

Edu. J. H. (1949.) Department

Ms. SERIES.

G.O. NO. 1627 (Edu.)

Dated 18.5.1949.

[Despatch Abstract.]

Tax - Education - Dr. Bd., Chingleput - Enhancement
of rate - Papers recorded.

Back Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

O. C. Alagesan,
MEMBER, CONSTITUENT ASSEMBLY.

MINISTER FOR FINANCE
11 JUN 48

R34785C

15/6/48 Chingleput; 21-5-1948.

To

The Hon. Member,
Government of Madras
MADRAS

H. M. Finance may see and is requested to verify whether it is true. C.P.R. 11/6 (N)

Sir,

Sub:- REVENUE DEPARTMENT of Education and Road Cess

Education and Road cess and are being -
collected now from those who pay land Revenue.
In my district (Chingleput District) we are now
paying Re.0-2-3 as Education cess and Re.0-2-0
as Road cess for every rupee of land-tax. For
every rupee Re.0-4-3 cess has to be paid. This
cess amount went on increasing gradually from
10 pies or one anna and has now reached Re.0-4-3
The other day the Hon. Minister for Education
was reported to have said that Education cess
alone in Salem District comes to Re.0-3-1. -
Whenever government need money for expansion of
education and development of roads they simply
increase the cess and the poor agriculturists
have to pay through their noses though the
majority of their children do not enjoy the
benefits flowing from the cess. This may -
sound paradoxical but it is true.

-2-

As far as I am aware no cess is being collected from those who pay other taxes as House-tax, Profession-tax, Sales-tax etc. Then why is it that those who pay land tax alone should pay this ever increasing and never ending cess? What is the rationale behind this discrimination in favour of the richer class of tax-payers and against the poorer class of tax-payers?

I shall bring to your notice another anomaly. Even when land revenue is remitted the cess is not. This year liberal remissions were granted in our district on account of failure of crops. That is, an agriculturist might have got a remission of Rs.100/- but he cannot escape payment of cess for the amount remitted which will ^{come} to Rs.26-9-0. You can imagine what a hardship this will cause to poor ryots who have lost all their crops.

You are an agriculturist and a leading agriculturist at that. You know and realise

O. V. Alagasan,
MEMBER, CONSTITUENT ASSEMBLY.

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their difficulties. Why should this cess be collected from agriculturists alone? Why can't the Government meet from the general revenues the entire expenditure on Education and Roads? I fervently hope that under your Government this age-long injustice will be removed. I appeal to you to abolish the cess altogether or to set an upper limit on it, say, one anna for a rupee or make it payable by all tax-payers on a uniform basis.

O. V. Alagasan.
21.5.48.

Secretary, Revenue.

Please get this examined early.

B. G. G.
11.6/48.

SECRETARY TO GOVERNMENT
17 JUN 1948
24287
LOCAL ASSEMBLY
LA / E H H W
16.6.48
Rev. No. 34785448-1
16.6.48

Sub: Land and Education Cesses - Levy.

Letter from Sri O.V. Alagesan, Member Constituent Assembly
Chingleput dated 21-5-48.

(Extract of minutes of H.Pr. and H.M. (Fin) on pages 1 and 3
c.f.)

H.M. Finance may see and is requested to verify
whether it is true.

(Sd) O.P. R(amaswami Reddiar)
11-6-48

Secretary, Revenue.

Please get this examined early.

(Sd) B.G(opala) R(eddi)
11.6.48

Revenue Dept.

L.A./E & P.H. u.o.

V.S.
16-6-48

Land cess is levied under the Madras Local Boards
Act, 1920 and Education cess is levied under the Madras
Elementary Education Act, 1920 as a surcharge on land cess.

2. Under the Madras Local Board Act, 1920 before it
was amended by ~~Madras Act 1930~~ Madras Act XI of 1930, the
rate of land cess was as follows:-

(1) Obligatory land cess - One anna shared equally by
dt. bds. and taluk boards (since abolished)

(2) Optional land cess - 3 pies for dt. bd. purposes
and 3 pies for taluk board purposes.

