all Acts bearing on land holding, land tenures, land revenue, land revenue administration, powers and functions of land revenue officers, and relations between the public and the land revenue authorities will be put together, but each Act will stand by itself.

(b) Thus, all matters relating to irrigation will be left to be governed by the independent piece of legislation now under consideration by Government, but will be included in the Manual.

(c) The Revenue Recovery Act will stand as it is, separate, and similarly the Land Encroachment Act and Survey and Boundaries Act.

(d) Extracts of the Forest Act showing the rights of villagers as to free grazing and removal of minor forest products will find a place in the compilation.

(e) It would perhaps be useful to have the Land Acquisition Act in the compilation also.

(f) There may be "Estates" left for some time, but it would make the compilation too bulky, without any proportionate advantage being gained, to have the Estates Land Act, the C.P. Tenancy Act and the Nugur, etc., Regulations put in; a note that these would apply to estates in certain areas will suffice. (The areas may also be indicated.)

(g) Special Acts relating to Malabar—Malabar Land Registration Act and Malabar Tenancy Act—may have to go into the compilation.

(h) Until the hereditary system of village offices is replaced, the present Acts will remain and will have to go into the compilation.

(Paragraph 338)

(3) The arrangement will thus be—

(a) An Act covering the points in the first Report on which legislation has been suggested.

(b) An Act covering the points in the present Report where fresh legislation, or replacing of existing legislation, has been suggested;

(c) Rules, subject to the approval of the Legislature, on points where only principles have been embodied in the Act;

(d) these Acts and Rules, along with the other Acts relevant in the present context, and the statutory rules under them, all to be brought together into a Manual for convenience of reference.

(Paragraph 339)

94. The above suggestions indicate only the broad outline of the principles to be followed; an elaborate scrutiny of all the existing Acts, which have a bearing on the problem, will have to be made in order to see which of them should stand, but independently, which of them should be embodied in the two comprehensive Acts referred to, and which of them can be completely replaced.

(Paragraph 340)

95. All these would still leave room for executive instructions, for the purpose of clarification and illustration, on the lines of the present Board's Standing Orders, on grounds not covered by the Acts and Rules themselves.

(Paragraph 341)

96. There would be room also for compendiums like the Village Officer's Manual which aim at a synthesis for a different purpose—the totality of the duties of village officers.

(Paragraph 342)

97. The Manuals of Village and Taluk Accounts will, of course, have to continue, and to remain separate.

(Paragraph 343)

98. The reforms will become applicable to the areas coming under the Madras Estates (Abolition and Conversion into Ryotwari) Act, 1948—Madras Act XXVI of 1948—only after the estates are taken over in accordance with the prescribed formalities. Thereafter, pending a ryotwari settlement as provided for in the Act, an interim assessment will be levied on the lands in the estate areas, the interim assessment being equal to the reduced rent under the rent reduction operations. So, in the application of the principles of reform during the interim period, the interim assessment will stand equated to the present assessment in the areas already ryotwari, and the principles of reform will be applicable to the estate areas during the interim period on this footing. During the course of the settlement operations, it will be necessary to work out two sets of figures; the first set of figures to represent the conditions as they stood on 19th April 1949 and on these figures the compensation payable to the proprietors will be worked out; the second set of figures will represent the state of affairs after the application of the principles of reform to the settlement assessment as arrived at under section 22 of the Act, and it is these figures, after the application of the principles of the reform, that should be brought into effect and be operative as between the Government and the persons entitled to the ryotwari patta.

Meanwhile, the interim assessments will also be standardized and be also subject to the sliding scale; and all the other salient features of the reform will become applicable to the Abolition Act Areas, the interim assessment or the standardized interim assessment as the case may be, taking the place of present assessment or the standardized assessment in the areas already under ryotwari tenure.

Transitory provisions will have to be included in the Land Revenue Act providing for the application of the principles of reform during the interim period and also the manner of their being given effect to at the conclusion of the settlement operations in the Abolition Act Areas.

(Paragraphs 344 to 360)

99. The following statements give an indication of the financial aspects of our recommendations. The first is framed with reference to the circumstances now existing, and the second has reference to a period of time when only the 'standard assessments' will be leviable, and the agricultural income-tax would have been extended to the whole State; in both the endeavour has been to estimate what the increase or decrease in revenue will be when compared with the present level of revenue.

STATEMENT I.

AS THINGS STAND AT PRESENT.

	Areas already ryotwari. RS. LAKHS.	*Abolition Act areas.* RS. LAKHS.
(1) Result of standardization of assessments ..	— 60	— 19·68
(2) Application of the sliding scale of assessment.	+ 69	+ 22·14
(3) Surcharge on larger holdings	+ 12·25	+ 4·0
(4) Agricultural income-tax on plantations ..	+ 12	+ 1·0
(5) Special levy on commercial crops	+ 85	+ 20
(6) Plantations—Substitution of flat rate ..	— 0·86	..
(7) Plantations—Special levy	+ 5	+ 0·4
(8) Levy of ground rent under the revised scheme.	+ 25·1	+ 5
(9) Liberalization of remission rules	— 15	— 5
(10) Standardization of water rates	+ 5	..
(11) Cancellation of extra charge of Re. 1 in the coastal villages of South Kanara.	— 0·25	..
Progressive total (one) ..	+ 137·24	+ 27·86

STATEMENT I—*cont.*

AS THINGS STAND AT PRESENT—*cont.*

	Areas already ryotwari.	*Abolition Act areas.*
	RS. LAKHS.	RS. LAKHS.
(12) Reorganization of the Board of Revenue and Revenue Secretariat (Savings).	+ 0·5	..
(13) Reorganization of village administration ..	— 80	— 25
Progressive total (two) ..	+ 57·74	+ 2·86
(14) Levy of full assessment on inams .. .. (Compensation, if payable, would be of the order of rupees ten crores (Rs. 10,00,00,000).	+ 100	..
Progressive total (three) ..	+ 157·74	+ 2·86
(15) Loss to local bodies on land and education cess incomes.	— 40	..

If the last item, which does not directly relate to Government, is left out of account, there will thus be an increase in revenue of Rs. 160·60 lakhs (apart from expenditure on staff referred to further below).

But if the position should arise that Government themselves should reimburse the loss in revenue on cesses to local bodies, the net effect on Government revenues will be a net increase of Rs. 120·60 lakhs, or, say, Rs. 120 lakhs, apart, again, from the expenditure on Revenue staff—Please see below :—

	Non-recurring.	*Recurring.*
	RS. LAKHS.	RS. LAKHS.
(16) Extra staff excluding village officers—		
(*a*) Items (1), (2), (3), (5), (6), (7), (9), (10), (11) and (15).	1	1
(*b*) Item (4)—Agricultural income-tax on plantations.	..	0·5
(*c*) Item (14)—Levy of full assessment on inams.	10	..
(*d*) Item (8)—Ground rent cases	..	2·0
(*e*) To implement the recommendations in the first report.	..	6·0
	11	9·5

So, the ultimate net increase over present levels will be Rs. 110·5 lakhs, if grant in lieu of cess income becomes payable by Government to local bodies; otherwise, there will be a net increase over present levels of Rs. 151·50 lakhs, or, say, Rs. 150 lakhs. In either case, there will also be a non-recurring expenditure of Rs. 11 lakhs on staff, and if compensation is found to be payable for levying full assessment on inams a non-recurring payment of the order of about Rs. 10 crores.

STATEMENT II.

FOR THE PERIOD WHEN PRICE LEVELS RANGE ABOVE 250 AND BELOW 500 AND THE AGRICULTURAL INCOME-TAX IS EXTENDED THROUGHOUT THE STATE.

	Areas already ryotwari.	*Abolition Act areas.*
	RS. LAKHS.	RS. LAKHS.
1 Standardization of assessment	— 60	— 19·68
2 Agricultural income-tax throughout the agricultural sector.	+ 20	+ 5
3 Commercial crops (a reduction of about 12½ per cent on the figures in Statement I assumed).	+ 75	+ 17
4 Plantations—Substitution of flat rate ..	— 0·86	..
5 Plantation—Special levy (reduction of about 12½ per cent on the figures in Statement I assumed).	+ 4·5	+ 0·35
6 Ground rent (a slight reduction assumed) ..	+ 20	+ 4
7 Liberalization of Remission Rules	— 15	— 5
8 Standardization of water rates	— 8	— 4·4
9 South Kanara	— 0·25	..
10 Reorganization of Board of Revenue	+ 0·5	..
11 Reorganization of village administration ..	— 80	— 25
12 Levy of full assessment on inams	+ 90	..
Total ..	+ 45·89	— 27·73
13 Extra staff— Excluding village officers— (*a*), (*b*), (*d*) and (*e*) in Statement I	— 9·5 recurring.	
Plus extra staff for agricultural income-tax	— 1·5	
	— 11 recurring.	
Total ..	+ 34·89	— 27·73

(or a net increase of Rs. 7 lakhs roughly on present revenue.)

Here, again, there will be loss to local bodies on account of standardization of cesses to a total of Rs. 40 lakhs. If the Government were to have to reimburse the amount, there will be a net decrease of Rs. 33 lakhs on present revenue. And allowance will have also to be made, here again, for a non-recurring expenditure on staff of Rs. 11 lakhs, and for a non-recurring expenditure of the order of Rs. 10 crores if compensation is found to be payable for levying full assessment on inams.

M. V. SUBRAMANIAN—18-4-1951.
* B. RAMACHANDRA REDDI—18-4-1951.
N. RANGA REDDI—18-4-1951.
G. SANKARAN NAIR—18-4-1951.
* K. M. DESIKAR—18-4-1951.
* V. I. MUNISHWAMY PILLAI—18-4-1951.
C. SUBRAMANIAM.

S. R. KAIWAR—18-4-1951,
Secretary.

* Subject to a minute of dissent.

MINUTE OF DISSENT OF SRI K. M. DESIKAR, M.L.C.

CHAPTER III—SECTIONS 1 TO 5.

I am of opinion that the basic structure of land revenue should be altered as follows.

The basic assessment that should be leviable on land should be pitched in such a low level that even at the lowest level of prices the assessment should not constitute a burden on the land, and progression should be applied by way of the levy of an agricultural income-tax on the usual lines.

I like to rely on the findings of the various investigations in the past into this question and also the resolutions of the Congress.

Extracts from the Report of the Indian Taxation Inquiry Committee.—" It seems to the Committee that this uncertainty as to both the basis of the assessment and the rate is one of the chief respects in which the Indian land revenue systems are open to criticism."

" The net result has been the creation of a very large number of uneconomic holdings, the holders of which pay land revenue which would be inconsiderable if cultivation were intensive on a large scale, but *rests as a heavy burden upon* a small and impoverished holder."

" The essentials to be sought for in any new scheme of temporary settlement seem to be, first, that it should be definite as regards both the basis and the pitch of assessment; second, that it should, so far as possible, ease or steady the burden on the smallest cultivator; . . . and fourth, that it should, in common with the rest of the system of taxation, have some element of progression in the case of the larger owners."

" In so far as it can be relieved by that means, the only measure possible is to *standardize the rates at a comparatively low figure.*"

" It seems in these circumstances that provision for this element must be found in some other part of the taxation system. The obvious ways of introducing it are *through an income-tax on agricultural incomes*, or through something in the nature of a succession duty, or both."

Dr. B. V. Narayanaswami Naidu, M.A., in his " Report of the Economist for Enquiry into Rural Indebtedness " observes as follows :—

" Although this burden is considerably lightened in the present period of high prices, certain inherent defects in the land revenue system which is universally admitted to be regressive in character, demand early rectification."

The National Planning Committee has recommended as follows :—

" The system of land tenure and revenue and rent shall be reformed, and on equitable adjustment made of the burden on agricultural land, immediately giving relief to the smaller peasantry, by a substantial reduction of agricultural rent and revenue now paid by them, and in case of uneconomic holdings, exempting them from rent, so long as necessary, with such relief as may be just and necessary to holders of small estates affected by such exemption or reduction in rent, and to the same end, imposing a graded tax on net incomes from land above a reasonable minimum."

The Resolution on Agrarian Programme passed by the Lucknow Congress in April 1936 is as follows :—

" This Congress is of opinion that the most important and urgent problem of the country is the appliing stipuated unemployment and indebtedness of the peasantry fundamentally due to antiquated and repressive land tenure and revenue systems and intensified in recent years by the great slump in prices of agricultural produce. The final solution of this problem inevitably involves the removal of British Imperialistic exploitation, a thorough change of the land tenure and revenue system and a recognition by the State of its duty to provide work for the rural unemployed masses."

Extract from Congress Election Manifesto issued in August 1936.—" Pending the formulation of a fuller programme the Congress reiterates its declaration made at Karachi that it stands for a reform of the system of land tenure and revenue and rent, and an equitable adjustment of the burden on agricultural land, giving immediate relief to the smaller peasantry *by a substantial reduction of agricultural rent and revenue now paid by them*, and exempting uneconomic holdings from payment and revenue."

Extract from the Resolution on Agrarian Programme passed by the Faizpur Congress in December 1936.—Pending the framing of an All-India Agrarian Programme, the following steps are necessary :—

1. Rent and revenue should be readjusted having regard to present conditions and there should be substantial reduction in both.

2. Agricultural incomes should be assessed to income-tax like all other incomes, on a progressive scale, subject to a prescribed minimum.

Extracts from the report of the Sub-Committee on Land Policy, Agricultural Labour and Insurance.—" While the present land revenue system lasts, the basis of taxation must be changed so that the higher incomes from land should be taxed progressively on the model of the income-tax. Wherever possible and advisable relief in land revenue burdens should be afforded to actual petty cultivators on whom that burden falls disproportionately heavily to-day."

The Special Officer, Mr. Raghavendra Rao, in his report on the proposals on Land Revenue Reform, observes as follows :—

" The next important factor is that the agricultural income is not always steady but fluctuating from year to year. The yield in this Province is not generally good. It does not compare favourably with the yield in other countries. Improved methods of cultivation have not yet been adopted in a large scale. With most of the ryots, cultivation is only of a casual nature. Cultivation is not carried on on a business or commercial scale. Failure of crops is not infrequent. Only a small portion of the wet lands is protected for all seasons against failure. The rest depends on rainfall which proves to be scanty or unseasonable every now and then. Pests also contribute now and then to the poor yield. The value of the yield is determined by the price of the raw produce. In years of low prices, the income is reduced. During the slump period between 1930 and 1940, landowners were hit hard and their cash income was reduced. Even commercial crops are subject to fluctuations in prices. The prices of some of these crops are regulated by the prices in other countries."

From the foregoing findings of the investigators from time to time, and resolutions adopted by the Congress on more than one occasion, it is clear that a substantial relief in the direction of land tax is to be given to the ryots.

Regarding progression the Committee has stated in paragraph 120 as follows :—

"That progression is necessary and justifiable cannot reasonably be denied, and we consider that, in principle, the levy of an agricultural income-tax would be a proper way of securing a measure of progression in the scheme of land revenue assessment." But the Committee has given reasons for not recommending it for immediate adoption in paragraph 121. I am unable to agree with the statements and assumptions made therein. My view is, when once the Government decides to bring about this reform in the land revenue, farmers who are liable to be taxed may not find insurmountable difficulties in maintaining accounts, etc. The situation contemplated in paragraph 123 may not arise for a number of years. I am, therefore, of the view that the question of levying agricultural income-tax may be examined in detail; and steps may be taken to introduce it at an early date.

To give effect to the first part of my recommendation, my view is that the standard assessment referred to in paragraph 84 may be reduced by 50 per cent and the reduced rate may be made permanent. That rate may be adopted as the basic tax for all lands.

It is not possible to adopt a flat rate for all lands for the reasons mentioned in paragraphs 56, 57 and 58 nor it is possible to exempt any holdings from taxation. The Taxation Enquiry Committee observes : "there is scarcely any country in the world where some kind of levy on land is not made." The Special Officer in his report states as follows regarding flat rate :—

"It is said that there were only 13 tarams (money-rates) in Travancore prior to the introduction of this reform whereas there are as many as 118 wet and 48 dry tarams in this Province. This is another reason for the conclusion not to adopt a flat rate for all lands."

