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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

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Proceedings of the Madras Government, Financial Department,
2nd November 1867.

No. 1. Read the following letter from the Secretary to the Government of India, Financial Department, to the Chief Secretary to Government, Fort Saint George; dated Simla, 19th September 1867, Circular No. 2823.

Accounts.

My letter, No. 1211, dated 6th March last, conveyed to you the Resolution of the Governor General in Council to transfer to the local accounts certain charges which have, till now, been borne by the revenues of India; the local revenues at the same time being supplemented by the transfer to them of the proceeds of the License Tax. It was stated that this arrangement would be carried out in the coming financial year.

2. The general intentions which led the Government of India to resolve on this measure, were indicated to His Excellency the Governor of Madras in Mr. Massey's confidential Circular letter of the 21st February 1866. A copy of this letter, and of the replies received to it, are annexed for the information of His Excellency.

3. It will be seen that Mr. Massey contemplated the transfer from Imperial to Local Funds, of an aggregate charge of one million two hundred thousand pounds for the six chief Governments and Administrations. The heads under which the charges to be transferred stood, were the following:—

Education,
Police,
District Jails,
Public Works, and especially
Repairs of Roads.

4. The responsibility for meeting the transferred charges was to have been placed entirely on the Local Governments and Administrations, which were requested to consider in what manner the necessary amount could best be raised by new taxation. The following taxes were named as specially calling for attention:—

A License Tax on Trades and Professions.
A House Tax.
An Octroi in Towns.
A Succession Duty on lands not paying Revenue.

5. The replies of the Governments and Administrations addressed will be found to indicate a general acknowledgment of the practicability of such a transfer of charges being made, and being met by new local taxation. But there is also a disposition to object to the transfer of charge without a simultaneous transfer of revenue with which to meet the charge.

6. It was under these circumstances that the Government of India caused the issue of my Circular of the 6th March above referred to. The sum to be transferred to the local accounts was to have been reduced to £800,000, and a means to provide for the charge was to have been given by the transfer of the proceeds of the License Tax to the local revenues.

7. Since the issue of that Circular the whole subject has again been carefully re-considered by Mr. Massey, and he has seen reason somewhat to modify his original views, and at the same time to enlarge the scope of his proposals.

8. It will be my duty now, under the orders of the Governor General in Council, to explain what these enlarged and revised proposals are, and to invite the attention of the Government of Madras to them. But I am at the same time to explain distinctly that the Government of India has not yet done more than assent to the communication of Mr. Massey's plans to the Local Governments, and that beyond this its opinion is not pledged in any way, or its future course of action fettered. It will naturally depend not a little on the views expressed by the Local Governments as to the main features of these proposals, what conclusion the Governor General in Council may adopt in respect to them. Also in a matter of such importance it will be necessary to ascertain the views of Her Majesty's Government before any final decision is taken.

9. I am first to point out that the general scope of the original proposal put forward was to transfer charge to the local accounts, without any corresponding transfer of revenue, leaving it to the Local Governments to find their own ways and means by new local taxation.

10. Mr. Massey now contemplates a more extensive change, the general principles of which will be found in the accompanying separate Memorandum.

11. For the better apprehension of the manner in which such a measure, as is contemplated, might be put into practical operation, the scheme detailed in the Memorandum has been drawn up on the basis of the estimates of 1867-68. It must, however, be regarded as illustrative rather than authoritative. Mr. Massey desires that it may be put before the Local Government in this sense, with the express intimation that he reserves his own final opinion on all details until the Local Governments shall have been consulted.