By Madras Act XI of 1930, the panchayat boards were brought
within the ambit of the Madras Local Boards Act and the
rate of land cess was compulsorily increased to one anna
six pies in all districts in the Province and the distributio
was as follows:-

(1) Six pies - For district boards

(2) Six pies - For taluk boards

(3) three pies - For Panchayat boards where there were
panchayats and taluk boards for
non panchayat areas

(4) three pies - For Village Development Fund

Madras Act II of 1934 abolished the Taluk Boards and the Village Development Fund and the distribution was as follows

(1) One anna - For district boards

(2) Six pies - For panchayat boards where there were panchayats and to district boards where there were no panchayats. ~~in panchayat areas and 2 annas in non-panchayat areas~~

The rate of $1\frac{1}{2}$ annas has been increased with effect from 1-7-45 by Act X of 1945 to two annas with a view to augmenting the resources of district boards and the district boards are getting $1\frac{1}{2}$ annas in panchayat areas and 2 annas in non-panchayat areas and the panchayats 6 pies.

The rate is 2 annas throughout the Province and there is no scope for the reduction of this rate.

3. The file may be passed on to E & P.H. Dept.

E & P.H. will note on Education cess.

Education tax is levied as a surcharge not only

on land revenue but also on property tax and profession tax in municipalities. In recent years, the expenditure of local bodies on Elementary Education has increased enormously owing to revision of pay of teachers and grant of dearness allowance to them. Land cess is the main source of revenue to district boards. Naturally, the increase in expenditure of district boards on Elementary Education had to be met by increase in the rate of Education Cess.

In recent years, the following steps other than increase in the rates of land and education cesses have been taken by Government to improve the financial resources of local boards and municipal councils:-

(1) The rates of entertainments tax have been increased and the proceeds (after deducting 10% for collection charges) have been assigned to local bodies. The gross total annual revenue from this source is Rs 97 lakhs.

(2) A surcharge has been levied on stamp duty on transfers of immovable property at 4% of the value of the properties transferred. This brings in a revenue of Rs 117 lakhs per annum to local boards and mufassal municipalities.

- Vide G.O.
895 LA (V)
7.5.46

(3) Government have taken power to raise the rate of property tax in municipalities compulsorily. In exercise of this power, Government have increased the rate of the tax in several municipalities during the past three years.

(4) Local bodies have been made to increase the rates of licence fees, market fees and ferry rents.

In spite of all these measures, the finances of most local bodies are still unsatisfactory owing to revision of pay of staff, and grant of dearness allowance to them and the increase in the cost of services all round ^{due to} rise in prices.

The sources of revenue assigned to local bodies are insufficient and inelastic.

H.Pr. has ordered in another case that the property and Education taxes on agricultural lands in municipalities should be limited to a maximum of $33\frac{1}{3}\%$ of land revenue. This maximum is reasonable.

In non-municipal areas, the rate of land cess is two annas in the rupee and the rate of Education cess varies from district to district. It is no doubt reasonable and necessary to put a maximum limit to the rate of education cess. This maximum limit for Education cess in non-municipal areas may be two annas in the rupee of land revenue (in addition to land cess at two annas).

Any deficit which district boards may have in their Elementary Education Accounts after levying the Education cess upto the maximum rate specified above should be made good by grants from Government. These grants may come out of the proceeds of the general sales tax, the rates of which may be increased to the extent necessary.

E & P.H., Revenue and Finance may see for remarks

before circulation.



and after appropriating whatever surplus is available in their general funds

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29/6/48
E.P.H. / Rev. / Fin.