CHAPTER III—REFORM OF LAND REVENUE SYSTEM.

After stating elaborately the reasons for abandoning resettlement in paragraphs 62 and 63 the Committee states as follows :—

"Nevertheless, although resettlements are abandoned, there are certain features of the resettlements, which we would not like to be wholly abandoned. One such is the system of grouping of dry villages or tracts."

I am against reopening the question of assessment in dry villages at all, for it amounts to reviving the work of settlement under another guise. As per the settlement scheme, the canon of certainty at least is satisfied, because for thirty years there would be no change in the settlement rates, but if the recommendation of the Committee as stated in paragraph 64 is adopted, it will mean an uncertainty, because there is no time-limit and the Damocle's sword will always be hanging over the ryot that the assessments may be raised, because a new market springs up in the area, or a new road is laid or a new transmission line is taken across the countryside.

K. M. DESIKAR—23-4-1951.

MINUTE OF DISSENT OF SRI V. I. MUNISHWAMY PILLAY, M.L.A.

CHAPTERS I TO III.

Paragraph 11.—Until self-sufficiency in food production is assured it will be unwise to withdraw the concession of 'no sales tax on the first sale of agricultural produce by the primary producer'. I feel by such already existing concession there is and will be some enthusiasm for the agriculturists to produce more and thus meet the Government's demand of producing more.

Paragraphs 14 *and* 46.—There may be considerable retrenchment in the staff and elimination of registers of land owners by the abolition of the present system. The small land owners feel content by possessing pattas from Government, paying land assessment every year and finding their names in the register of land owners. This possession has created a status to them in their locality and at times of emergency they raise a loan to meet their demands. This situation should not be disturbed until large land owners are liquidated and the vast tracts of land held by them are distributed to landless poor.

Paragraph 129.—I do not agree for a surcharge on lands since I have indicated in my dissenting note on 'first report' that no individual can hold in future more than 10 acres of wet or 15 acres of dry land.

Paragraph 169.—I am not in favour of full ground-rent being charged on ' old natham ' and land held for house-sites by the poor in the Madras City, mofussil municipalities and other areas classed as ' towns '. These lands come under ' slums ' the improvement of which will take many years. I would suggest that charging of full ground-rent may be deferred for another ten years.

Paragraph 311.—In the suggested regrouping of two or three villages I do not favour the retrenchment of any of the menials such as (thandals, thotis or thalayaris) as they are essential for the discharge of the various village services. Their status must be raised by increased emoluments and grant of land for their past and loyal service.

OOTACAMUND,
12th *May* 1951.

V. I. MUNISHWAMY PILLAY.

MINUTE OF DISSENT BY SRI B. RAMACHANDRA REDDI.

The Committee was required by the terms of reference " If Re-settlements were abandoned " to consider about ' the modification of the existing assessments '—Standardization " at an appropriate level and to secure uniformity of assessments as between the various districts ". The desirability and practicability of assessing certain classes of " Inams now held at favourable rates payable for similar lands in the neighbourhood " was also required to be considered. Introduction of sliding scale of assessment according to the varying price levels and the financial position of the Government, was to be considered also. If any changes from the existing system were recommended, alternative methods and adjustments were to be suggested.

2. Accordingly, while recommending the abandonment of periodical settlements or resettlements the Committee—

(i) Standardized at an appropriate level so as to secure uniformity of assessments as between the various districts of the State that were subjected to resettlements at various periods;

(ii) introduced a sliding scale of assessment according to the varying price levels, though not in accordance with the financial position of the Government, thereby mitigating the loss in land revenue income of the Government by introducing an element of expansion of that income based on the price levels of agricultural produce;

(iii) recommended the desirability and practicability of assessing certain classes of inams now held at favourable rates, at full rates payable for similar lands in the neighbourhood, especially where and when such inams have outlived or outstepped the purpose for which they were granted favourable rates originally. Even if compensation has to be paid in certain cases the Committee felt worthwhile paying it, as there is the possibility of recouping such compensation amount through the standard rates within a reasonable time.

(iv) recommended also agricultural income-tax and special levy on plantations.

3. Thus to the extent changes were recommended alternatives and adjustments were also suggested as above, so as to ensure the land revenue income to the Government, realizing the growing needs of a welfare State. With these recommendations, the revenue income position will be as follows :—

(COMBINED FIGURES FOR THE ALREADY RYOTWARI AND ABOLITION ACT AREAS.)

I

	RS. LAKHS.
Application of the sliding scale of assessments ..	91·14
Agricultural income-tax on plantations	13·00
Plantation—Special levy	5·40
Standardization of water rates	5·00
Savings in Revenue Board reorganization and Revenue Secretariat.	0·50
Levy of ground rent under the revised scheme ..	30·10
Levy of full assessment on inams	100·00
	245·14

Reduction of income under the new proposals.

II

	RS. LAKHS.	
Deduct—		
Standardization of assessments	79·68	
Plantations—Substitution of flat rate ..	0·86	
Cancellation of extra charge of Re. 1 in the coastal villages of South Kanara.	0·25	
Liberalization of remission rules . ..	20·00	
		100·79
The net enhanced income would therefore be as pe I and II.		144·35
Roughly		144

This works out an addition of about 18 per cent over the existing land revenue income to the Government which is about 815 lakhs. Not satisfied with this augmented land revenue income, the Committee has recommended—

	RS. LAKHS.
(i) A surcharge on larger holdings	16·25
(ii) A special levy on commercial crops on acreage basis	105·00
Total ...	121·25

4. The terms of reference did not warrant a specific enhancement of the land revenue income. What was expected was adjustments and alternatives if there was a reduction in revenue as a result of the recommendations. But the Committee chose to go beyond the terms and recommended enhancements under two systems of taxation hitherto unknown to the Madras farmer, viz. :—

	RS. LAKHS.
(1) Surcharge on larger holdings	16·25
(2) Special levy on commercial crops	105·00
Total ...	121·25

Thus the total addition to the present revenue would be (144·35 plus 121·25) 265·60 lakhs or about 38 per cent. There is not much justification for this enhancement.

5. The expected revenue from surcharge on larger holdings is only Rs. 16·25 lakhs. The scale rises from Rs. 150 assessment and this starting point is too low. The income figure would result in a fictitious satisfaction, as there would be immediate divisions of holdings to reduce the taxable slabs, and the ultimate income under this head would be reduced to such a figure that would make it not worthwhile to adopt this new system to the disappointment of the Government and the despair of the holders of larger holdings. This will hit the attempts at consolidation of holdings and the adoption of large scale farming on uptodate lines that would augment agricultural production which is the need of the day. Future creation of bigger holdings has been made impossible by the recommendation of this Committee in its first report. Administrative difficulties, evils of corruption and evasions of tax payment and benami transactions would follow. This would be practically driving the large holder who is otherwise honest, to dishonest methods. This would also amount to double taxation on a progressive scale.

6. A special levy on commercial crops on acreage basis is expected to secure an additional income of Rs. 105 lakhs to the State. This is no doubt a substantial amount which would stimulate the greed of any Government. But is it desirable and necessary to levy a third kind of tax on land? Apart from bringing into the Revenue Department more corruption, it will create a feeling of revulsion, in the mind of the farmer, against any Government that resorts to this new taxation. The commercial crops no doubt fetch a seemingly better income or greater gross income to the farmer, but the amount of capital, labour, supervision and care that have to be spent on commercial crops has grown in volume so much so that the small as well as the big farmer is baffled in his attempts to get a decent and attractive margin. Further, these commercial crops are fetching to the State a very large amount of income by way of commercial tax which is an indirect tax. Most of these commercial crops form also the basis of several industrial enterprises which are growing day by day in volume and number and which are affording venues of employment to the growing population of the State. It will not be advisable to kill the incentive to produce crops that would enrich the State and augment the State revenues in several ways. Further, the rates of levy are not based on the results of any scientific or economic investigation of the net profits or otherwise, accruing to the farmer from the cultivation of commercial crops. The levy is haphazard and based mainly on the impressions of the Committee and rates indicated in the report of Sri N. Raghavendra Rao. Further, a flat rate of Rs. 10 per acre of land where tobacco is grown is levied. Tobacco is a dollar fetching crop, and any stifling of production of tobacco would only jeopardise national interests. If the Madras State requires or expects more income from land or its produce in the shape of commercial crops it would be appropriate for it to secure a share of cesses or export duties that the Central Government levies and collects on all commercial crops like tobacco, coffee, tea, cardamum, pepper, rubber, etc., produced in this State, in the same way as the State Governments get a portion of income-tax for its own purposes from the Central Government. The value of commercial crops is usually fluctuating and undependable as their value depends upon the demand in the foreign markets and the demand of the consumer inside the State or Union. If there is a depression or slump in trade, the produce value would considerably go down and the producer will be hard hit on account of the enhanced assessment. Apart from the diversion into the principle of levying special rates on commercial crops, the rates recommended by the Committee are excessive and oppressive. Lands producing sugarcane, turmeric, fruits of citrus varieties, betel-vines, pepper, chicory and vine-yards will have to pay 75 per cent more, coconut 62½ per cent more, mangoes, plantains and onions 50 per cent more, cotton 37½ per cent more, and tobacco a flat rate of Rs. 10 per acre. In the last case, the increase would be in several instances from 100 to 500 per cent. This special charge on commercial or other valuable crops would be

independent of and over and above the scheme of surcharge on larger holdings and the agricultural income-tax. This principle when adopted would considerably increase the assessment figure and the percentage over the existing rate of assessment. This scheme of taxation would become so very heavy on the farmer that it would cross the limit of his endurance and crush him under its burden. Further the differential assessment between food crops and commercial crops would bring in corruption into the village administration, as there is the possibility of hiding cultivation and fudging accounts by the village accountants abetted by the Revenue subordinates for illegal gratification. This will be much worse if the present village administration is replaced by the clerks of the Revenue Department or Revenue Inspectors as recommended by this Committee under the chapter of "Reorganization of village administration".

7. Tax on agricultural income is recommended by the Committee though not as an item of immediate reform, but as one of a long range policy. The uncertainty of this income, the difficulties in ascertaining it, lack of enthusiasm and equipment on the part of the farmer to keep accounts, the harassment and suspicion that he will be subjected to, the arbitrariness in the application of the Income-tax Rules would only enhance the misery of the farmer and destroy his enthusiasm for larger production, without contributing substantially to the revenue of the Government. Further, the possibility of division of holdings and the impossibility of enlarging the holdings under the recommendations of this Committee elsewhere, and the impracticability of properly assessing the income, considered with the enlarged expenditure to maintain an Income-tax department with the prospects of progressive growth in its strength and volume, would make the levy of income-tax a proposition which is bound to be an additional source of harassment to the farmer and of disappointment and unpopularity to any Government. Enhanced income depends on the growth of the value of agricultural produce and reduction of expenditure to produce it. But experience and statistics show violent fluctuations in the income rates and steady growth in the cost of cultivation. After all, the ultimate revenue under agricultural income-tax is expected to be Rs. 25 lakhs with the greater possibility of its progressive reduction. I would feel that it is not worthwhile purchasing unpopularity for a pittance of net income under this head.

8. For decades past land revenue has maintained the State mainly and the local bodies particularly. The farmer bore the burden of financing the administration of the State. In the changed circumstances and times, the "Welfare State" should consider and reduce the burden on the farmer in view of his past services, or at the most maintain the present level of tax burden, but under no circumstances increase it, as that is no reward for past services, nor an aid to future production. Economically the farmer is just recouping; and there is no real, statistical and convincing evidence that his economic position has been permanently

recouped though not improved. At any rate, the ever growing indebtedness of the farmer is a clear indication that he has not improved economically. His low standard of living, financial incapacity to improve his lands or to finance efficient cultivation of his lands, prove the undesirability of burdening him with more taxation.

9. I am, therefore, unable to agree with the committee with regard to—

(i) levy of surcharge on larger holdings;

(ii) enhancement of assessment on commercial crops;

(iii) the principle of levying tax on agricultural income.

10. Consequent on the abolition of resettlements and the standardization of rates of assessments and the adoption of a sliding scale of assessment by the fixation of enhanced rates on the standard assessment at the present price level round about 850, the areas under Schedule A will secure a slight reduction from the present level of assessment; the areas in schedule B will have to meet an enhancement of roughly 9 pies in the rupee and those in Schedule C will have to pay an additional amount at the rate of Re. 0–2–0 in the rupee on the present assessment. This will hard hit the areas and districts under Schedule C as the immediate enhancement would be Re. 0–2–0 in the rupee over the present level of assessment. Thus the areas and districts in Schedule C will be subjected immediately to several kinds of enhancements, viz.,—

(i) two annas in the rupee under the sliding scale;

(ii) surcharge on assessment of Rs. 150 and above;

(iii) special levy on commercial crops ranging from 37½ to 75 per cent.

This is in addition to the land and education cesses of over 25 per cent of the assessment collected for local board purposes. These several enhancements of assessments are bound to considerably increase the burden of land taxes on the farmer. It would, therefore, be somewhat reasonable that the starting point for enhancement under the sliding scale system should be fixed at the present level of prices round about 850 and not at 500. I am against the fixation of starting point at 500 and suggest the adoption of 850 the present level as the basis for future enhancement. Higher price level alone is not indicative of the prosperity of the farmer. The abnormal rise in the cost of production should also be taken into consideration to fix up the appropriate level at which enhancements under the sliding scale should be started. The net result under the enhancement of the sliding scale is calculated to be 91·14 lakhs a greater portion of which would have to be borne by districts in C schedule which are backward and very backward, viz., the districts of Guntur, Kurnool, Nellore, Cuddapah, Tirunelveli (except Anjengo sub-taluk), Ramanathapuram and Nilgiris (except Gudalur taluk) and the taluks of Kadiri in Anantapur district, Vayalpad and Madanapalle in Chittoor district, Tirupathur in North Arcot district, Hosur, Krishnagiri and Dharmapuri, etc., of Salem district. It may also be pointed out in this connection that these districts and taluks as well as those in Schedule B have suffered badly from the evil effects of continuous drought for the last four years. Advantages if any derived by them during the earlier years by way of unenhanced assessments through resettlements, have been wiped out during the last four years of continued drought which made the farmer economically helpless. The poor agriculturists of these districts could not maintain themselves or their cattle all these four years past and it would be very unreasonable to throw another stone at them by way of additional assessment when their position has been deteriorating progressively for the last four years, and more so, since it will take a very long number of years to recoupe themselves and their agricultural stability.

11. The Committee has recommended that the hereditary system of village officers should be abolished straightway and that it should be replaced by two officers for a group of two or three villages, one officer on an upper division clerk's scale of pay looking after the village headman's duties and another officer on a lower division clerk's pay looking after the karnam's duties, with three village servants on peons' scale of pay attached to them. The ultimate cost of this reorganization of village administration is calculated to be an additional sum of Rs. 105 lakhs. I am unable to agree with the committee in regard to this new scheme of village administration. This new scheme costs not only a collossal extra expenditure to the State to the tune of one crore and five lakhs but it would also cause a break down in the village administration which is the foundation of the Revenue administration of the Madras State. The Board of Revenue, the value and importance of which has been confirmed by this Committee elsewhere in this report, is definitely in favour of the continuance of the present system of village administration together with the hereditary rights of village officers and menials. The stability of the entire Revenue administration of the State is mainly due to the village establishment manned by the hereditary officers and menials with loyalty to the Government and honest work to their credit on a nominal pay and eagerness in service. In no other sector of public administration it is possible to secure such a cheap but efficient service to the Government.