12. This scheme, which is now submitted for the criticism of the Local Governments, is not to be regarded, either in the extent to which it proposes to go in making transfers of charge or revenue, or as to the particular items that have been selected to be dealt with, or as to the precise arguments and illustrations by which it is supported, as expressing Mr. Massey's exact views in any very defined manner. But it indicates with quite sufficient precision the general conclusions he has adopted, and the general course which he thinks should be followed in giving effect to those conclusions. It appears to him better to present the subject thus, in a form at the same time distinct and specific, and yet open to the freest comment, and, if need be, to the widest revision of detail, for the preliminary review of the Local Governments, and the expression of their opinions on all matters which seem to them to call for remark. He is fully conscious of the necessity for treating a measure of this magnitude, and one which is so essentially framed in the hope of advancing local good government and administrative convenience, not only with caution, but also with the greatest consideration to the wishes of the Local Governments in all matters of detail.

13. Bearing in mind that the principal question of the policy of extending the transfer of charges to the exclusive control of the Local Governments in the manner which has been spoken of, has yet not been accepted by the Governor General in Council, Mr. Mass abstains from offering any remarks on this topic. But I am directed to express the he he Government of Madras will see, in the readiness of the Government of India to assent to the submission of these proposals for the consideration of the Local Governments, evidence of the strong desire of the Government of India to do whatever it is able to do consistently with its sense of duty, in the direction of enlarging the power of independent action of the Local Governments, and of removing all just cause of complaint as to undue interference by the Government of India with local details.

14. Having thus explained at length the nature of these proposals, and the measures which might probably be suitable to admit of their being brought into effect, I am to request that the whole subject may, as early as possible, be considered by the Government of Madras, and that in reporting, for the information of the Governor General in Council, the general opinion entertained of the scheme generally, a specific expression of opinion should be given on the following points :—

Does it seem desirable, in the event of these proposals being generally adopted, that the transfer of charge with a corresponding transfer of revenue should be increased; or would the Government of Madras prefer, in the first instance, that the transfer should be as proposed, or still more limited in amount?

What would be the best detailed scheme for giving effect to such a general proposal in the Madras Presidency?

Has the Government of Madras at the present time in view any special sources of income which it thinks could be made available, if required, in aid of such transfers of revenue as have been suggested, or in preference to any of them?

What is the present amount of the local taxation within the Madras Presidency? What are the main heads under which the income is obtained; and what are the chief purposes to which it is applied? The distinction between what has been termed Provincial and Local Revenue and Charge, should, so far as possible, be maintained in furnishing a reply to this question.

15. As it will be very desirable, in the event of the Government of India and the Secretary of State approving of the adoption of the proposals now put forward, that effect shall be given to them in the coming financial year, I am directed to solicit the favor of a reply as early as is found consistent with the due consideration of the matters that have been discussed in this Despatch.

Demi-Official letter to Governors, Lieutenant-Governors, and Chief Commissioners.

CALCUTTA,

The 21st February 1866.

SIR,

The Government of India, upon a review of the financial condition of the Empire, and the increasing demands upon its resources, have deemed it expedient to make provision for a permanent addition of a million sterling at the least to the existing revenue.

2. In considering the ways and means by which this additional amount should be raised, it has been suggested to the Government that the most convenient mode of proceeding would be by a partial transfer of charge of a local character from imperial to local account.

3. An arrangement of this kind has at various periods been under the consideration of the Indian Government. Many cogent reasons have been urged in favor of such a distribution of charge. But the plan has not as yet been carried into execution.

4. In 1861, Mr. Laing, the Financial Member of Council, proposed, as it would seem, with the acquiescence of several of the Local Governments and Administrations, to transfer £500,000 from imperial to local charge. This transfer was, however, postponed until the measure for creating Local Legislative Councils should come into operation. But the ensuing financial year having been one of great prosperity, the contemplated scheme of local taxation was, with other projects for increasing the revenue, laid aside, and has not since been revived.

Budget Speech.

5. The vast extent of Indian territory united under the Crown, but otherwise unconnected by community of interest, would seem to be unfitted for the application of an uniform fiscal system. In English finance, the separation of imperial from local charge has long been established. Education, Police, Jails, Highways, are the principal, among many, heads of expenditure, charged wholly or in part upon Local Funds, and assigned to Local Administrations. The local taxation raised in England, and applied exclusively to local objects, is, proportionally, more than a fourth of the Imperial Revenue.