Education tax is levied by Dt. Bds. at a surcharge on land cess. Before 1941, the Act ^{authorised} ~~was~~ ^{the} levy of the tax ~~was~~ subject to a maximum of 25% of the land cess. Under the Act the Govt. were under an obligation to pay a contribution to local bodies equivalent to the process of education tax realised by them. In 1944, the Act was amended withdrawing the liability of Govt. in respect of contribution for taxation ordered. After the amendment Act came into force, ~~the~~ ^{the} maximum limits prescribed for levy of education tax ~~was~~ ^{we} also removed, leaving it to Govt. ~~to~~ ^{to} determine the rate with reference to local ^{need &} conditions. The resources of local bodies ^{mainly} under the Elementary education Fund comprise the following.

1. Income from the education tax.
2. Government subsidies.
3. Contribution from general funds.

The Govt. subsidies are more or less lump sums not liable to increase. The contribution from general funds is also ^a fixed figure. The only scope for improving the resources ^{for} the elementary education funds is by raising the ^{rate of} education tax. The ~~Government~~ Govt. had to raise the rate of education tax for enabling the local bodies to introduce the ^{revised} ~~revised~~ scales of pay sanctioned in 24. The tax was also raised to provide funds for the grant of D.A. to teachers in 1944. Last year ^{also} the Education tax was ~~also~~ raised to provide funds for the introduction of revised scales. Thus the education tax had to be raised on each occasion with a view to improve the ~~resources~~ resources of the Elementary Education Fund. A statement containing information regarding the rate at which education tax is levied by several district boards is put up at ^(A).

It may be seen therefrom that in any ^{many} ~~case~~ ^{cases} the rate of education tax has exceeded the ^{conventional} ~~maximum~~ of 2 annas conventionally fixed by the L.A. department.

The file may be passed on to Revenue on 11/7/48

② including the contribution in respect of tax

Ans we have to certain to process is we

We would welcome the knowledge of maximum limit of 2 annas is being fixed by the L.A. department. The file may be passed on to Revenue on 11/7/48

6
The question of raising the rate of general sales
tax still further at present.
The file may be passed on to
Finance.

16/7/48

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Received in Section
on 17.7.48

MR

17/7/48

28/7/48

S

fin

To: S.S. U.S.

R.D.

Please see the letter in C.F. and

the notes at pp 1-6 above

2. As regards A on p 2 C.F., it is

submitted that under B.S. 47, (ii) suspensions
and remissions of land revenue will not ordinarily
carry with them suspensions and remission of cesses.

That standing order, however, provides that when an
instrument of the land revenue of any village is
entirely suspended or remitted, the demand on
account of cesses should be temporarily suspended
and realised with the next instrument of land
revenue that is actually collected, in order to save
the individual revenue-payers from being harassed
by petty demands in time of distress.

3. The file may be passed on to Fin

on page 3 ante. The rate of general

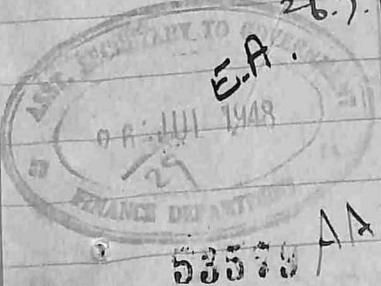
sales tax has been raised with
effect from 1-1-48 from 1 percent of
turnover to 3 paise in the rupee. It is
submitted that it is premature to consider

EPH no 48639-13/48
12/7/48



Rev no. 48082 C/18-1

26.7.48



53579 AA

PP 1-3 C.F.

Finance (Exp.-A) Deptt.

The file originated from a representation from Sri
O.V. Alagesan, Member, Constituent Assembly, on pages 1-3 C.F.
The notes on
pp. 1-6 above may be perused.

The main complaint of Sri Alagesan ^{appears to be} that education
cess is collected in the District Boards only from agri-
culturists in the form of education cess on land revenue at
a rate which varies from district to district, although the
benefit of education is ^{derived} ~~derived~~ not only by agriculturists,
but ^{also} by other classes of people. ~~also~~ E & P.H. & L.A. Deptts.
have not directly met this point, i.e., why education tax
has been made a surcharge on land cess in District Board areas.
It may be mentioned that the bulk of the population in the
jurisdiction of district boards, i.e., in rural areas, will be
agriculturists owning lands. As land cess is the main tax
in this area, the education tax was evidently levied as a
surcharge on that tax. In the case of municipal councils,
property tax is levied on all buildings in the jurisdiction
of the council and this is the bulk, if not all that ~~con-~~

pto.