12. It may be argued that the village officers are factious in spirit and tyrranous in their administration. There might be a few cases of such conduct here and there. It is by no means a general rule. Even the duly elected and properly constituted bodies like the Panchayat Boards, Panchayat Courts, Co-operative Societies, Forest Committees, etc., have engendered factions and endangered the peace of the rural areas by their malpractices and misdeeds. If there is a bad atmosphere prevailing in the rural areas now, it cannot be said that it is due to the village officers only. Much less is it due to the hereditary nature of these officers. It is reported that even in districts where the hereditaryship has been given up, when new recruits are taken into the village service, the successive incumbents in the said posts are automatically the descendants of the first recruits. Thus a sort of hereditary system is introduced in those districts also. The service has not become exemplary in such districts though the hereditary system has been abandoned. In each village, a number of duties other than revenue devolve upon the village officers such as public health, village statistics, protection of the Government property, Law and Order, Food accounts and procurement, etc., apart from the maintenance of village accounts and the collection of revenue and the safe remittance of the same to the Treasury. The village officers at present are duly trained and equipped for village administration and service. Replacement of these village officers, etc., by a few clerks would not only not ensure the efficiency of administration but bring in corruption on a large scale, inefficiency and unpopularity to the administration in general. In the interests of the general administration of the State, this institution of village officers and menials with hereditary rights should continue and it should also be introduced in districts where such hereditary system does not exist to-day.

B. RAMACHANDRA REDDI—6-6-51.

APPENDIX I.

(Vide paragraph 1 of the Report.)

Extract from G.O. Ms. No. 1376 (Confdl.), Revenue, dated the 9th May 1950.

[Land Revenue Reforms Committee—Constitution—Ordered.]

The Government of Madras have been considering the question of improvement and reform in respect of the method of assessment of land revenue in ryotwari areas, the system of land revenue administration, the tenure of holdings of ryotwari land, and the conditions of cultivating tenants and agricultural labourers. Before arriving at conclusion, they have decided to appoint a Committee to advise them on the problems involved.

2. They accordingly set up the following Committee:—

Chairman—Sri M. V. Subramanian, I.C.S.

Members—

Sri B. Ramachandra Reddi, Buchireddipalem.

Sri N. Ranga Reddi, M.L.C.

Sri Alluri Satyanarayana Raju, M.L.A.

Sri C. Subramaniam, M.P., Coimbatore.

Sri Manathunainatha Desigar, M.L.C.

Sri V. I. Munishwami Pillay, M.L.A.

Sri G. Sankaran Nair, B.A., B.L., Ottapalem.

Secretary—Sri S. R. Kaiwar, I.C.S.

3. The Committee is requested to consider the following questions and make recommendations on them to Government:—

(a) Whether the present system of land revenue assessment should be maintained and periodical resettlement resumed, and if so, what the currency of the settlement should be, or whether resettlement should be abandoned permanently.

(b) if resettlements are abandoned, whether modifications of the existing assessments would be necessary in order to standardize them at an appropriate level and to secure uniformity of assessments as between the various districts of the State;

(c) whether it is desirable and practicable to assess any class of inams now held at favourable rates, at the full rates payable for similar lands in the neighbourhood;

(d) whether instead of making assessments unalterable a sliding scale of assessment should be introduced varying every year according to the price-levels and the financial position of the Government;

(e) whether an element of progression should be introduced in the system of assessment by exemption of petty holdings, by a graduated scale of assessment based on the extents of holdings, by means of an agricultural income-tax in addition to the assessment, by means of a tax on commercial or more valuable crops, or by any other suitable method;

(f) whether the present system of assessment should be completely replaced by an agricultural income-tax, or a low basic land tax irrespective of the quality of the land along with a scheme of taxation of agricultural income, or a tax on sales of agricultural produce, or a tax levied as a percentage of rental value or of capital value, or any other suitable tax;

(g) in the event of the replacement of the present system of land revenue assessments by any such alternative methods, what arrangements should be made to secure for local boards the kind of income they are now deriving by way of land-cess and education-cess which are now being levied and collected on their behalf as surcharge on land revenue assessment;

(h) on an examination of the incidence of water-cess, what the relative merits are of a system of fixed water-rate and system of differential water-rate and which is more suitable to the conditions of this State having regard to the interests both of the landholder and the public revenues;

(i) whether, having regard both to efficiency and economy, any changes are called for in the machinery of land revenue administration, and, in particular, whether it is necessary to retain the Board of Revenue and whether it is necessary to keep the village establishments in their present form; and if these village establishments are necessary, whether they should continue to be hereditary, and whether the hereditary system should be extended to the areas where it is not now in operation;

(j) whether any simplification is possible in the present system of village and taluk accounts;

(k) whether and in what manner the Government should intervene to fix maximum holdings, form economic holdings, eliminate non-cultivating and non-resident pattadars, prohibit alienation of land to non-cultivators, confer occupancy rights on tenants under ryotwari pattadars, secure fair rents and fixity of tenure for such tenants, and ensure fair wages and proper conditions of work for agricultural labourers; such of these problems as pertain specially to the tenures in Malabar and to the relationship between landholders and tenants there, need not, however, be gone into by the Committee as another Committee has reported already on those problems, and the Government are now engaged in the preparation of necessary legislation on the subject; and

(l) whether it is desirable to have a comprehensive Land Revenue Code embodying the law relating to land assessment and connected matters, and if so, what items should be included in the Code.

4. The Committee may also make recommendations on any other points connected with, or arising out of, the specific questions set out in paragraph 3, or generally germane to the purpose indicated in paragraph 1.

5. It is expected that the reports and recorded discussions available in the offices of Government and of the Board of Revenue will furnish ample material for the Committee's deliberations on the various questions which it has to consider. The Committee will, in particular, take into consideration the Reports prepared by Sri N. Raghavendra Rao as Special Officer, and the Report of the Congress

Agrarian Reforms Committee. On any points on which information is required, the Committee may send for reports or particulars from the Government or the Board of Revenue. The Committee will, therefore, ordinarily sit at Madras.

6. It is open to the Committee, however, to elicit the views of associations or individuals on any questions wherever it may consider it necessary, in such manner as it may consider suitable, and for that purpose, also to hold its sittings outside Madras in such places as it might deem convenient.

7. The Committee is requested to send a preliminary report in the first instance, at as early a date as it may find conveniently possible, on the issues raised in sub-paragraph (k) of paragraph 3 above, and to send its final report covering all the other points on or before the 30th September 1950.

APPENDIX II.

(Vide paragraph 42 of the Report.)

Value of patta.	Extent of holdings.				Extent of holdings.				
	Number of pattas.	Dry.	Wet.	Assessment.	Number of pattas.	Number of shareholders.	Dry.	Wet.	Assessment.
		ACS.	ACS.	RS.			ACS.	ACS.	RS.
Re. 1 and less	825,502	469,485	62,287	623,602	810,456	2,188,195	378,685	42,593	513,567
Rs. 10 and less but over Re. 1.	2,297,093	4,909,089	612,053	8,491,939	1,673,000	4,872,247	4,485,220	397,086	6,529,730
Rs. 30— 10	614,130	3,109,595	818,670	8,999,769	508,037	1,695,510	3,018,233	557,616	7,204,971
„ 50— 30	149,789	1,131,664	463,995	4,587,301	113,864	393,376	957,254	273,265	3,275,296
„ 100— 50	83,228	977,297	488,203	4,774,624	53,931	222,677	638,137	233,201	2,557,052
„ 250—100	31,918	713,458	472,910	4,342,967	13,832	56,543	330,196	175,725	1,772,528
„ 500—250	7,023	304,051	266,319	2,205,569	2,372	11,680	138,318	71,111	659,705
„ 1,000–500	2,305	217,930	165,652	1,422,984	738	4,158	85,614	38,651	375,253
over Rs. 1,000	1,353	273,034	193,396	1,594,634	535	2,695	92,426	29,544	260,637
	4,012,341	12,105,603	3,543,485	37,043,389	3,176,765	9,447,081	10,124,083	1,818,792	23,148,739
		7,189,106	60,192,128						

APPENDIX III.

(Vide paragraph 40 of the Report.)

Working sheet.

Total income.		*Basic rate.*	*Gross.*
RS.		RS. A. P.	RS. A. P.
1,500		Nil.	..
2,000	500 × 0 0 9	23 7 0	23 7 0
5,000	+ 3,000 × 0 0 9	+ 140 10 0	164 1 0
10,000	+ 5,000 × 0 1 9	+ 546 14 0	710 15 0
12,000	+ 2,000 × 0 3 0	+ 375 0 0	1,085 15 0

	1,500		Nil.
	2,000	+ 23 7 0	23 7 0
	2,500		46 14 0
	3,000		70 5 0
	3,500		93 12 0
	4,000		117 3 0
	4,500		140 10 0
	5,000		164 1 0
Next	5,500	+ 54 11 0	218 12 0
slab	6,000		273 7 0
	6,500		328 2 0
	7,000		382 13 0
	7,500		437 8 0
	8,000		492 3 0
	8,500		546 14 0
	9,000		601 9 0
	9,500		656 4 0
	10,000		710 15 0
	12,000	+ 375 0 0	1,085 15 0

APPENDIX IV.

(Vide paragraph 39 of the report.)

Assessment range.	*Number of individual pattas.*	*Assessment.*	*Assumed income at eight times the assessment.*	*Average income per individual—[column (4) column (2)].*	*Tax on the average income of each individual.*	*Total tax on the assumed income.—[column (6) column (2)].*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		RS.	RS.	RS.	RS. A. P.	RS.
Over Rs. 1,000	1,353	15,94,634	1,27,57,072	9,428 or	656 4 0 or	8,87,568 or
				say .. 9,400	656 0 0	8,90,000
				assume 9,500		
„ 500—1,000	2,305	14,22,984	1,13,83,872	4,939 or	164 1 0 or	3,78,020 or
				say 5,000	164 0 0	3,78,000
„ 250—500	7,023	22,05,569	1,76,44,552	2,512 or	46 14 0 or	3,30,081 or
				say 2,500	say 47 0 0	3,30,000
„ 100—250	31,918	43,42,967	(3,47,43,736)	1,088	18 12 0 or	1,14,000
	* (6,000)	* (14,00,000)	* (1,12,00,000)	* (1,867 or	say 19 0 0	
				Say 1,900)		

* Assume Rs. 200—Rs. 250 pattas as 1/5 of the total number, i.e., 1/5 of 31,918 or say 1/5 of 30,000, i.e., 6,000.

Also assume the assessment on Rs. 200—Rs. 250 pattas is 1/3 of the total assessment of Rs. 100—250 group, i.e., 1/3 of 43,42,967 or 1/3 of 42,00,000, i.e., Rs. 14,00,000. Then the income assuming it to be eight times the assessment will be Rs. 14,00,000 × 8 or Rs. 1,12,00,000.

Average income per head = Rs. 1,12,00,000/6,000 = Rs. 1,867 or Rs. 1,900.

Tax on Rs. 1,900 is Rs. 18-12-0 or say Rs. 19.

Total tax is Rs. 6,000 × 19 or Rs. 1,14,000.

	RS.		RS.
Total tax for single pattas—			
(1) From pattas over Rs. 1,000 ..	8,90,000		
(2) From pattas between Rs. 500—Rs. 1,000	3,78,000		
(3) From pattas between Rs. 250—Rs. 500	3,30,000		
(4) From pattas between Rs. 100—Rs. 250	1,14,000		
Total ..	17,12,000	or say	20,00,000

Calculation for joint pattas—

Total assessment on single pattas ..	3,70,43,389	
Total assessment on joint pattas ..	2,31,48,739	
Ratio of assessment of joint pattas to single pattas is	2,31,48,739 / 3,70,43,389	or roughly 60 per cent.
Number of joint pattas	31,76,765	
Number of share-holders	94,47,081	
Therefore ratio of joint pattas to share-holders is	31,76,765 / 94,47,081	or 1/3 (approximately).

So tax for joint pattas may be assumed as 1/3 of 60 per cent or 20 per cent of single pattas, i.e., 20 per cent of .. 20,00,000 or Rs. 4,00,000.

Grand total—

Therefore total tax for single and joint ryotwari pattas = Rs. 20,00,000 + Rs. 4,00,000 or Rs. 24,00,000.

Add 1/3 for zamindari areas, i.e., 1/3 of Rs. 24,00,000, i.e., Rs. 8,00,000.

Total for all areas Rs. 24,00,000 + Rs. 8,00,000 = Rs. 32,00,000.

Add 25 per cent for taxable tenants and addition due to commercial crops, etc., i.e., 25 per cent of Rs. 32,00,000 = Rs. 8,00,000.

Grand total is Rs. 32,00,000 + Rs. 8,00,000 = Rs. 40,00,000.

APPENDIX V.

(Vide paragraph 39 of the report.)

Assessment range.	*Number of individual pattas.*	*Assessment.*	*Assumed income at ten times the assessment.*	*Average income per individual—column (4)/column (2).*	*Tax on the average income of each individual.*	*Total tax on the assumed income—column (6) × column (2)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		RS.	RS.	RS.	RS. A. P.	RS.
Over Rs. 1,000	1,353	15,94,634	1,59,46,340	11,786 or	1,085 15 0 or	14,69,358 or
				say *11,800	say 1,086 0 0	say 14,70,000
				assume 12,000		
„ 500—Rs. 1,000 ..	2,305	14,22,984	1,42,29,840	6,173	273 7 0 or	6,29,265
				say 6,000	273 0 0	say 6,30,000
„ 250—Rs. 500	7,023	22,05,569	2,20,55,690	3,140	70 5 0 or	4,91,610 or
				say 3,000	70 0 0	4,92,000
„ 100—Rs. 250	31,918	43,42,967	4,34,29,670	1,361	37 8 0 or	2,28,000
	* (6,000)	* (14,00,000)	* (1,40,00,000)	(2,333 or 2,300)	38 0 0	1,00,000

* Assume Rs. 200—Rs. 250 pattas as 1/5 of the total number, i.e., 1/5 of 31,918 or say 1/5 of 30,000, i.e., 6,000.

Also assume the assessment on Rs. 200—Rs. 250 pattas is 1/3 of the total assessment of Rs. 100—250 group, i.e., 1/3 of 43,42,967 or 1/3 of 42,00,000, i.e., Rs. 14,00,000. Then the income assuming it to be ten times the assessment will be Rs. 14,00,000 × 10 or Rs. 1,40,00,000.

Average income per head = Rs. 1,40,00,000/6,000 = Rs. 2,333 or Rs. 2,300.

Tax on Rs. 2,300 is Rs. 37-8-0 or Rs. 38.

Total tax is Rs. 6,000 × 38 = Rs. 2,28,000.

Add Rs. 1,00,000 for income group 150—200.

	RS.	RS.
Total tax for single pattas—		
(1) From pattas over	1,000 ..	14,70,000
(2) From pattas between	500—1,000 ..	6,30,000
(3) From pattas between	250— 500 ..	4,92,000
(4) From pattas between	100— 250 ..	2,28,000
		1,00,000
	Total ..	29,20,000
		or
	say	29,00,000
Add 20 per cent for joint pattas	..	5,80,000
	Total ..	34,80,000
Add one-third for zamin area	..	11,60,000
	Total for all areas ..	46,40,000
Add 25 per cent for taxable tenants, addition due to commercial crops, etc.	..	11,60,000
	Grand Total ..	58,00,000

APPENDIX VI.

(Vide paragraph 39 of the Report.)

I. Pattas on which assessment is over Rs. 1,000 (*Rupees one thousand*).—

			RS.	
(1) Single	1,353	Total assessment ..	15,94,634	
(2) Joint	535			
Number of shareholders.	2,695	Total assessment ..	2,60,637	
			18,55,371	
(3) Total assessment on (1) and (2).		.... say ..	18·5	lakhs.
			185	lakhs.
(4) Net taxable income at ten times assessment.				
(5) (*a*) Assume 1/10 will be exempted from taxation (Rs. 1,500 income limit).				

Out of the balance a sume taxation as follows:—

	RS. A. P.		
(*b*) 7/30 at ..	0 0 9	....	....
(*c*) 1/3 at ..	0 1 9	....	....
(*d*) 1/3 at ..	0 3 0	....	....

			RS.	
(6) Tax will be—				
(*a*) Tax on Rs. 18·5 lakhs at	Nil	....	Nil	
(*b*) Tax on Rs. 43½ lakhs at	0 0 9	....	2·02	lakhs.
(*c*) Tax on Rs. 61-2/3 lakhs at ..	0 1 9	....	6·74	„
(*d*) Tax on Rs. 61-2/3 lakhs at ..	0 3 0	....	11·56	„
			20·32	„

II. Pattas on which assessment is Rs. 1,000 *and less but over Rs.* 500—

PATTAS.	RS.		RS.	
		....	....	
(1) Single	2,305	....	14,22,984	
(2) Assessment ..	..	....	....	
(3) Joint	738	....	....	
(4) Number of shareholders.	4,158	....	3,75,253	
(5) Assessment ..	..	....	17,98,237	
(6) Total assessment.	..	say ..	18	lakhs.
(7) Total net income at ten times assessment.	..	....	180	lakhs.