6. The annual produce of Local Funds applicable to local purposes in India does not much exceed two millions sterling.

7. To this amount, it is proposed to make the moderate addition of, in round numbers, one million two hundred thousand pounds, to be raised in rateable proportions in the several Presidencies and Local Governments, and applied in relief of a corresponding amount of charge for local services now borne by the Imperial Revenue.

8. The above-mentioned sum of one million two hundred thousand pounds is arrived at by an assessment of 4 per cent. on the estimated revenues of the several Local Governments (except Burmah) for the current year, after excluding Customs Duties and Income Tax. The sum which your Government would have to provide would therefore be Rupees

9. The heads of charge to which the proceeds of the new funds would be applicable are the following :—

Education,
Police,
District Jails,
Public Works,
Repairs and Maintenance of Roads.

10. In providing the ways and means for these purposes, the object of course is to adopt that tax which would prove least burdensome and most productive in a particular province. A tax might answer in one province which would fail in another. Thus, a House Tax, which would

probably prove obnoxious in the North-Western Provinces, might be appropriate in the Bombay Presidency and the Central Provinces; and an Octroi Duty, to which a Punjabee does not object, might be ill received elsewhere.

11. The following taxes should be considered in particular:—

1.—A License Tax on Trades and Professions.
2.—A House Tax.
3.—An Octroi Duty in Towns.
4.—A Succession Duty on lands which do not pay Revenue.

These, or any other description of taxes, might be levied, subject to the approval of the Governor General in Council. With the like consent, the proceeds would be allotted to the heads of service above-mentioned, all or either of them, according to the discretion of the Local Governments.

12. The taxations should be so adjusted as to yield the full amount required, after deducting the cost of collection. Any surplus should, as a rule, be carried to the credit of the account for the ensuing year.

13. As it is desired that the scheme above described should, if approved of, form part of the financial arrangements of the year 1866-67, I hope to be favored with your opinion at your earliest convenience as to the feasibility of the plan and the mode in which it should be carried out. A general statement only of your views upon this subject is requested in the first instance.

I remain,
Sir,
Yours faithfully,
W. N. MASSEY,

CAMP NEAR SAUGOR,
The 5th March 1866

MY DEAR MR. MASSEY,

I wrote the other day a few lines to say that you might rely on my doing my best to carry out all you desire in regard to local taxation. I have since received your Circular demi-official letter of the 21st February, explaining the scheme generally, and requesting my opinion, also generally, regarding the way in which such a scheme could be carried out in the Central Provinces.

I think that the plan is quite feasible and capable of being carried out in these provinces.

The only possible abatement to be considered is this, that already the principle of local taxation has largely been adopted in these provinces. To a revenue (imperial) of from 90 to 95 lakhs, we have Local Funds annually amounting to more than 12 lakhs. Thus the local taxation is now about 15 per cent. on our imperial taxation. And from this local source we do defray some of those very charges indicated in your present letter. For instance, much of the educational expenditure is thus borne, and all our towns and cities pay for their own Police. Towards the close of 1864, Sir Charles Trevelyan urged this matter upon all Governments and Administrations, and in reply to his Circular Resolution, I had a precise statement drawn up of what had been done in this respect in these provinces, and this Report seems to have been so far approved that it was published in the Supplement to the *Gazette of India* about the close of 1864.

Perhaps, too, I should add, as an abatement, that we do already levy in certain districts of the Nagpore Province a special impost which has come down from Mahratta times, called "Pandre." It was originally supposed to be a House Tax; but it really much resembles the License Tax on trades and professions mentioned in your present letter. While the Income Tax lasted, we allowed the old and somewhat mild assessment to stand. Some time ago, in view to the cessation of the Income Tax, we had the assessment revised, and this revision will yield increase. The old yield was something under 2 lakhs of Rupees: the new yield will be something under 3 lakhs of Rupees. This Pandre item has always been treated as imperial income and excluded from Local Funds, though I have always had it in contemplation to ask you to let me have a part of it as local. However, according to your view, it does properly come under the category of local taxation, and the whole of it might accordingly be counted to our credit in the new plan, and as going to make up our quota. If that were to be allowed, then we should have very little extra to raise in order to make up the 3½ lakhs of Rupees, which you now lay down as our quota in the new plan.