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contributes to the revenues of the municipalities. Thus in municipalities, tax for education is levied as a surcharge on the property tax and profession tax, ^{while in the case of} ~~and in a similar~~ manner, it happens in district boards that ^{similar} ~~education cess~~ tax is levied on land revenue. Also taxes are levied as a surcharge on stamp duty on transfers of immovable property. This may consist of buildings also in addition to lands. Entertainment tax also is levied. It cannot therefore be said with any ^{certainty} ~~accuracy~~ that the agriculturists alone are burdened with the taxation for elementary education.

2. While examining the question, L.A. have noted that it is reasonable to fix a maximum limit for education cess in non-municipal areas, viz., at 2 annas in the rupee of land revenue, in addition to the land cess at two annas per rupee. They also suggest that any deficit which a District Board's Budget may show, after levying a fixed tax of 4 annas in all per rupee of land revenue, may be made good by the Govt. as subsidy, the amount being found by increasing the General Sales Tax. L.A. have noted that the reduction in the rate of the cess, consequent on the ^{proposed} ~~fixation~~ of the maximum rate at 2 annas per rupee, may take effect from 1-7-1949 as the current fasli has already commenced.

3. It is an admitted fact that the cost of the administration of ^{local bodies including} District Boards has considerably increased owing to an all-round increase in the cost of labour, materials, etc., and payment of d.a. to their staff. They have on hand a number of important schemes. ~~Local~~ ^{Local} bodies had therefore to increase their resources by various means. Some of the ways and means by which the Government enabled them to find additional funds are mentioned ^{in L.A. on pp. 2-3,} ~~on pp. 2-3 of the notes~~ above. Owing to the revision of scales of pay and the increased expenditure on D.A., the rates of education tax have also been revised after 1944. In order to meet increased expenditure it will be necessary to increase the resources. By fixing an upper limit of 2 annas ^{for the rate of education tax the income of the} ~~for the rate of education tax~~ District Boards will be ^{and there will be an increase in the amount of the Govt. subsidies} ~~substantially reduced~~. The necessity for a conventional limit seems to have been suggested only

(9)
with a view to relieving the burden on the agriculturists. As already stated in para.1 above, agriculturists alone are not taxed; and with ~~the~~ reference to the principle that the Government's aid should be given only when the local body cannot meet the expenditure from its own resources, the necessity for fixing an upper limit is not ~~advisable~~. If an upper limit is fixed, the Government will be committed to a very large expenditure by way of subsidies. (The additional expenditure on account of the recent enhancement of D.A. alone was estimated to exceed Rs. 17 lakhs in the current year. Moreover, Revenue have noted that it is premature to consider the question of ^{increasing} ~~increasing~~ the rate of Sales Tax. Even as it is, the Govt. are paying large subsidies to Dt. Boards. It seems that they cannot continue to give increased subsidies while their revenues also are limited. The Govt. are committed to many nation-building schemes and increased expenditure in other directions, and it is therefore essential that they should minimise their commitments. It may also be mentioned that ~~the~~ local bodies will cease to get additional income due to arrears of Toll Compensation after 1948-9, and it will be necessary for them to find additional resources to make up the loss. The present proposal of L.A. will therefore make their position worse and give rise to a very heavy demand on the Govt. for subsidies. In the circumstances, Finance may advise strongly against the suggestion of L.A. to fix 2 annas in the rupee of land revenue as the maximum rate beyond which education cess should not be levied.