		RS.	
(8) Assume taxable range as—			
(i) 3/20 exempted	....	....	
(ii) 7/20 at 9 pies in the rupee ..	....	....	
(iii) ½ at 1 anna 9 pies in the rupee.	....	....	
(9) (a) Rs. 27 lakhs at nil . ..	....	Nil.	
(b) Rs. 63 lakhs at 9 pies ..	....	2·953	lakhs.
(c) 90 lakhs at 1 anna 9 pies. ..	....	9·844	„
Total ..		12·797	lakhs.

III. Pattas on which assessment is Rs. 500 and less but over Rs. 250.

PATTAS.	RS.	RS.	
(1) Single	7,023	....	
(2) Assessment	....	22,05,569	
(3) Joint	2,372	....	
(4) Number of share-holders ..	11,680	....	
(5) Assessment	....	6,59,705	
(6) Total assessment	....	28,65,274	
say ..		28·5	lakhs
(7) Net income at ten times assessment.	....	285	lakhs.
(8) Assume 3/10 is exempt and balance assessed to tax at 9 pies in the rupee.	....	....	
(9) (a) Rs. 85·5 lakhs at nil ..	....	Nil.	
(b) Rs. 199·5 lakhs at 9 pies ..	....	9·352	lakhs.

IV. Pattas on which assessment is Rs. 250 and less but over Rs. 100.

	RS.	RS.	
(1) Single	31,918	....	
(2) Assessment	....	43,42,967	
(3) Joint	13,832	....	
(4) Number of shareholders ..	56,543	....	
(5) Assessment	....	17,72,528	
(6) Total assessment	....	61,15,495	
or say ..		61	lakhs.
(7) Net income	....	610	„

A

(8) Assume half income is exempt	....	....	
(9) Tax on Rs. 300 lakhs at 9 pies in the rupee	....	14·06	lakhs.

Or

B

(10) Assume two-thirds income is exempt. Tax on Rs. 200 lakhs at 9 pies in the rupee ..	....	9·375	lakhs.

Agricultural Income-tax.

	LAKHS. RS.
I. Above Rs. 1,000 assessment group ..	20·32
II. Above Rs. 500 but up to and inclusive of Rs. 1,000.	12·80
III. Above Rs. 250 but up to and inclusive of Rs. 500.	9·35
IV. Above Rs. 100 but up to and inclusive of Rs. 250.	9·38
(Take B) .. .. .. Total ..	51·85 or 52 lakhs.
Add for non-ryotwari	17
Add for commercial crops, etc. ..	13
	82

If a 25 per cent deduction on Rs. 52 lakhs is made in respect of joint pattas, the figures will be 39, 13, 10 or 62 lakhs.

APPENDIX VII.

(Vide paragraph 195 of the Report.)

Extract of paragraphs 19 to 31 of the Proceedings of the Board of Revenue No. 3009 (Confidential), Miscellaneous, dated 22nd October 1939.

* * * * *

19. The Board will now deal with clause 8 of the Bill. The Board observes that the proposal embodied in this clause is that the differential water-cess system should hereafter be the normal system in this Province and that the system of fixed rates of water-cess should be exception. The exceptions will presumably be allowed only in regard to a few expensive and recent projects like the Cauvery-Mettur Project, the Kattalai High-level Channel, the Tholudur Project and the Periyar Project. As will be clear from the preamble to the Irrigation Cess Act, the object of that Act is to secure a " fit return " " in all cases alike " from lands benefited by irrigation from Government sources. It was, therefore, considered desirable that Government should be free to fix rates of water-cess on the merits of each case and that the levy should be regulated by Statutory Rules which could be varied from time to time in the light of actual experience. In the Irrigation Bills drafted in 1922 and 1924, this arrangement was proposed to be kept intact. The clause under consideration thus constitutes a vital amendment to section 1 of the Irrigation Cess Act.

20. The Board submits that the securing of a " fit return " for the supply afforded from Government sources should be kept prominently in view in respect of all sources and not merely in respect of irrigation projects over which Government have invested large sums of money in recent years. If anything less than a " fit return " is to be accepted, it must be capable of justification with reference to the special circumstances of the locality, such as the general backwardness or general poverty of the ryots. The Board would also submit that there is no reason why there should be absolute uniformity in the water-cess leviable under different irrigation systems. The rates of land assessment differ from district to district and there is no reason why the variations in the rates of water-cess prevailing in the various tracts should not be judged in the same way on their merits. In the case of all large irrigation systems, the question of a recurring " fit return " should, in the opinion of the Board, be considered and the question of the revision of the current rates of water-cess would deserve attention only if investigation shows that those rates have been causing hardship or that the resulting incidence is not equitable as between the lands commanded by each system.

21. The Board would also urge that *prima facie* there is no case for reducing the standard rates of water-cess—vide section A of Appendix I to B.S.O. No. 4—which have not been revised since they were fixed in 1873. Even as early as 1903, the Government considered that, in view of the large increase in the prices of agricultural produce and the improvements in communications by road and rail which had taken place since 1873, there was sufficient justification

for enhancing the rates of water-cess by 25 per cent—vide G.O. No. 586, Revenue, dated 12th June 1903. The Board fully agreed with this view but the proposal was relegated to the background owing to the animated controversy over the merits and demerits of the differential water-rate system. That controversy started in 1905 but was not finally disposed of until 1918 when Government accepted the view that the most satisfactory system of levying water-cess would be one in which sources are grouped according to the quality and quantity of the supply afforded by them and crops are classified in a reasonable manner. The system which is now in force in the Godavaris and Krishna and which was introduced in 1931 was based on this conclusion. It will be seen that this system is an improvement on the rules in section A of Appendix I to B.S.O. No. 4. The number of rates is reduced as far as possible, the crops are classified as wet, garden and dry with due regard to the period during which they require irrigation and the agricultural practice of the district and the distinction between systematically irrigated and occasionally irrigated, which is difficult to define and apply, is done away with. The rates now in force in the Godavaris and Krishna and in the deltaic portion of the Guntur district are not special or project rates. They are just the old rates enhanced with reference to the considerations which were accepted by Government in 1903, and the actual enhancement was no more than what Government themselves considered reasonable even in 1903.

22. If the Government merely want to reduce the water-cess in areas in which fixed rates are now being levied, they can achieve their object by merely reducing the existing rates to the extent they consider reasonable and feasible. The proposal embodied in the clause under consideration goes further in so far as it seeks to make the differential water-rate system the normal system for adoption in this Province. The proposal is evidently based on the view that, perhaps the differential water-rate system is, on merits, preferable to any possible systems of fixed water-rates. This question was thoroughly examined between 1905 and 1923 and the Government finally agreed that a system of fixed water-rates was the best for this Province—vide correspondence printed in G.Os. No. 1664, Revenue, dated 20th July 1916, No. 2712, Revenue, dated 18th July 1918 and No. 1080, Revenue, dated 19th July 1923. The Board submits that subsequent experience does not warrant a reconsideration of that view. All the officers who had had experience of the differential water-rate system condemned it and the theoretical perfection claimed for it was disproved by facts—vide paragraph 21 of B.P. No. 310, dated 19th November 1915.

23. The differential water-rate system has a misleading appearance of scientific accuracy, but it is not really even theoretically sound. The fixed water-rate system seeks to avoid an unnecessarily large number of rates. Such limitation of the number of rates is obviously desirable from an administrative point of view. Under the differential water-rate system, this consideration is ignored and the number of rates depends upon the number of dry tarams and corresponding wet tarams of the irrigated lands which are liable to pay water-cess. " D " (dry assessment) has been fixed with reference to the productivity of the land in terms of purely rainfed dry crops of the varieties common in the tract. Dry tarams do not, therefore, give any correct indication of the relative values of the lands under

those tarams if they are irrigated. It is well-known that a soil which is good for dry crops may not be equally good for wet crops and in so far as the differential water-rate formula assumes a close correspondence between the gradations of W and D, it rests on an unsound basis. In the Cuddapah and Kurnool districts, an attempt was made to get over this difficulty by assigning a double classification to each irrigable dry land, that is, classification as dry as well as the would-be soil classification for the same land if it is irrigated. The anomalies which have resulted from this attempt to achieve theoretical perfection have been referred to in B.P. No. 83, dated 2nd April 1913. In other districts, no such double classification was attempted. In many tracts, as for example, in the Guntur uplands, there was a field-to-field soil classification and if the differential water-rate system is introduced, we shall have the same anomalies as in Cuddapah and Kurnool, i.e., adjoining lands will often have to pay different rates of water-cess even if the same irrigated crops are grown on them. The formula W—D has obviously no validity if any irrigated dry or garden crop is grown. Such a crop is neither purely dry nor wet and the formula has no meaning at all with regard to such crops. In 1915, an attempt was made to see whether such crops could be charged in terms of multiples of " D " but the scheme had to be given up as being thoroughly unsatisfactory. From the statistics given in the Season and Crop Report for fasli 1347, the Board finds that dry crops irrigated from the sources other than wells covered an area of about acres 14 lakhs in this Province in that fasli. It is a safe assumption that the bulk of this area was irrigated from Government sources. A system of water-cess which is not really sound in regard to irrigated dry crops cannot, therefore, be considered suitable for general adoption.

24. From Government Memorandum No. 969-F/39, dated 21st May 1939, as well as the latest communication which the Board has received as regards the scope of the Land Revenue Assessment Bill, the Board observes that Government propose to extend the differential water-rate system even to proprietary lands which are irrigated from Government sources in this Province. The Board submits that it would be neither easy nor inexpensive to extend the differential water-rate system to such lands. The system cannot be so extended unless the soils of all the proprietary lands which are irrigable from Government sources are classified and unless the villages in which they are situated are assigned dry groups for purposes of fixing the " D " for each field. That the area involved is very considerable will be obvious from the fact that the revenue derived from water-cess on proprietary lands is over Rs. 35 lakhs. The classification of the soils and the dry grouping of proprietary villages would thus be a laborious and expensive operation and would take years to complete and Settlement Parties would have to be reorganized to do the work. In the Estate Land Revenue Bill there is a proposal to have a compulsory survey of most estates but there is no proposal for classifying the soils or for assigning dry groups to proprietary villages. This is presumably because the rents to be fixed for proprietary lands under the Bill would depend not on any such classification or grouping or other settlement operations but on what is ascertained to be the level of rents in the year preceding the Permanent Settlement. The Board submits that, to say the least, the merits of the differential water-rate system are very doubtful and that merely for the purpose

of levying water-cess, it will not be justifiable to undertake the large expenditure and trouble involved in classifying soils and assigning dry groups in proprietary areas. A detailed survey of the irrigable lands will be required if the soils are to be classified. If this view is accepted but if the differential water-rate system is extended to all the ryotwari lands in the Province, the difference in the water-cess paid for ryotwari and proprietary lands would give considerable cause for dissatisfaction and complaint.

25. In the case of large irrigation system, the question of a " fit return " is an important consideration and the differential water-rate system is unsuitable. In the case of tanks or other upland sources which are not connected with anicut systems, the amount of water available over and above the requirements of the registered wet ayacut will be limited. It is not, therefore, unreasonable that the ryot growing a wet crop on dry land should be asked to pay more than W—D. The registered holder of a wet land has to pay the wet assessment whether he takes the water or not, while the owner of a dry land has normally the option to take water or not as he likes and he has to pay water-cess only if he takes water and on the area which is actually irrigated. He is not liable to pay anything towards kudimaramat labour. Besides, inspection of water-cess cases means substantial additional work to the revenue staff. If dry lands have been continuously under irrigation for some years and they have still not been transferred to wet, it is usually so for some good reason and it is not, therefore, logical to say that, for purpose of charged water-cess, the lands should be treated as if they were wet.

26. One of the arguments usually urged in favour of the differential water-rate system is that it is very elastic, while a system of fixed water-rates would press heavily on the poorer lands and lands in the tail-end of irrigation sources in the deltas may be cited as illustrations in this connexion. This argument ignores the consideration that, in cases of proved hardship, the necessary relief can be given to such lands by lowering the group assigned to the source for purposes of water-cess. In the Krishna and Godavari deltas, two groups were considered sufficient. If investigation shows that the fixed rates are pressing heavily on any blocks or dry lands under irrigation, the grouping could be made elastic and additional groups introduced if necessary to give adequate relief. Irrigation sources in the uplands in the Godavaris and Krishna have been grouped in three groups for purposes of water-cess. There is little doubt that this number of groups is quite ample for upland sources of irrigation. The Board submits that the system of fixed water-rates can be made as elastic as is considered necessary by adjusting the rates and the grouping.

27. It will be readily conceded that the best system of levying water-cess is the one which satisfies all the following conditions:—

(1) It must be simple enough to admit of the No. 6 Accounts being prepared easily and checked easily.

(2) It must be intelligible to the average ryot so that he may himself check whether any irregular demand has been made from him.

(3) It must be equally sound for all kinds of irrigated crops.

(4) It must be capable of being applied to all tracts in the Province whether they are proprietary or ryotwari or minor inam

The differential water-rate system satisfies none of these conditions. It depends on a formula which cannot be grasped easily by the average ryot and is really complicated from the point of view of karnams who have to prepare the No. 6 Accounts and the Taluk and Jambandi staff who have to check them. In so far as the preparation and checking of the water-cess accounts is rendered difficult, there would be scope for more errors, if not mischief, than is the case now. Lastly the differential water-rate system has no advantages which cannot be secured by an elastic system of grouping of sources and scale of rates. Large blocks of land and soils of equal productivity are grouped together in terms so as to reduce the number of money rates. It is desirable from an administrative point of view to reduce the number of rates of water-cess similarly by grouping the sources and classifying crops. This is exactly what is being done under the fixed water-rate system which, the Board submits, satisfies all the four conditions referred to above.

28. The Revenue Department in this Province is, on the whole, so efficient that it can work any system of Revenue administration that the Government of the Legislature may prescribe. The fact that the differential water-rate system has been in force in nine districts of the Province does not, therefore, establish that it is a good system.

29. For these reasons, the Board is unable to accept the proposal to extend the differential water-rate system to areas where it is not in force. It would go further and submit that even in the districts in which this is in force now, it should be replaced by a suitable system of fixed water-rates.

30. The next important consideration that the Board would urge is that there are no reliable data now for estimating the financial consequences of the proposal embodied in the clause under consideration. The Board submits that, before any such proposal is put before the Legislature, some reliable estimate should be obtained from the Collectors, giving them sufficient time and detailed instructions for the purpose. The estimates now obtained from the Collectors are far too rough and further investigation is likely to prove that there has been a material under-estimate of the loss of revenue involved. With reference to the instructions contained in the Government Memorandum No. 969-F/39, dated 21st May 1939, Collectors have sent certain very rough estimates which indicate that the net loss of revenue involved is just over Rs. 7 lakhs. If a reliable estimate is to be obtained, the lands which were actually irrigated during the last five years should be taken the total differential water-rate leviable on them worked out and divided by 5 to get the average income per year; or the actual irrigated lands which would produce the average water-cess revenue in each village should be taken into account and the differential water-cess on them calculated. As a rule, the irrigable dry lands in each village are likely to bear "wet assessments" below the average "W" of the village. The method of calculation prescribed in the Government Memorandum, dated 21st May 1939, is, therefore, likely to have led to an over-estimate of the yield of the differential water-rate system.

Further, if water-cess is to be limited with reference to "W" or "D" or both, the Board considers that the investigation of the financial results of extending the differential water-rate system must

be deferred till the standard rates of assessments have been actually worked out in all districts with reference to the proposed Land Revenue Act. The Collectors' estimates have been based on current rates of assessment and cannot, therefore, be adopted. If "W" and "D" are reduced as proposed in the Land Revenue Bill, the percentage decrease in "W" will generally be greater than that in "D". This is another reason why we must expect the Collectors' figures to be under-estimates of the net loss of revenue involved.