But I would not myself propose to do this, as there would be objections thereto. It would hardly be satisfactory to you. It might look like escaping from our share in the new burden. It would also cause a little confusion perhaps, as the Pandre has always been entered in our Budgets under the heading of Imperial Revenues, and has been so entered in the Budget recently submitted to you for 1866-67.

I therefore think it will be the simplest plan to let the old Pandre stand as imperial; and to raise, in addition, the new quota of 3½ lakhs of Rupees by fresh local taxation, under the new authority now to be accorded to me for the due execution of your plan. I would do this in the main by extending the Pandre (now existing in seven districts) to *all* the eighteen districts of these provinces, and by slightly *expanding* the tax even in those Districts where it previously had existed, so as to make it touch certain classes not fully touched before.

By these means, I think, I could manage the moderate quota you now fix, 3½ lakhs of Rupees. But if I found the result to fall slightly short, then I would ask you to let me have (in consideration of the large Local Funds and the Pandre which we already have) a small slice out of the old Pandre, to make up the deficiency, which would not be much.

It remains for me to notice very briefly the several taxes mentioned as possible resources in your letter under reply, and the several purposes to which such local taxes might be applied. The four kinds noted by you are—I. License Tax on Trades and Professions; II. House Tax; III. Octroi in Towns; IV. Succession duty on lands not paying Revenue.

The first (License) I would certainly have, as already mentioned in this letter. It is the best tax by far of the kind that could be tried. The only thing that I have at this moment to observe is, that the highest denomination of license should be fixed at *a good round sum*, which, though it might seem high for a whole class, and therefore, not applicable to any numerous body, is yet by no means too high, and would, indeed, be very moderate for a few wealthy firms or individuals. If this be not done, then such persons would escape their fair burthen on this occasion. In these provinces the highest denomination should not exceed perhaps 10,000 Rupees for very exceptional cases. In other provinces the maximum should probably be higher; or, if 10,000 Rupees appear too high a maximum (and I admit that its application would be very rare), still there should be a maximum of 5000 Rupees or more.

The second (House Tax) is also a good one. I would take power to apply it if required: and there are many precedents for it in these provinces. But if we had a well assessed License Tax, under the name of Pandre, there would be but little room for the House Tax, and there would not be much produce therefrom.

The third (Octroi) is, I think for one, a very fair and legitimate tax. We have it in *most* of our towns in these provinces, and raise 6½ lakhs of Rupees annually therefrom. This is expended on Police, on Conservancy Establishments, and on Public Works—all within the precincts of the said towns. But as we already have it to so large an extent, I could not extend it much further. Still I would take power to do so, because there may be a town here or there in which Octroi could not *now* be introduced, for the first time, without specific legal authority. Here, again, the additional produce from this source would be small.

The fourth (Succession Duty on lands not paying Revenue) is unobjectionable. I would authorize it; but I fear it would not yield anything that could be counted on appreciably.

The uses mentioned in your letter are—I. Education; II. Police; III. Jails; IV. Public Works, Roads, &c.

The first (Education) is, I think, a suitable object. Still it is just possible that to raise a *new general* tax, *for education in the abstract*, might render unpopular the name of education

which we wish rather to popularize. But this objection is removed if a tax, or rather cess, is levied from a particular set of inhabitants for a particular school which they actually see in existence. It is in this way that we now raise funds for local education, without causing any discontent. These funds, however, are already considerable ; they amounted to Rupees 1,46,446 in 1864-65, as compared with Rupees 1,35,107, the State contribution. That being the case, I hope you would let me take a low figure as the additional contribution from the new quota, say half a lakh, or Rupees 50,000.