'A' above: ^{It is stated that} ~~that~~ Hon. the Premier

4 A on p 3 above has ordered that the Property (Land) and Education taxes on agricultural lands in municipalities should be limited to a maximum of 33 1/3% of land revenue. Presumably, this ~~can~~ can be applied to District Boards also. This works out to 5 annas 4 pies per rupee of land revenue. The land cess is fixed at 2 annas per rupee. Education Tax may

be levied upto 3 annas 4 pies, i.e., 40 pies per rupee as proposed by the S.P. Dept. in the linked file below. It will be seen from the statement at (A) that this limit has not been reached in the case of District Boards. There is therefore scope for enhancement and the tax need not be limited to 24 pies per rupee as proposed by L.A.

With reference to the anomaly referred to at 'A' on p. 2 C.F., attention is invited to the remarks of the Rev. Deptt. on p.6 above. It will be observed therefrom that it is not ordinarily permissible to remit altogether the collection of the cesses, although it may be postponed. But as this postponement will throw a heavy burden on the agriculturists in a subsequent year and also upset the resources of the local bodies in the year concerned, it seems that the cesses alone are collected in the year in which the land revenue collection is actually suspended or remitted. Revenue may perhaps be requested to ask the Board of Revenue to issue instructions to the Collectors to the effect that the cesses ~~need not be~~ levied and collected in the year in which land revenue is remitted altogether and that they may be collected ~~with cesses~~ ^{in arrears} during the following year.

L.A. may be requested to circulate the case to H.M.(Fin.) and H.Pr. also for orders.

12/5/5
5828 LA

It is not clear on what basis the L.A. Dept. have suggested a maximum of 2 annas in the rate of land revenue in non-municipal areas for education cess.

As pointed out by the S.P. & Dept. on p.5 above, the rate of education cess now levied exceeds the 2 annas in the rate of land rev. in the case of ~~some~~ ^{some} Dist. boards.

The proposal of L.A. to limit the maximum to 2 annas would involve the reduction of ~~existing~~ ^{in the case of some Dist. boards} cesses. It

does not appear that the Dist. boards have made any complaints that the cess already levied is very heavy. The prices of agl. products are now fairly high and there seems to be no adequate indication to reduce the existing rates of ^{education} cesses or

Phase
X. See below
of
P. 8

P. 3 above

A

to fix an arbitrary maximum for the cess below even the existing rates, ~~especially~~ especially when there has been no serious complaints that the burden is heavy.

If sales tax is raised as suggested at 'A' on Page 3 above, it will ~~lead~~ ^{lead} to complaints from another quarter. The rate of tax in this province is already heavy, and further increase of the rate so soon after the recent enhancement may adversely affect trade. Further, 'grants to local bodies' are not the only source for which increased revenue are needed. The financial position will worsen with the introduction of total prohibition in the remaining Dist. in the province and it ^{may be} necessary to raise the sales tax later on in order to balance the budget.

In view of all these considerations, Finance may strongly advise against the proposal of L.A. to fix a maximum of 2 annas in the rate of land rev. for education cess.

To
by 8/48

The sales tax has recently been increased & the consequences of a further increase cannot be foreseen. In any case it is the only important source of revenue to the province which can be regarded as "elastic" and this Dept. must strongly oppose any proposal to increase it merely to benefit, either directly or indirectly, local bodies, when the indications are that the Provincial Govt. will, hereafter, have to tap every possible source of revenue to maintain a moderate level of services to the community.

Now can the Govt. with the prospect of recurring deficits in the future, accept much less initiate - any proposal which will have the direct effect of increasing the subsidies that they will be called

upon to pay to local bodies. Such will be the effect of prescribing a maximum of 2 as with reference to the rate of education cess & this would advise against the proposal.