31. Clause 8 of the Bill refers to "irregular irrigation", a term which has not been defined either in this Bill or in the Irrigation Cess Act. The Board had recently occasion to consider some urgent amendment to section 1 of the Irrigation Cess Act which were necessitated by a decision of the High Court in a Letters Patent Appeal and it then arrived at the conclusion that it would be quite unwise to attempt to define irregular irrigation in the statute and that the best plan would be to leave it to be defined in the Statutory Rules under the Act so that the Government could revise the rules suitably from time to time to meet all types of irregular irrigation which may come to notice. The Board apprehends that the reference to irregular irrigation in this Bill would lead to difficulties and that the apparent limitation of the penalties that may be imposed might have serious consequences. As already mentioned, the clause under consideration constitutes a vital amendment to the Irrigation Cess Act. The Board submits, therefore, that the proper place for such a clause will be in a Bill brought to overhaul the Irrigation Cess Act and not in a Bill which purports to deal with the standard rates of assessment on lands. It is desirable to defer overhauling of the Irrigation Cess Act till the very urgent amendments proposed by the Board to section 1 of that Act have been passed by the Legislature. It is possible that Government might soon find it expedient to have a comprehensive Irrigation Bill and the proposal to change the existing system of levying water-cess may well be deferred till an Irrigation Bill is taken up for consideration. The Board would also urge that there is no particular urgency for the proposed change. There is *prima facie* no case for reducing the standard rates of water-cess under non-deltaic sources, while, in the deltas, cases of proved hardship can be given relief by introducing a third or even a fourth group.

Minute of dissent by the Commissioner of Land Revenue and Settlement on clause 8 of the Land Revenue Bill.

The plain meaning of this clause is in practical accord with the present method of levying water-rate. In its report, B.P. Mis. No. 3905, dated 9th November 1936, the full Board described the present system thus:

"Where a water-rate is to be levied, it should be restricted to a rate adequate for the payment of the necessary rate of interest on the sum at charge in respect of the project and not below what, added to the dry assessment, would equal to wet rates on the soils and under the sources concerned."

This is practically the same as sub-clause (1) of clause 8 of this Bill, though the approximation to W—D is from abovs in one case and from below in another. The fit return referred to in the clause is presumably the return at the rate of interest on capital sunk which is prescribed for productive schemes, and at such lower rates as may be prescribed for a famine protective work.

2. The calculation of probable loss by the introduction of the differential water-rate system which Collectors have made needs two corrections. All special rates are replaced by W—D in that calculation. I see no reason to believe that the Government will actually abolish the special rates imposed to meet the interest on capital sunk. Again, the loss estimated by Collectors is practically entirely in the Godavari and Kistna deltas. Only the Collector of Kistna appears to have shown how he has arrived at the average wet rate and the average dry rate. He states that, in the delta the average wet rate is Rs. 6–12–0 and the average dry rate is Rs. 2–4–0 while, in the uplands, these rates are Rs. 5–1–0 and Rs. 1–15–0 respectively. It is clear that he has taken the average of all the rates in force for wet and for dry and not calculated the wet assessment of each village or of the whole delta and divided it by the total wet area and done similarly for dry. From the statement of average wet rate and dry rates of the various districts prepared in this office, I find that the difference between the average wet rate and the average dry rate for Kistna is Rs. 6–3–0 as against the existing water-rate of Rs. 6–4–0. In East Godavari and West Godavari, the difference of average wet and average dry is Rs. 7–8–0 and Rs. 6–4–0 respectively, though it is true that if the W—D of the lands which have actually been paying water-cess is worked out, the differences are likely to be less. In Guntur, the difference is Rs. 6. It differs little from the current rate of Rs. 6–4–0 prescribed for the delta. I think, therefore, that the Collectors' figures are likely to have shown more loss and not less loss than is involved in this replacement of the current rates of water-cess in the Godavari and Kistna deltas by the differential water-rate though it must be borne in mind that all the available figures yield only rough approximations. But whatever the correct figure of loss may be, this controversy has never been settled on financial grounds and it is not going to be now.

3. The fact that, under the differential water-rate system, the preparation and checking of No. 6 Accounts is rather complicated and difficult has not proved to be an insuperable obstacle to the actual operation of the system in as many as nine districts in this Province. The convenience of the karnams and the Taluk Jamabandi staff ought not to be held to outweigh the need for giving relief to the ryots. Under the system of fixed water-rates, good, bad and indifferent lands are charged the same rates, irrespective of the net profits of irrigation, merely because they happen to be irrigated under the same source. The Collectors' estimates of the loss of revenue may not be accurate but they cannot be far wrong and the passing of necessary legislation should not be postponed merely for the sake of procuring meticulously accurate figures of what, in any case, is necessarily a fluctuating charge.

4. If the differential water-rate system cannot be extended to proprietary or other lands until the soil classification of the lands has been fixed or other necessary information is obtained, provision may be made whereby fixed rates of water-cess not exceeding the current rates may be levied, until the soils have been classified or the necessary information has been obtained.

5. I, therefore, hold that there is no case for objecting to clause 8 on the ground that it introduces the differential water-rates system.

6. The Land Revenue Bill does not permit rates of assessment on the land to be increased except with the permission of the Legislature. This includes rates of wet assessment which is the sum of the charge for land and for water. It is logical that a similar restriction should be placed in this Bill on rates of water-cess which is the charge for water, when the charge for land alone is already fixed (viz., dry assessment). If this Bill is passed into law, the Irrigation Cess Act, will, and can be, worked subject to the limits set by clause 8. I would, therefore, agree to clause 8 of the Bill with provision made as in paragraph 4 of this minute. The definition of irregular irrigation may be left to be prescribed by statutory rules.

APPENDIX VIII.

(Vide paragraph 164 of the Report.)

Copy of the Report of Sri N. Raghavendra Rao regarding revision of ground rent.

This report deals with the proposal to reduce high rates of ground rent which are prevailing in certain towns of this Province including Madras City. A statement showing the rates of ground rent charged in the different towns in the Province except Madras City is appended. It shows that the rates vary widely from place to place. The reports of the Collectors called for in this connexion show that even in the same town, the ground rents vary from plot to plot. The existence of so many different rates is due to the divergent orders on the subject which were in force at the time of the grant of the respective sites. The main principles underlying the levy of ground rent and the orders on the subject passed from time to time are referred to briefly below:—

There was at first no uniformity in the practice of levying ground rents on town sites belonging to the Government in the several Provinces. So far as the Province of Madras was concerned the practice before 1895 was to charge a uniform rate of Rs. 10 per acre in all towns and a rate of Rs. 20 per acre in towns where sites were exceptionally valuable, e.g., in Tuticorin and Cocanada. In their Proceedings No. 21-223-12, dated 7th October 1895, the Government of India laid down the principles to be followed thereafter. The salient points of their orders are extracted below:—

" The objects which these principles should secure are three-fold; first, that the grantees should in all cases acquire such security of tenure as to afford a sufficient inducement for the expenditure of capital in building and improvement; secondly, that the source of revenue should in no case be permanently alienated, but that a rent should in all cases be fixed, subject to periodical revision; and thirdly, that the amount of rent to be taken at each revision should be subject to such limitations as may be necessary to secure the grantee in his property.

" The Government of India leave it to Local Governments and Administrations to decide whether sites should be sold, or leased, or granted on a permanent occupancy right. But if they are leased, the lease should not ordinarily be for a shorter period than thirty years, and should in all cases provide for renewals up to a minimum period of ninety years, if not in perpetuity.

" Ground rent should in all cases be fixed. It should not ordinarily exceed 33 per cent of the letting value of the site, or be less than the highest rate at which land revenue is assessed on lands in the neighbourhood. It should be subject to revision not less frequently or, if the grant is in perpetuity, at intervals not longer, than thirty years; and at each revision the above limitations should apply."

The reference to a maximum of 33 per cent of the letting value in the above proceedings gave rise to a misapprehension that it was not the intention of the Government to tax up to the full letting value. The Government of India removed this misapprehension in their letter to the Government of Bombay No. 1504, dated 7th July 1897, stating that it was not their intention that any part of the full value of such lands should be foregone, that in prescribing this maximum they had chiefly in view the ordinary case of land in small country towns for which there was no keen competition and that in towns where the conditions were different and sites were valuable, the restriction of the ground rent to one-third of the full competitive rent was either inapplicable, or if adopted, should be accompanied by provisions requiring an initial payment to be made by the grantee for the remainder of the value.

The intention of the Government of India was thus to realise the full economic ground rent on town sites which are the property of the Government, just like any other private owner of land would do. That this was the view taken is brought out clearly from the following observation of the Government of Bombay in their letter No. 9354, dated 26th November 1895 with which the Government of India agreed:

" In the case of agricultural land, it is necessary to secure to present proprietors the full fruits of their labour and desirable to leave them some share of the rent, so that they may have an inducement to make the most out of the land, but ground rents as distinct from the rent of the buildings are in no way dependent on labour, they are entirely regulated by the demand for the site, and there appears to be no reason why one man should get any site at a lower rate than others are prepared to pay. In the case of building sites there is no reason why the State should be guided by different principles, from those which regulate the action of a private landlord."

Even after the Government of India laid down the principle of charging ground rent on the basis of full letting value, the Board of Revenue in its Proceedings No. 444, dated 22nd December 1897, recommended the continuance of the then existing practice of charging a uniform rate of Rs. 10 per acre for all towns and Rs. 20 per acre in towns where sites were exceptionally valuable and pointed out that the sale of the sites by auction would ensure that the full value of the site was realised at the sale. The Government did not accept this proposal, as they considered that auction prices could not be depended on, since there would be combination in such sales. They therefore considered that the greater portion of the full letting value should be realised in the shape of ground rent in towns where there was keen demand for sites and that in small country towns one-third of the letting value might be fixed. After further correspondence, the Government ordered

(1) that the ground rent might be fixed on the basis of full letting value for each individual plot;

(2) that the rate should be one or other of a standard scale ranging from Rs. 12-8-0 to Rs. 500;

(3) that the ground rent should be fixed as high as possible in each case so as to leave the margin to be recovered in the shape of auction price as small as possible; and

(4) that no distinction might be made in fixing the ground rent as between towns where the ground rent should represent the full letting value and small country towns where one-third of that rent should be prescribed; it was thus that varying rates of ground rent differing from plot to plot came to be levied in the several towns of this Province and in Madras.

On the basis of these orders, rules for the levy of ground rent in mufassal towns were laid down in B.S.O. No. 21-12 (1920 edition). The rule is extracted below:—

The Collector should determine the rate of ground rent on each plot dealt with under these rules before it is put up to auction. The ground rent should be so fixed that the sum paid by the purchaser on account of occupancy right may be as low as possible. The rates fixed should therefore be slightly less than the full competitive rent, the balance of the full value of the site being recovered in the price obtained at auction or in private sale. Ordinarily the Collector should adopt such one of the rates given in Appendix XXIV as most nearly fulfils the condition. If no bids are made at the auction at the rate so fixed, it should be reduced unless the absence of bids is due to combination or want of publicity and the like causes. The minimum rate of ground rent should be Rs. 12-8-0 per acre. The Collector may, however, at his discretion reduce this rate wherever necessary.

At first, in Madras City, one twenty-fifths of the freehold value was adopted as the ground rent, whatever it was without reducing it to the nearest lower rate in the standard scale. As this practice resulted in difficulties regarding collection of the value of occupancy right in the case of private sales, the mufassal practice was adopted in Madras City also and the standard scale of rates was recast to suit the needs of Madras City providing for the highest rate up to Rs. 2,000 in G.O. No. 2968, Revenue, dated 21st September 1917.

These rules were in force till 1927 when the Government decided in G.O. No. 436, Revenue, dated 18th March 1927, to effect a change in the levy of ground rent in towns other than Madras city for the following reasons:—

(1) The rules were too rigid and involved elaborate and largely arbitrary calculations.

(2) The levy being made on the principle of "rack-renting", a very large amount of error crept in both at the time of grant and at the time of revision.

(3) It would not be desirable to take the whole of the unearned increment for the Government as it would hamper building activity.

(4) It was difficult to distinguish between unearned increment and increment due to the enterprise of individuals.

(5) The Government had recognized the principle that the municipal councils should get a large share of the increment in land values, which is due to the development of urban life in the towns and that the Government should collect for themselves only the assumed agricultural assessment on the land. The rules for the levy of ground rent were accordingly revised providing for the change of an assumed agricultural assessment of Rs. 6-4-0 per acre on town sites. The balance of the full value of the site was left to be collected in a lump-sum by way of market value at the time of public auction of the site. The ground rent thus fixed was made revisable at the time of the resettlement for the ryotwari assessment of the taluk. These are the rules now in force. As regards Madras City, the previous rules whereby ground rent was fixed on the basis of full competitive rent are still in force.

Now coming to the proposal of reducing the high rates of ground rents wherever they are prevalent, it is to be noted that there are two broad categories of ground rents in force in this Province:—

(1) Ground rents levied on the basis of full competitive rent under the rules in force prior to 1927.

(2) Ground rents equivalent to the assumed agricultural assessment, i.e., Rs. 6-4-0 per acre levied after 1927.

In the mufassal towns, both kinds of ground rent occur. In Madras City, ground rent is only of the first category. The second type of ground rent is a uniform one, as it is an arbitrary rate. It is only in the case of the first type, that disparity in the rates of ground rent occur, as it is fixed for each individual plot on the basis of its freehold value and as the value of each plot will necessarily vary from town to town and even in the same town, according to the locality of the site. The question now is whether in order to remove these disparities the ground-rents fixed previously on the basis of full competitive rent should be reduced to the level of Rs. 6-4-0 per acre in mufassal towns and in Madras city also. It does not seem necessary or desirable to order such reduction now, in view of the following reasons:—

(1) When ground rent was fixed under the previous rules slightly below the full competitive rent, practically nothing was left to be recovered by way of value of occupancy right. Hence in such cases, very small amounts would have been realised towards the value of occupancy right at the time of sale. The following example will illustrate the point:—

The freehold value of a site of one acre is estimated at Rs. 3,000. One-twenty-fifth of this is 120. The rate in the standard scale next below this is Rs. 100. The ground rent is therefore fixed at Rs. 100. The value of the occupancy right is calculated as 25 times the difference between the full competitive rents (Rs. 120) and the ground rent (Rs. 100) that is at Rs. 500. With this as upset price and subject to a ground rent of Rs. 100, the land is put to sale. If the freehold value has been calculated with ideal accuracy, the auction sale will not fetch more than Rs. 500 for the occupancy right as the purchaser has to pay a large ground rent of Rs. 100. Usually, however, the value of occupancy right obtained at the auction will be higher owing to competition. Still it will not greatly exceed a sum of Rs. 500. If the same site were sold subject to a ground rent of Rs. 6-4-0 per acre, practically the whole amount of the freehold value, that is, Rs. 3,000 would be realised in the sale. Therefore, the persons now paying high rates of ground rent have no reason to grumble inasmuch as they would have paid only very low sums for the value of the occupancy right. If the rates are reduced to the level of Rs. 6-4-0 per acre, it would be unfair to those who purchased Government sites after 1927 paying almost the whole of the market value though they had to pay a ground rent of only Rs. 6-4-0 per acre.

(2) The reduction of the higher rates of ground rent to the level of agricultural assessments would result in loss of revenue to Government.

(3) The intention of the Government in ordering ground rent to be limited to Rs. 6-4-0 per acre was that the unearned increment in land values should be left as a source of taxation for the municipalities. The Government Revenue Department Memo. No. 1926-F/37-6, dated

9th February 1938, the Government observed that the result of the above orders was only a surrender of possible public revenue, since the municipalities had made no use of the field left open to them and did not show any sign of developing it in future also. Consequently, the unearned increments in land value have accrued only to the private purchasers of Government land and this is against the policy enunciated by the Government of India in 1897 quoted above.

(4) In their Memo. No. 1679-F/46-6, dated 14th November 1946, the Government asked the Board to report on the desirability of extending the Madras City scales of ground rent to the mufassal towns also, that is, to revert to the practice obtaining before 1927. The Board has recommended the adoption of the Madras City rules to municipal towns including class III municipalities.