The second item (Police) is also a very legitimate object. But as our Local Funds already contribute Rupees 1,36,933 to Municipal Police, I hope that, in consideration of this, you will permit me to take a low figure as the additional contribution from the new quota, say half a lakh, or Rupees 50,000.

The third object (Jails) does not seem to me to be a very suitable one for this country. If the new local taxation be supposed to be raised for general service, then few will notice if a part be applied to Jails. But if we are to announce to the people that the new taxes are to be raised for specific objects, then I should *not* select Jails, because the people could not be got to take any interest in such a matter. It may be different in England, where perhaps the country Gaol is regarded as something of a local institution. It is not so, I fear, in India. I would not, therefore, recommend that any part of our quota be devoted to Jails.

The fourth object (Roads and Public Works) is of course the best and most popular that could be devised. It would be specially suitable to these provinces where roads constitute one of our most pressing wants. I would devote the remainder of our quota, 2½ lakhs of Rupees, to this head of charge. Our Budget allotment for Road Works Proper, excluding Establishments, repairs, &c., has heretofore been 8 lakhs of Rupees, or thereabouts. The allotment, whatever it might be, would, I suppose, be reduced by 2½ lakhs of Rupees.

I cannot suggest any other tax, save those above discussed, as suitable for introduction into these provinces. I have more than once proposed a special license on the vend of tobacco. But I would now incorporate it in the general license duty. And I cannot suggest any other suitable purpose save those above mentioned.

To sum up then, I recommend that the quota of 3½ lakhs of Rupees be raised from the Central Provinces, in addition to the revised Pandre, by extending a license duty to be called Pandre to all districts not previously paying Pandre ; by a house tax leviable in a few special cases ; by Octroi leviable in a few places not previously paying such duty ; and by a succession duty on lands not paying Land Revenue, with the understanding, however, that very little is to be expected from *this* source. Then I would appropriate the 3½ lakhs of Rupees as below ;—

	Rs.	
Education.....	50,000	The several headings of Imperial charge to be relieved by these amounts respectively.
Police.....	50,000	
Roads.....	2,50,000	
Total...	3,50,000	

I hope that I have afforded such *general* explanation as you require. If further information be needed, I shall be happy to supply it.

I am,
Yours truly,
R. TEMPLE.

Sir,

Calcutta,
The 8th March 1866.

I have given my best consideration to the subject of your private and confidential letter of the 21st, and have consulted several official and other gentlemen best capable of giving an opinion thereon.

In the first place I would venture to express a hope, and one not altogether unfounded, that on further inquiry, and on the receipt of more complete and accurate information as to the receipts and expenditure of the current year, the grounds on which it has been deemed expedient to make provision for a permanent addition of at least a million sterling to the existing revenue, or indeed any addition at all beyond what may be expected to arise from the natural growth of income from existing sources of revenue, may be found to be fallacious.

I would also submit that, if the estimated ways and means of the forthcoming year be sufficient to meet the estimated expenditure without trenching further on the cash balances, it will be better not to increase the revenue by additional taxation of any kind, or to raise the somewhat difficult and delicate questions involved in the proposal to meet a portion of the existing imperial charge by Local Provincial Taxation.

I am not sure that I fully understand the exact nature of your proposal ; but it appears to me that it would not be fair to Bengal if she were required to raise a fixed amount (say 30 lakhs) calculated on the proportion borne by her revenue to that of all India, without reference to the charges to be imposed on her. Bengal already contributes far more to the general finances of the country, and receives far less in proportion to area, revenue, or population, than any other province ; and it would certainly not be fair to Bengal to throw upon her any local charge heretofore defrayed from the general revenues, unless at the same time every other province in India were made to bear a like charge for its own local expenditure of a similar kind. On any other condition the effect of requiring Bengal to bear additional taxation for such an object would simply be to levy on Bengal alone a tax for the benefit of India at large. If it be determined that the repair of imperial roads should be a provincial charge, let each province raise what is necessary to meet that charge, but do not throw upon one province a charge which is not to be borne by the rest.