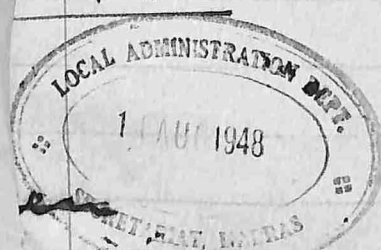
As regards X on p.10 of. it is largely a question of ways & means for the local bodies, but even assuming that Govt. can give temporary advances to local bodies to enable them to carry on there is the fact that the postponement of collection of cesses will add to the burden of agriculturists in subsequent years. I would therefore leave the matter to be decided on the merits of each case, the cesses ~~not~~ being postponed only if the distress is so great that their collection will cause great hardship to the ryots.

9.8.48. L.A.

Fin. U.O. 53579 E.A-1
9.8.48

Dept

L.A. DEPARTMENT.



A on p.10 above: A resolution is to be moved in the current session of the Legislative Assembly against the enhancement of the rate of the ~~cess~~ ^{edu cess in the Salem dt.}. It has to be pointed out that there are now no elected Dt. Boards. Collectors ~~as~~ Special Officers are now in charge of Dt. Boards.

2. At present the rate of Education cess exceeds annas two on the rupee only in 5 districts. In these districts, the rate is ^{dis-}proportionately very high compared with other districts. In recent years

vide list (A)

In recent years, the rate of Education cess has been increased wherever necessary to meet the increasing cost of Elementary Education. In rural (District Board) areas, no tax other than Education cess is levied to finance Elementary Education. H.Pr. has remarked in another case that a surcharge on taxes other than Land Revenue should be levied for financing Elementary Education etc. The late Adviser to H.E. for Finance, Sir Norman Strathie, -minuted as follows towards the close of the Section 93 regime:-

"I fear that we should have done more than we have done to give district boards additional sources of revenue - a share in Excise revenue or Sales-tax. The Ministry will have to take up the question".

It was in these circumstances, that this Department proposed a maximum of As.2/- ^{for} the rate of Education cess and in another case suggested the levy of an Education tax as a surcharge on the general Sales-tax, the proceeds from which may be pooled and distributed to Dt. Boards for wiping off deficits in their Elementary Education funds. The expenditure on Elementary Education is bound to grow enormously on account of the programme for removal of illiteracy in the next few years by the extension of Elementary education and on account of the introduction of Compulsory Elementary Education in all districts. The increasing expenditure cannot be met by a surcharge on one tax alone to the full extent. Elementary Education should be considered as a national service. Government should therefore either assign adequate sources of revenue to District Boards for running the service or grant subsidies to them. Any deficit in the elementary education funds of Dt. Boards, even after the levy of Education cess, upto a maximum limit, may be met either

(i) by subsidies from government

or

(ii) by the levy of an Education tax as a

--surcharge--

sooner or later.

X
in file
Need a
Resolution
edu cess
in Salem
dt

surcharge on the General Sales Tax, pooling the proceeds and giving contributions out of it to it was for the purpose wipe off the deficits in the Elementary Education funds of the Dt. Boards

E. & P.H. may take orders in circulation whether any maximum limit should be laid down for the rate of Education cess and if so what the maximum should be and how the deficits will be met.
The case may be transferred to E. & P.H. to whom the subject mainly relates.

E. & P.H.
11.8.48 See
E.P.H.

25. 12. 48

11.8

L.A. NO 24287/-2A
11-8-48
(L.F. C. NO 32033-48)



Edn & P.H. (Deptt.)

60485

~~The notes in this file were initiated with refer.~~
The notes in this file were initiated with reference to a communication from Sri. Alagesan, Member, Constituent Assembly, objecting to the enhancement of Education Tax levied by the Dt. Bd., Chingleput. The further noting in this file turned on the issue whether a conventional maximum might not be adopted in the case of levy of Education Tax by the Dt. Bd. This question has not yet been decided. The matter is to be discussed by the cabinet shortly.

It does not appear that this file need be kept pending any longer. No reply to Sri Alagesan seems necessary especially as he has not reminded the Govt. in the matter. The papers may be recorded as a C.O. for future reference.

Tax
St. - Dr. Bd.
Chingleput
Enhancement of rate
Papers - Papers
recorded

W.L.
17.5.49
17.5.49

18/5/49