Incidentally, I may point out that ground rent as such is charged only in a limited number of cases and that the whole question of taxation of lands put to non-agricultural use should be reviewed with the object of making all such lands bear their due share of the tax burden. As things stand at present, ground rents are levied only on Government sites granted to private individuals. Town-sites which have been under occupation from a long time are not subject to any taxation at all. Such lands are those which were building sites even before the advent of the British rule and which therefore continued to enjoy freedom from assessment, as there was no practice of assessing building sites even in towns under the previous administrations. In growing towns, lands at the outskirts have gradually been converted from agricultural use to non-agricultural use, chiefly as building sites. Such sites are still paying only the land revenue assessment or favourable assessment such as quit-rent if they are inam lands, though their capital value as well as rental value have largely risen. The figures given below will bring out clearly the fact that the extent of such lands paying no revenue or a disproportionately small tax, is considerable:—

Mufassal towns.

	ACS.	CENTS.
(a) Extent of sites not paying any assessment		
(b) Extent of sites paying ground rent	35 190	77
(c) Amount of ground rent collected on extent in item (b). ..	6,202	45
	Rs. 1,03,357	
(d) Extent of sites paying the settlement assessments.	17,551	46
(e) Amount of assessment collected on extent ..	Rs. 49,949	

City of Madras.

(a) Extent of lands paying no revenue	2,480	10
(b) Extent of lands paying fixed quit-rents ..	7,810	58
(c) Amount of quit-rent	Rs. 71,037	
(d) Extent of lands paying revisable ground rent ..	476	26
(e) Amount of ground rent	Rs. 78,651	

These figures show that whereas one set of lands is being subjected to very heavy taxation to the extent of full competitive rental, another set of lands escapes taxation together simply because they happen to

be townsites from a very long time and still another set of lands is subject to a very light taxation in the shape of land revenue assessment, though the consideration on which such low assessment was fixed, namely, that the land would be put to agricultural use only, no longer exists. There is no reason why the State would not claim a share in the unearned increment in the value of such lands. In the Provinces of Bombay and Central Provinces, there is statutory provision for increasing the assessments, if lands are converted from agricultural to non-agricultural use.

The examination of this question is not within the scope of this enquiry. However, as this is closely connected with the question of ground rents, it will be desirable to arrive at a decision on this point also. In B.P. Mis. No. 1255, dated 15th September 1947, in reply to Government Revenue Department Memo. No. 1679-F/46-2, dated 14th November 1946, the Board has made certain proposals for modifying the present practice in respect of these lands also along with the proposed revision of the policy in regard to ground rents. This question may therefore be considered at the same time.

Statement showing rates of ground rent in force in the several districts.

Name of the districts.	*Rates per acre in force.*
Visakhapatnam	Report not received.
East Godavari	Rs. 12-8-0.
West Godavari	Rs. 12-8-0.
Krishna	Rs. 6-4-0, 12-8-0, 15-10-0, 18-12-0, 25-0-0, 31-4-0, 43-12-0, 50-0-0, 81-4-0, 87-8-0, 93-12-0, 43-12-0, 50-0-0, 81-4-0, 850-0-0, 43-12-0, 16-10-8, 106-4-0, 131-4-0, 850-0-0, 43-12-0, 16-10-8,

Guntur	Rs. 6-4-0, 12-8-0, 13-4-0, 37-8-0, 75-0-0, 100-0-0. 275-0-0, 287-8-0, 567-2-0. 775-0-0, 400-0-0, 175-0-0. 1,500-0-0, 230, 225, 375, 325, 125, 128, 575, 321, 837-11-0, 50, 321, 571, 128, 125, 325, 375, 225, 230, 1,500, 175, 400, 850-6-0, 29, 18-12-0, 350, 373-9-0, 1-8-0.
Nellore	Report not received.
Anantapur	Rs. 6-4-0, 12-8-0.
Bellary	Rs. 6-4-0, 11-14-0.
Cuddapah	Rs. 6-4-0.
Kurnool	Rs. 6-4-0.
Chittoor	Rs. 6-4-0.

Name of the districts.	*Rates per acre in force.*
Chingleput	Rs. 6-4-0, 9-1-2, 6-10-10, 11-5-6, 11-15-6, 13-9-9, 20-6-8.
North Arcot	Report not received.
South Arcot	Rs. 6-4-0, 12-8-0, in Cuddalore taluk. Rs. 12-3-0 to Rs. 237-8-0 in Cuddalore taluk. Rs. 6-4-0 to Rs. 850 in Chidambaram taluk.
Salem	Rs. 6-4-0. Rs. 100 in Mettur town.
Tiruchirappalli	Rs. 12-8-0.
Tanjore	Rs. 6-4-0.
Ramanathapuram ..	Rs. 6-4-0.
Tirunelveli..	Report not received.
Madurai	Rs. 6-4-0, 12-8-0, 10-0-0, 18-12-0, 20-0-0, 21-14-0, 68-12-0, 69, 75, 81-4-0, 87-8-0, 100, 112-8-0, 118-12-0, 125, 143-12-0, 150, 23, 25, 31-4-0, 37-8-0, 43-12-0, 50, 56-4-0, 62-8-0, 162-8-0, 168-12-0, 175, 200, 206-4-0, 214-5-0, 231-4-0, 300, 312-8-0, 318-12-0, 350, 397-8-0, 426.
Coimbatore	Report not received.
The Nilgiris	Rs. 6-4-0, 12-8-0, 18-12-0, 25, 37-8-0, 50, 75, 100, 125, 150, 500, 17-8-0, 10, 375.
Malabar	No ground rent is levied in this district as the practice was abolished in the last resettlement.
South Kanara	Rs. 3-2-0, 11-4-0, 14-6-0, 17, 17-8-0, 23-12-0, 25, 30, 42-8-0, 55, 80, 105, 130, 155, 180, 205, 230, 305.

APPENDIX IX.

(Vide paragraph 265 of the Report.)

Copy of the memorial submitted to the Government by the Wynaad Ryots' Association, Kalpatta, Malabar.

The said association is representative of the entire indigenous agricultural population of Wynaad. Wynaad is the most backward of all the taluks in Malabar. The grievances of the ryots of Wynaad are peculiar to themselves and are not shared by the ryots in the other taluks of the district of Malabar.

1. *The Dharkast rules.*—The Dharkast rules now in force are working great hardship on cultivators. Previously the cultivators had not to pay anything for getting Government janmam lands assigned. The practice was to levy a janmabhogam of 8 annas per acre of the land assigned over and above the usual assessment. This procedure underwent a change and Government lands were assigned on payment of a flat rate of about 5 rupees per acre as nominal value, the exact value being fixed by the local Revenue authorities. In this case also, the janmabhogam of 8 annas per acre was levied. Plots for which there were more than one applicant were auctioned and assigned to the highest bidder. Under the present rules, the cultivator has to pay towards the value of land alone, a sum of Rs. 5 to Rs. 25 per acre. Besides the standing trees are separately valued according to the schedule rates, which bears more often no relationship to the prevailing market rates for timber and the value thus levied has to be paid by the cultivator before assignment is effected. The janmabhogam of 8 annas per acre is also added to the usual rate of assessment. The total amount payable by the cultivator including land and tree value totals about Rs. 100 per acre if the plot in question happens to be a fairly wooded area. The memorialists beg to submit that neither trees nor lands in our taluk have any appreciable market value. Timber like rosewood and similar varieties do fetch a fair price, if they are of good girth, size and without any defects. Such timber is very rarely found in any of the undeveloped areas. If timber of such marketable variety is found at all the cultivators taking assignments of the lands will have no objection to the authorities selling the same and realising the maximum price. The price that the cultivators, have under the present rules to pay for assignment of Government lands has no comparison to the actual price of lands obtaining in Wynaad. Almost in any part of Wynaad private janmam forest lands, not inferior in point of fertility and jungle growth, can be purchased on payment of an exclusive janmam value of not more than ten rupees per acre. That the levy under the present rules is iniquitous will be borne out by the fact that a plot of land measuring ten acres in a certain survey number was assigned according to the then existing rules at a flat rate of rupees ten per acre including the land and tree value seven or eight years back while an adjacent co-extensive plot measuring about twelve acres, no more densely wooded, and no more fertile than the former plot has been valued under the existing rules at something more than eight hundred rupees, i.e., a flat rate of Rs. 75 per acre. Standing timber in Government lands are valued according to

schedule rates, which themselves are higher than the rates prevailing in the local market. It is a well-known fact that in Wynaad all kinds of timber except perhaps teak and rosewood can be got for a nominal value of Re. 1 per tree, however big it may be. The iniquity is all the greater when it is understood that trees standing on Government lands taken on dharkast have to be cut and removed for the purpose of bringing the land under cultivation or used as stands for growing pepper vines and as such the lessees do not get any value at all for the trees standing in the lands taken on dharkast. Any number of instances could be multiplied. An enquiry in the taluka will reveal the extent of iniquity inflicted on the Wynaad ryots by the existing rules. The memorialists beg leave to point out that a reversion to the previous procedure in the matter of assignment will be in the interests of the ryots and the Government alike, as the ryots will be rid of an iniquitous and unjust levy and will go in for assignment of more and more Government lands which will result in enhancing the total revenue from the taluk. As it is, few apply for dharkast lands because of the heavy price of trees charged by the Government. The memorialists pray that the existing rules may, under the circumstances, be at least brought into conformity with the conditions obtaining in Wynaad with reference to private janmam lands.

2. *Remission for uncultivated and uneconomic holdings.*—Cultivators were used to be given remission of land revenue for permanently assessed lands not cultivated for want of labour, capital, etc. They had only to intimate the fact to the Revenue authorities who on being satisfied that the land is really lying fallow readily used to remit the assessment. Dry areas where plantations had failed and hence been abandoned were also given the benefit of remission. New clearings opened up for planting coffee, pepper, etc., were exempt from any levy of assessment for the first five years, because such new plantations took more than five years to begin to yield and give any return. All these privileges have been taken away by the last resettlement orders. Vast areas of wet land which were brought under permanent assessment during the last resettlement, because they were then under cultivation, are now lying fallow. Many acres of dry lands which were registered as developed janmam lands and assessed accordingly have since decayed and become uneconomic and been abandoned by the holders. The owners of such lands have either to relinquish their rights over the plots under reference or to continue paying up the assessment year after year. Many a landholder has been obliged to relinquish his rights over such lands and surrender them to the Government as he has no chance of getting remission of assessment under the existing rules. It is prayed that the pre-resettlement rules regarding granting remission may kindly be brought into force.

3. *Cancellation of the pepper corn rate of half anna per acre.*—The third head of grievance is that in Wynaad the mere fact that a landholder has lands registered in his name compels him to pay an assessment of half an anna per acre irrespective of the fact whether such lands are cultivated or are uncultivable. This invidious distinction is confined to Wynaad alone, the poorest of all taluks in Malabar. Administrative convenience may perhaps be the reason for creating this distinction. The memorialists beg to submit that this levy which has no parallel in any other tract in Malabar is resented by all sections of landholders and pray that this levy may kindly be cancelled.

4. *Remission of land revenue during the current fasli.*—The memorialists pray that the special conditions in Wynaad may be taken into consideration in passing orders on granting remission of land revenue during the current fasli. May the memorialists beg leave to point out that growers of pepper, coffee and other dry crops have been hit hard during recent years by the heavy slump in prices which do not show any signs of recovery. A remission of 33-1/3rd per cent of the incidence of taxation on all lands, wet and dry, is the minimum need to avoid the ryots going into utter ruin. It is submitted that nothing less will alleviate to any appreciable extent the appalling burden on the ryots. The memorialists further beg leave to point out that special conditions in Wynaad demand that the benefit of remission be given equally to wet as well as dry areas.

It is also submitted that the peculiar conditions of Wynaad may be kept in view when the various matters mentioned herein are considered. Wynaad taluk is malarial and very thinly populated. Indigenous labour is not available as in other parts of the country. Wynaad is very much of a backward area from every standpoint. Literacy is very much less than in any other place. The ordinary amenities such as educational facilities, hospitals, railways, etc., are not as much available to the people of Wynaad as in other places. Cattle epidemics are very common. The lives and properties of the people, their crops and cattle are all at the mercy of wild animals like panther, elephant, wild boar and bison. The people have for their very existence to fight against malaria and such other diseases and against the ravages of wild animals and a perpetual condition of famine brought about by the peculiar conditions of the place.

It is therefore prayed that the grievances above referred to may be sympathetically considered and favourable orders as mentioned hereunder be passed at an early date:—

(a) That the Dharkast rules now in force be modified and Government lands be granted as of old, viz., by taking a janmabhogam of 8 annas per acre per year along with the usual assessment and by levying a nominal value of not more than Rs. 5 per acre as land and tree value.

(b) That the Government be pleased to order remission of land revenue both on wet and dry lands abandoned for the time being and reassessed only when they are again brought under cultivation.

(c) That dry lands be treated revenue free for the first five years of occupation for purposes of raising plantations.

(d) That the levy of the pepper corn rate of half an anna per acre of waste land be cancelled.

(e) That the rate of land revenue for the current fasli be reduced by 33-1/3rd per cent on all developed areas, wet and dry alike.

For which act of kindness the memorialists shall as in duty bound ever remain grateful.

APPENDIX X.

FINANCIAL ASPECTS.

(Vide Chapter VIII of the Report.)

A. Result of Standardization of Assessment.

(1) RYOTWARI AREA.

1. Districts in Schedule A.

Serial number and name of the district.	Settlement enhancement to be cancelled.
	RS.
1 Visakhapatnam	92,151
2 East Godavari	3,53,433
3 West Godavari	3,76,105
4 Krishna	2,84,277
5 Bellary	1,95,435
6 Anantapur excluding Kadiri taluk	97,721
7 South Arcot	7,22,098
8 Salem (southern taluks)	1,95,937
9 Tiruchirappalli except Karur taluk	3,45,392
10 Tanjore	10,55,837
11 Madurai except Kodaikanal taluk	5,40,778
12 The Nilgiris (Gudalur taluk only)	2,631
13 Malabar	6,75,998
14 South Kanara	2,93,801
Total ..	52,31,594

(The above statement is taken from Appendix III to Marjoribanks Committee's Report—page 11 of the printed G.O. No. 3412, Revenue, dated 20th December 1939.)

2. Districts in Schedule B.

1. *Chittoor*	30,339
2. *North Arcot* (portion)	1,04,495

(The above statement is taken from Appendix III to Marjoribanks Committee's Report, being half the figure adopted therein.)

3. Srikakulam and Ichchapur taluks.

[Details not available. From the settlement report for fasli 1358 (1948-49), however, let us assume current demand to be Rs. 2,00,000.]

Reduction 9-3/8 per cent or $1\frac{1}{2}$ annas in the rupee amounts to 18,750

A. Result of Standardization of Assessment—*cont.*

(1) RYOTWARI AREA—*cont.*

Serial number and name of the district.		Settlement enhancement to be cancelled.
		RS.
4. Chingleput.		
Current demand	Rs. 12,67,000	
Land revenue assessment proper at * 3/4 of that will be, say, Rs. 9,50,000 roughly.		
Enhancement at the last resettlement 15 per cent. Reduction to be applied $7\frac{1}{2}$ per cent about		71,000
(* $\frac{600}{800}$ for the State as whole ; hence 3/4.)		
5. Coimbatore.		
Current demand	Rs. 35 46,981	
Land revenue assessment proper, say	Rs. 27,00,000	
Enhancement at the last resettlement 15 per cent. Reduction to be applied $7\frac{1}{2}$ per cent about		2,03,000
6. Karur taluk in Tiruchirappalli.		
No details available.		
Assume reduction about		10,000
Total reduction for Schedule 'B' districts will therefore be about		4,37,584
Net effect of standardization.		
Districts in Schedule 'A'		52,31,594
Districts in Schedule 'B'		4,37,584
		56,69,188

Sri N. Raghavendra Rao has estimated (rupees sixty lakhs) Rs. 60,00,000 which may be accepted.

(2) ABOLITION ACT AREAS.

Total rent roll after the rent reduction operations ..	1,96,81,474
say,	1,96,80,000
Assuming the same pattern and applying the same percentage deduction as for Ryotwari, i.e., $\frac{60}{615} \times 100$ per cent or, say, 10 per cent, the result of standardization is.	19,68,000

B. Application of Sliding Scale.

(1) RYOTWARI AREAS.

(As things stand at present.)

The present index is assumed to be 850 (or above 800 and not exceeding 900). Enhancement to be applied to the standard assessment will be 2 annas in the rupee.

	RS.
From the Jamabandi Report of fasli 1358 the assessment on ryotwari holdings excluding water-rate, inams and peshkush is found to be ..	615 lakhs.
Reduction due to standardization	60 ,,

B. Application of Sliding Scale—*cont.*

(1) RYOTWARI AREAS—*cont.*

	RS.	
So the total standard land revenue assessment demand for the whole State	555	lakhs.
Enhancement due to the application of the sliding scale will be	69	„
So as things stand at present there will be a net increase in the ryotwari areas as a result of the standardization of assessment and the application of sliding scale by	+ 9	„

(2) ABOLITION ACT AREAS.

	RS.
Rent roll after the rent reduction operations ..	1,96,80,000
Effect of standardization (applying same percentage as for ryotwari)	19,68,000
Standard rent roll ..	1,77,12,000
Enhancement at two annas in the rupee of standard assessment	+ 22,14,000

		RS.	
Net increase	(+) or	22,14,000	
Decrease	(—)	19,68,000	
		2,46,000	+ 2,46,000

Extra staff.

A lump sum provision is included, say .. .. 1,00,000 non-recurring.

For the initial rewriting of registers on standardization; also another lump sum provision for this and other items of work .. .. .. 1,00,000 recurring.

C. Surcharge on larger holdings.

(Working sheet in Appendix X-D.)

RYOTWARI AREAS—SINGLE PATTAS.

1. Rs. 100 to 250 range.

		RS.
Assessment on single pattas		43,42,967
Number of pattadars	31,918	

But, we want a range of pattas of Rs. 150 to 250.

It will be assumed that half of 30,000 or 15,000 pattadars are in the range of Rs. 150 to 250.

It will also be assumed that they pay two-thirds or roughly Rs. 28,00,000.

The average holding is Rs. 180 assessment ..

C. Surcharge on larger holdings—*cont.*

RYOTWARI AREAS—SINGLE PATTAS—*cont.*

1. Rs. 100 to 250 range—cont.

RS.

The rate payable per patta will be 45 annas or Rs. 2-13-0 (vide working sheet).

The total revenue by surcharge in this range would be Rs. 2-13-0 multiplied by Rs. 15,000 or 42,200 to the nearest hundred rupees.

2. Rs. 250 to 500 range.

Number of single pattas	7,023	
Or, say	7,000	
Assessment		22,05,569
Average holding in this assessment range Rs. 315 assessment.		
Surcharge payable on the slab system will be Rs. 18-12-0 plus Rs. 2-13-0 (vide working sheet) or Rs. 21-9-0.		
Number of pattas	7,000	
Income derived by levying a surcharge on this account to the nearest hundred rupees ..		1,50,900

3. Rs. 500 to 1,000 range.

Number of pattas	2,305	
Assessment		14,22,984
Average holding of assessment Rs. 618, say ..		620
Surcharge payable in a holding of Rs. 620 would be Rs. 81-4-0 plus Rs. 5 or Rs. 86-4-0. (vide working sheet)		..
Income derived by levying a surcharge in this range.		1,98,000

4. Above Rs. 1,000 range.

Total assessment		15,94,634
Total number of pattas	1,353	..
Actually the average holding has an assessment of Rs. 1,178 on this basis, say, Rs. 1,200.		..
Surcharge payable Rs. 237-8-0 per patta		..
Income derived by levying the surcharge		3,21,300
Summarizing—		
Rs. 150—250 range		42,200
Rs. 250—500 range		1,50,900
Rs. 500—1,000 range		1,98,000
Above Rs. 1,000 range		3,21,300
Total ..		7,12,400

C. Surcharge on larger holdings—*cont.*

RYOTWARI AREAS—SINGLE PATTAS—*cont.*

Above Rs. 1,000 range—cont.

The disadvantage of this type of calculation of working on averages will be to depress the estimates unduly. The upper limit will be provided on the assumption that the rate of surcharge applies throughout the range.

Calculations are furnished below :—

Rs. 150 to Rs. 250 range.

	RS.	A.	P.
Total of assessment	28,00,000	0	0
Surcharge at Re. 0-1-6 throughout the range ..	2,62,500	0	0
Rs. 250 to 500 range.			
Total assessment, say, roughly	22,00,000	0	0
Surcharge at 3 annas in the rupee	4,12,500	0	0
Rs. 500 to 1,000 range.			
Total assessment, say, roughly	14,00,000	0	0
Surcharge at 4 annas works out to	3,50,000	0	0
Above Rs. 1,000 range.			
Total assessment, say, roughly	16,00,000	0	0
Out of which Rs. 8,00,000 may be assumed above Rs. 2,500.			
Surcharge on 8,00,000 at 6 annas	3,00,000	0	0
Surcharge on 8,00,000 at 8 annas	4,00,000	0	0

The upper limit of the land revenue surcharge will therefore be the sum of all the above figures or Rs. 17,25,000. The actuals will therefore be somewhere between Rs. 7,12,400 or, say, Rs 8,00,000 and Rs. 17,00,000. A safe estimate would therefore be Rs. 10,00,000 on this account.

So much for single pattas. Similar calculations are made below for *joint pattas.*

Rs. 100—250 range.

		RS.	A.	P.
Number of joint pattas	13,832			
Total assessment		17,72,528	0	0
Average assessment of a patta in this range is Rs. $\frac{17,72,528}{13,832}$ or Rs. 128.				
But, we want a range of Rs. 150—250.				
We will therefore assume that ½ of 13,832 or 6,500 roughly are in the range of 150—250 and that the total assessment will be 3/5ths of Rs. 17,72,528 or		11,00,000 (roughly)	0	0
Average patta in this range pays $\frac{11,00,000}{6,500}$ or Rs. 169, say, Rs. 170.				
Surcharge payable in this patta is Re. 0–1–6×20 or Rs. 1–14–0.				
Total surcharge in this range is Rs. 1–14–0×6,500.		12,187	8	0

C. Surcharge on larger holdings—*cont.*

RYOTWARI AREAS—SINGLE PATTAS—*cont.*

Rs. 250—500 range.

		RS.	A.	P.
Number of pattas	2,372			
Total assessment		6,59,705	0	0
Average assessment on a patta in this range is $\frac{6,59,705}{2,372}$ or Rs. 278 roughly.				
So, the rate for Rs. 278 is Rs. 12.				
So, the surcharge payable is Rs. 12–0–0×2,372 ..		28,464	0	0

Rs. 500—1,000 range.

		RS.	A.	P.
Number of pattas	738			
Total assessment		3,75,253	0	0
Average assessment $\frac{3,75,253}{738}$ or Rs. 508, or, say Rs. 510.				

	RS.	A.	P.
Surcharge per patta	56	4	0
	2	8	0
	58	12	0

	RS.	A.	P.
Total surcharge is (Rs. 58–12–0)×738	43,357	8	0

Above Rs. 1,000 range.

		RS.	A.	P.
Number of pattas	535			
Total assessment		2,60,637	0	0
Average assessment per patta is Rs. $\frac{2,60,637}{535}$ about Rs. 487.				
This is irreconcilable.				
So, we shall apply the lowest rate in this range, viz., for Rs. 1,000 or Rs. 181–4–0 (vide working sheet on page 37 below).				
Total surcharge is 535×181–4–0		96,968	12	0

Total for joint pattas—

	RS.	A.	P.
Rs. 150—250 range	12,187	8	0
Rs. 250—500 range	28,464	0	0
Rs. 500—1,000 range	45,357	8	0
Above Rs. 1,000 range	96,968	12	0
Total ..	1,82,956	12	0
or say	1,80,000	0	0

C. Surcharge on larger holdings—*cont.*

RYOTWARI AREAS—SINGLE PATTAS—*cont.*
Above Rs. 1,000 *range*—cont.

	RS.	A.	P.
The single patta estimate was raised from Rs. 8,00,000 to 10,00,000 on the same basis, the yield may be raised by another 25 per cent or Rs. 1,80,000 plus Rs. 45,000 or, say, Rs. 2,25,000. So:			
Surcharge on larger holdings—			
Single pattas	10,00,000	0	0
Joint pattas	2,25,000	0	0
Total ..	12,25,000	0	0
Out of a total land revenue demand of Rs. 615 lakhs, the surcharge on larger holdings is expected to yield Rs. 12·25 lakhs.			
The total rent roll demand in the Abolition Act areas is	1,96,80,000	0	0
Applying the same proportion to the Abolition Act areas, i.e., $\frac{12{\cdot}25}{615}$ the land revenue surcharge on larger holdings in the Abolition Act areas may be $\frac{12{\cdot}25}{615} \times$ Rs. 1,96,80,000.	4,00,000 roughly (4 lakhs.)	0	0
Extra staff	Nil.		
Staff provided in Appendices X-A and X-B should be adequate to deal with this also.			

D. The Working Sheet for Land Revenue Surcharge on larger holdings.

Value of patta.	Slab rate per rupee.	Slab amount.	Slab charge.	Cumulative total.	Average rate.
RS.	RS. A. P.	RS.	RS. A. P.	RS. A. P.	
Up to 150	Nil.	150	Nil.	Nil.	
„ 200	0 1 6	50	4 11 0	4 11 0	
„ 250	0 1 6	50	4 11 0	9 6 0	
„ 300	0 3 0	50	9 6 0	18 12 0	
„ 350	0 3 0	50	9 6 0	28 2 0	
„ 400	0 3 0	50	9 6 0	37 8 0	
„ 450	0 3 0	50	9 6 0	46 14 0	
„ 500	0 3 0	50	9 6 0	56 4 0	
„ 550	0 4 0	50	12 8 0	68 12 0	
„ 600	..	..	12 8 0	81 4 0	
„ 650	..	..	..	93 12 0	
„ 700	..	..	..	106 4 0	
„ 750	..	..	..	118 12 0	
„ 800	..	..	..	131 4 0	
„ 850	..	..	..	143 12 0	
„ 900	..	..	..	156 4 0	
„ 950	..	..	..	168 12 0	
„ 1,000	..	..	..	181 4 0	
„ 1,050	0 6 0	..	18 12 0	200 0 0	
„ 1,100	..	.	..	218 12 0	
„ 1,200	..	..	..	237 8 0	
„ 1,300	..	..	..	256 4 0	
„ 1,400	..	..	..	275 0 0	
„ 1,500	..	..	..	293 12 0	
„ 2.000	..	500	187 8 0	481 4 0	
„ 2,500	..	500	187 8 0	668 12 0	
„ 3,000	0 8 0	..	250 0 0	918 12 0	
„ 3,500	0 8 0	..	250 0 0	1,168 12 0	

E. Agricultural Income-Tax on Plantations.

RYOTWARI AREAS.

	RS.
Extent .. .. .. 1,70,100 acres.	
Assume assessment on an average of Rs. 1–8–0 per acre.	2,55,150
If income is assumed to be ten times the assessment it would be.	25·51 lakhs.
Assume taxable range as 3/20 exempted; ..	..
7/20 (8·9 lakhs) at 9 pies in the rupee	41,719
1/4 (6·4 lakhs) at 1 anna 9 pies in the rupee ..	70,000
1/4 (6·4 lakhs) at 3 annas in the rupee	1,20,000
Total ..	2,31,719
roughly	or 2·32 lakhs.

Assumption of ten times the assessment would be an extremely low figure. In the case of plantations we may assume the net income to be thirty times the assessment in normal times, i.e., price range of 251–499. The assumed average assessment is Rs. 1–8–0 per acre. Income at 30 times the assessment is worked out below:—

	RS.
Income at 30 times the assessment would be	76·53 lakhs.
Assume taxable range as 3/20 exempted ..	..
7/20 (26·70 lakhs) at 9 pies in the rupee ..	1,25,157
1/4 (19·20 lakhs) at 1 anna in the rupee ..	2,10,000
1/4 (19·20 lakhs) at 3 annas in the rupee ..	3,60,000
Total ..	6,95,157
roughly	or 6·95 lakhs.

On current price-levels we may assume it to be 50 times. That will give a total tax of Rs. 11,66,000 or, say, Rs. 12,00,000.

ABOLITION ACT AREAS.

No data available. In the Ryotwari areas a total Land Revenue assessment demand of Rs. 615 lakhs yields Rs. 12,00,000.

If the same pattern prevailed in the Abolition Act areas, the Agricultural Income-tax on a rent roll of Rs. 1,96,81,474 would be $\frac{12}{615} \times$ Rs. 1,96,00,000 about Rs. 3·90 lakhs.

To be on the safe side credit will be taken for about 25 per cent of the amount or Rs. 1,00,000 for plantations in these areas Rs. 1 lakh.

Staff.

	RS.
Lump-sum	50,000

F. Special charges on Commercial Crops.

RYOTWARI AREAS.

(All figures taken from Sri N. Raghavendra Rao's report.)

Sugarcane.

Extent .. . .. 143,900 acres.

It will be assumed that the distribution of sugarcane cultivation in the various assessment ranges will be as follows :—

Extent.	*Assumed average assessment.*	*Commercial crop charge per acre.*	*Total commercial crop charge only.*
ACS.	RS. A. P.	RS. A. P.	RS.
20,000	8 0 0	6 0 0	1,20,000
30,000	6 0 0	4 8 0	1,35,000
50,000	4 0 0	3 0 0	1,50,000
43,000	1 5 4	1 0 0	43,000
		Grand total ..	4,48,000
		Deduct 25 per cent free allowance ..	1,12 000
		Net commercial crop charge on sugarcane ..	3,36,000

Coconut.

Normal extent excluding Malabar and South Kanara districts. 189,790 acres.

It will be assumed that the distribution of coconut cultivation in the various assessment ranges will be as follows :—

Extent.	*Assumed average assessment.*	*Commercial crop charge per acre.*	*Total commercial crop charge. only.*
ACS.	RS. A. P.	RS. A. P.	RS.
20,000	8 0 0	5 0 0	1,00,000
30,000	6 0 0	3 12 0	1,12,500
50,000	4 0 0	2 8 0	1,25,000
90,000	1 5 4	0 13 3	75,000 (roughly)
		Grand total ..	4,12,500
		Deduct 25 per cent free allowance ..	1,03,000
		Net commercial crop charge on coconut ..	3,09,500 or 3,10,000

F. Special charges on Commercial Crops—*cont.*

RYOTWARI AREAS—*cont.*

Mangoes.

Normal extent .. .. 249,090 acres.

Take 49,090 acres for free allowance for domestic cultivation.

On the balance of 200,000 acres assume an average assessment of Rs. 2 per acre.

Commercial crop charge will be Re. 1 per acre.

Total charges	Rs. 2,00,000
Deduct 25 per cent free allowance	„ 50,000
	Rs. 1,50,000

Fruits of citrus varieties.

Extent .. .. 50,107 acres.

Take 10,107 acres free allowance for domestic cultivation.

Balance 40,000 acres.

Assume average assessment of Rs. 2 per acre.

Charge will be Re. 1–8–0 per acre.

Total charges	Rs. 60,000
Deduct 25 per cent free allowance	„ 15,000
Net income ..	Rs. 45,000

Plantains.

Extent .. .. 134,960 acres.

Distribution similar to sugarcane assumed. Tabular statement worked out below :—

Extent in acres. (1)	*Assumed average assessment.* (2)	*Commercial crop charge per acre.* (3)	*Total commercial crop charge only.* (4)
ACS.	RS. A. P.	RS. A. P.	RS.
20,000	8 0 0	4 0 0	80,000
30,000	6 0 0	3 0 0	90,000
50,000	4 0 0	2 0 0	1,00,000
34,960	1 5 4	0 10 8	24,000 (roughly)
			2,94,000
Total charges			73,500
Deduct 25 per cent free allowance ..			2,20,500
Net income			or 2·21 lakhs.

F. Special charges on Commercial Crops—*cont.*

Ryotwari areas—*cont.*

Turmeric.

Turmeric, 28,685 acres, say, 28,000 acres.

Assume average assessment, Rs. 6 per acre.

Commercial crop charge, Rs. 4–8–0 per acre.

	RS.
Total charge	1,26,000
25 per cent free allowance	31,500
Net ..	94,500

Onion.

	RS.	A.	P.
Extent	47,410 acres		
Assume an average assessment of Rs. 1–8–0 ..	71,115	0	0
Commercial crop charges, 12 annas per acre.			
Total charges	35,557	8	0
Deduct 25 per cent free allowance	8,889	6	0
Net income	26,668	2	0
	or		
	27,000	0	0

Cotton.

	RS.
Normal extent	2,022,940 acres.
Assessment at Rs. 1–8–0 per acre	30,34,410
Special charge at 6 annas in the rupee	11,37,903
	or
	11,38,000 rough
Deduct 25 per cent free allowance	2·85 lakhs.
Net income	8·53 lakhs.
	or
	8·50 lakhs.

Betel vines.

Extent	26,837 acres.

As these vines require fertile lands, an average rate of Rs. 6–10–8 per acre is assumed.

Special charge per acre then is Rs. 5.

	RS.
Total for betel vines, Rs. 5 × 26,837	1,34,185
Twenty-five per cent exemption	33,546
Net income	1,00,640
	or say
	1,00,000

F. Special charges on Commercial Crops—*cont.*

Ryotwari areas—*cont.*

Tobacco.

Normal extent	283,920 acres.
	RS.
Special charge at Rs. 10 per acre	28,39,200
	or
	28·4 lakhs roughly.
Deduct 25 per cent free allowance	7·1 lakhs.
Net income	21·3 ,,

Groundnut.

Normal extent	3,742,840 acres.
	RS.
Special charge at Rs. 1–8–0 per acre	56,14,260
	or
	56·14 lakhs roughly.
Deduct 25 per cent free allowance	14·04 lakhs.
Net income	42·10 ,,

Chicory, vineyards and pepper.

No data regarding the extent under chicory and vineyards are available; as regards pepper the extent is 101,670 acres. (According to season and crop report for fasli 1358.)

A lump sum estimate of Rs. 2,00,000 may be made.

Total charges in respect of commercial crops—

	RS.
Sugarcane	3,36,000
Coconut	3,10,000
Turmeric	94,500
Mangoes	1,50,000
Fruits of citrus variety	45,000
Plantains	2,21,000
Onions	27,000
Cotton	8,50,000
Betel vines	1,00,000
Tobacco	21,30,000
Groundnut	42,10,000
Pepper, vineyards and chicory	2,00,000
Grand total ..	86,73,500
Say	85,00,000

F. Special charges on Commercial Crops—*cont.*

ABOLITION ACT AREAS.

	RS. LAKHS.
A total land revenue assessment demand of Rs. 615 lakhs yields Rs. 85 lakhs by way of special charge on commercial crops.	
If the same pattern prevailed in the Abolition Act Areas, where the rent roll is Rs. 1,96,80,000 the charge would be $\frac{85}{615} \times$ Rs. 197 lakhs	27
To be on the safe side we shall take credit for only ..	20

Extra staff—Nil.

Staff provided under Appendix X (A and B) should be adequate.

G. Standardization of Cesses.

(1) AREAS ALREADY RYOTWARI.

	RS. LAKHS.
(a) Present assessment	614
(b) Miscellaneous revenue including water-rates in ryotwari areas	188
Total ..	802
(c) Cesses ryotwari and miscellaneous	184
(d) So, cesses on land revenue assessment only is $\frac{614}{802} \times 184$.	141
(e) Cesses on miscellaneous revenue including water-rate $= \frac{188}{802} \times 184 =$	43
(f) We assume that cesses on miscellaneous revenue will remain at present level.	
(g) In the case of cesses on land revenue assessment—	
(i) Standard assessment	555
(ii) Cesses at 25 per cent	139
(iii) Existing cess on ryotwari assessed (d) above .	141
(iv) In a number of cases cesses may now be levied at more than 4 annas in the rupee. They may have to be brought down to 4 annas in the rupee. In other cases, they may be levied at less than 4 annas in the rupee, and they cannot be enhanced. So, a safe estimate would be to put the total at	125
(v) Loss of cess income on ryotwari assessment would be (Rs. 141 — 125) or	16

G. Standardization of Cesses—*cont.*

(2) ABOLITION ACT AREAS.

	RS. LAKHS.
(a) Cesses in estates	50
(b) Cesses in whole inam villages	13
(c) Total	63
(d) Standardized interim assessment	177
(e) Cess at 25 per cent	44
(f) In some cases cesses may be levied at more than 4 annas in the rupee. They would have to be brought down to 4 annas in the rupee. In other cases where it is less than 4 annas in the rupee it will have to remain so.	
So, we may put the net at	40
(g) Loss in cess income in old estate areas, etc. ..	23
(h) There will be no loss on cesses levied on miscellaneous revenue—Vide (1) (f) above.	
(j) So, the total loss in cesses in Ryotwari and Abolition Act areas would be Rs. 16 lakhs (1) (g) (v) above + Rs. 23 lakhs (2) (g) above	39
or, say	40

H. Levy of full assessment on Inams.

RYOTWARI AREAS.

	RS.
Existing revenue	25,00,000
Additional revenue estimated (no reliable data available).	75,00,000
Total ..	1,00,00,000

Loss on account of the standardization at approximately 10 per cent.	10 lakhs.
Net	90 „
Surcharge at the present time price level	11 lakhs roughly.
Net	101 lakhs.
or say ..	100 „

Compensation that may have to be paid might be of the order of about Rs. 10 crores, *if compensation has to be paid at all.*

ABOLITION ACT AREAS.

Section 17 of the Madras Act XXVI of 1948 applies. As no data are available no estimates are made.

H. Levy of full assessment on Inams—*cont.*

ABOLITION ACT AREAS—*cont.*

Extra staff.

The operation may cost about Rs. 10 lakhs by way of staff for the initial operation.

J. Result of standardization of water-rates and application of sliding scale.

(1) RYOTWARI AREAS.

The revenue under water-rates including water-rates on zamin and shrotriyam lands is about 110 lakhs (figure taken from the jamabandi report for fasli 1358). The recommendation of the Committee is that fixed water-rate system should be introduced also in areas where differential water-rates are in force. Differential water-rates are in force only in some districts (Visakhapatnam, East Godavari, Kurnool, Anantapur, Cuddapah, Chingleput, Chittoor, Coimbatore and Tiruchirappalli). The amount of variation if fixed water-rate is introduced in the areas where differential water-rate system is in force is not known. Certain estimates were obtained by the Government in the Revenue Department in 1942. These estimates showed by comparison that with the concessional water-rates now in force the introduction of the differential water-rate system throughout the State would result in an increase of revenue by about 6,000 (with the ultimate rates there would be a loss of revenue by about 26·61 lakhs). Hence the total water-rate assuming the levy of fixed water-rates throughout the State and the existing concessional water-rates may be taken as Rs. 110 lakhs only.

Out of the total amount of Rs. 110 lakhs, 40 lakhs may be assumed to be the amount collected under project rates and the balance of Rs. 70 lakhs under standard scales. The sliding scale will now apply to the project rates. The surcharge with reference to the price level of 850 will be two annas in the rupee. Therefore, the additional revenue under the project rates may be estimated at 40 lakhs × 1/8 or 5 lakhs. (The revenue under the standard scales, i.e., 70 lakhs when correlated to the standard assessment will work out to Rs. 70 × 8/9, i.e., about 62 lakhs: or, a loss of Rs. 8 lakhs.)

(2) ABOLITION ACT AREAS.

Total water-rate payable in respect of estate sources ..	No data available.
	RS. LAKHS.
If same pattern as in ryotwari area prevailed we may assume	40
Assuming that the rates are equated to current price-levels ultimate reduction will be	4·4

No reliable data as to what rates the Special Settlement Officers will adopt in these cases.

Staff.

Staff provided for under Appendices X-A and X-B should be adequate.

K. Result of Liberalizing Remissions generally and Baling Remissions also in particular.

RYOTWARI AREAS.

The amounts of seasonal remission and total remission granted during each of the faslis 1350 to 1359 are given below :—

Fasli.	Seasonal remission.	Total remission.
(1)	(2)	(3)
	RS. LAKHS.	RS. LAKHS.
1350	15·99	90·33
1351	27·99	99·79
1352	51·76	125·02
1353	6·20	19·60
1354	4·58	17·96
1355	59·47	71·33
1356	7·19	18·93
1357	67·20	81·23
1358	66·99	81·60
1359	56·02	..

(Figures taken from jamabandi reports.)

	RS. LAKHS.
The amount of seasonal remission will generally depend on the monsoon and as will be seen the amount has varied from	5
In fasli 1354 to nearly	70
In fasli 1357	..
The average for the last 10 years works out to about	36
On account of liberalisation of the remission rules it may be assumed that the amount involved in any year will be increased by about 25 per cent of the amount that will otherwise be remitted and so, on an average about Rs. 9 lakhs may be taken as additional remission	9
The reduction on account of granting baling remission at 50 per cent instead of 25 per cent is estimated at	50,000
A liberal estimate may perhaps be put at ..	1
Hence the extra amount on account of liberalizing remission rules including baling remission on an average estimate will be about.	10
We may say to be on the safe side	15

ABOLITION ACT AREAS.

One-third of above may be added, i.e. .. .. + 5

Extra staff—Nil.

L. Levy on lands used for non-agricultural purposes.

(1) RYOTWARI AREAS.

	RS.
The revenue under quit rent and ground rent for fasli 1358 is	3·47 lakhs.
(Figure taken from Jamabandi Report for fasli 1358)	
In the Madras City—	
The amount of quit rent is	71,037
And the amount of ground rent is	78,651
The total revenue under quit rent and ground rent for Madras City is	1,49,688
The extent on which the ground rent is collected in the Madras City is	476·26 acres.
The average ground rent for Madras City is ..	$\frac{78,651}{476{\cdot}26}$ = 165 per acre.
The extent of lands in Madras City—	
(1) paying no revenue	2,480·10 acres.
(2) paying fixed quit rent	7,810·58 "
(3) paying revisable ground rent	473·26 "
Therefore the total extent on which ground rent can be levied	10,766 or nearly 11,000 acres.
Applying the levy of the average ground rent of Rs. 165 per acre to the extent of 11,000 acres the revenue will be	18,15,000
Deducting the quit rent and ground rent revenue of Madras, i.e., Rs. 1,49,688 from the total revenue of Rs. 3·47 lakhs, the revenue derived from the areas other than Madras City	1,97,312 or 1,97,000
Applying the ratio of the revenue in the Madras City to the other areas the revenue from the other areas, will be .. .. Rs. $\frac{18,15,000}{1,50,000}$ × 1,97,000	= 23,83,700 or 23,84,000
50 percent of the amount is	11,92,000
As land values in the mufassal will be lower, roughly about half, we shall assume the extra income to be	5,50,000

L. Levy on lands used for non-agricultural purposes—*cont.*

(1) RYOTWARI AREAS—*cont.*

	RS.
Therefore total revenue applying the Madras ground rent principle	5,50,000 plus 18,15,000 = 23,65,000 or roughly 23,50,000
The existing revenue is	3·5 lakhs.
Therefore the additional revenue will be	20 lakhs.

It is assumed that ground rent collected from places other than municipalities is not appreciable. However, a lump sum provision of 10,000 extra may be taken credit for.

Data for calculation of ground rent on free-hold lands and for payment of compensation in such cases are not available.

Additional revenue is likely to accrue from agricultural lands used for non-agricultural purposes and from 99 years' leases and other leases after expiry—Lump sum credit may be taken, say .. 5 lakhs.

Staff.

Some allowance should be made for employment of staff for levy and revision of ground rents. A lump sum provision may be included, say .. 2,00,000

(2) ABOLITION ACT AREAS.

No data available.
Extra revenue may be put at .. .. .. 5 lakhs.

M. Result of the revision in the rates of assessments proposed on plantations.

RYOTWARI AREAS.

Particulars noted below showing the total extent under each of the crops with details regarding the extents covered by the varying rates and the taram rates fixed at resettlement :—

Name of crop. (1)	*Extent covered by varying rates.* (2)	*Extent covered by taram rates.* (3)	*Total.* (4)
	ACS.	ACS.	ACS.
Coffee	46,149	15,825	61,974
Tea	66,883	14,158	81,041
Rubber	1,441	16,379	17,820
Cardamom	4,159	2,063	6,222
Wattle	1,350	Nil	1,350
Cinchona	1,695	Nil	1,695

M. Result of the revision in the rates of assessments proposed on plantations—*cont.*

RYOTWARI AREAS—*cont.*

Average taram rates on dry lands is about Rs. 1–8–0 per acre.

The assessment on coffee, tea, rubber and cardamom at the above rate under the extent covered by taram rates is worked out below:—

Name of crop. (1)	Total assessment under taram rates. (2)
	RS.
Coffee	23,738
Tea	21,237
Rubber	24,568
Cardamom	3,094
Total ..	72,637

The total assessment of Rs. 72,637 under taram assessment will remain unaffected except for changes due to the operation of the sliding scale.

As regards the extent covered by the varying rates the recommendation of the Land Revenue Reforms Committee is that the flat rate of Rs. 1-8-0 per acre should be levied in substitution of the existing varying rates. The effect of this proposal is analysed below :—

Name of crop.	*Extent covered by varying rates.*	*Present assessment.*	*Assessment at the rate of Rs. 1–8–0 per acre.*	*Increase or decrease in revenue.*
	ACS.	RS.	RS.	RS.
Coffee	43,149	94 491	69,224	25267
Tea	66,883	1,53,479	1,00,324	53,155
Rubber	1,441	3,593	2,161	1,435
Cardamom	4,159	12,240	6,239	6,001 } decrease.
		2,63,806	1,77 948	85,858

The financial effect of the special levy in addition to assessment is noted below :—

Name of crop. (1)	*Extent.* (2)	*Special levy at (rate).* (3)	*Revenue.* (4)
	ACS.	RS.	RS.
Coffee	61,974	3	1,85,922
Tea	81,041	3	2,43,123
Rubber	17,820	1	17,820
Cardamom	6,222	3	18,668
		Total	4,65,531

It will be seen that on account of this special levy there will be an additional revenue of Rs. 4,65,531 to the State.

We may assume this to be 5,00,000

M. Result of the revision in the rates of assessments proposed on plantations—*cont.*

RS.

ABOLITION ACT AREAS.

On same assumption as in Appendix X-A *ante* regarding the pattern, the revenue will be about 1/3 × 4·65. — 1·5 lakhs.

To be on the safe side credit is taken for only .. — 0·40 lakh.

N. Cancellation of the extra charge of Re. 1 per acre in certain coastal villages in South Kanara.

(There are no estates in South Kanara.)

This extra charge is levied on wet lands in 115 villages. The amount involved in the extra charge is not known.

If we take an average of 150 acres to be the extent of wet lands in each village, the amount involved will be .. .. — 150×115 = 17,250

If we take an average of 250 acres of wet lands per village, the estimate would be .. .. .. — 25,000

(The higher figure is adopted.)

P. Extra cost of establishment entailed by the recommendations in the first report.

RS.

(1) Restoration of the 31 Revenue Divisional Officers to the position as previously before implementation of the separation of the Judiciary from the executive .. .. .. — 2,22,576·6

(2) *Inspecting staff.*—It may be assumed that two Deputy Tahsildars will be appointed in each district as Inspecting staff for the enforcement of Minimum Wages. The cost will be — 50×220·6 ×12= 1,32,360

(3) Assuming one lower division clerk and two peons will be appointed under each Deputy Tahsildar, the cost will be .. .. .. — 1,03,340

(4) The cost of appointing two lower division clerks and three peons under each of the 31 Revenue Divisional Officers restored will be .. — 1,20,[illegible]

Therefore, the total cost will be .. — 5,78,267 or roughly 6 lakhs.