I am in favor of Provincial Taxation, and the application of the proceeds of Provincial Taxes to local purposes ; but the only way in which these objects can properly be attained is, as it seems to me, to declare what items of charge shall in future be defrayed by the Local Government, and to make over to it certain sources of imperial revenue, to be managed exclusively for the benefit of the province in which the revenue is raised. Thus, if we are called upon to defray all charges on account of Police, Education, Public Works, Roads, and Jails ; in short, everything, except the Army, the Public Debt, and other items strictly Imperial, we ought to have certain sources of taxation made over to us, say the Abkaree, the Stamps, and the Land Revenue (all of which are purely local), and to look to improvement in these branches of the public revenue, as well as to additional taxation (if necessary) to meet our increasing expenditure.

There can be no doubt that Bengal could bear 30 lakhs of additional taxation if it be really required ; but it appears to me that, unless the Government of India is prepared to concede to the Local Governments some such financial independence as I have sketched above, it would be better to impose a general tax to meet any deficit in the imperial revenues, than to relieve the imperial finances by Provincial Taxation regulated, not according to the wants, but according to the means and existing taxation of each province. At any rate, I submit that, before calling on the provinces to tax themselves to a certain amount for the relief of imperial finances, the Government of India is bound to satisfy itself that the amount it needs cannot be raised by a general tax applicable to the whole country.

To the Natives of Bengal a system of Provincial Taxation would not differ in appearance from one of Imperial Taxation. There is little sympathy between the inhabitants even of adjoining districts, and none at all between those which lie at the opposite extremities of the province. For instance, it does not in the least signify to the tax-payers of Chittagong or Cachar whether their taxes are spent for the benefit of all Bengal, or for that of all India. In either case they cannot perceive that any given tax is imposed for their benefit, and the mere provincialization of the tax would not, in the least degree, remove their unwillingness to pay it.

I think the time has come when we must have recourse much more largely than hitherto to local taxation properly so called, not for the relief of the imperial finances, but for the internal improvement of the country. We have done a good deal in this way in the Presidency Towns, and

some think in a good many of the larger towns in the Mofussil; but we want district roads everywhere, our existing Local Funds are utterly insufficient for the repair even of those that exist, and if such roads are to be made and kept in repair, the charge must be thrown on those who derive the greatest benefit from them. For such purpose the funds required in each district must be raised by a rate upon property in the district itself, and expended under the control of the rate-payers. It may be reasonably supposed, if indeed it be not certain, that people will object less to the payment of a municipal rate if it be expended for their benefit, and to a certain extent under their control, than to the payment of a general tax for general purposes, whether they be Provincial or Imperial.

If, however, Bengal is to be further taxed for Provincial purposes, I have no doubt whatever that the tax which could be best borne by the people, and which would be collected at least cost to the State and inconvenience to the tax-payers, is an additional tax upon salt. Assuming the consumption of Bengal to be 80 lakhs of maunds, an additional tax of four Annas a maund would give 20 lakhs of Rupees, and if this were combined with a License Tax on trades and professions, it would be in a great measure relieved of the objection felt to a tax which falls more heavily on the poor than on the rich, and the whole amount required would be raised. A tax of four Annas a maund upon salt is equivalent to $\frac{3}{5}$ Anna upon six seers, a quantity which has been declared, after inquiry, to be as much as one man can consume for alimentary purposes in the year, so that supposing a man has to provide for himself and a family of four persons, the tax would involve an annual payment of only three Annas, or a monthly payment of one Pice. Now it is notorious that the condition of the poorer classes, those who live by their labor, whether they be agriculturists, artizans, or menial servants, is very much more prosperous than it was when the present Salt Tax was imposed, and that really they feel the effects of the general rise in prices less than the higher classes and classes on fixed incomes; while, on the other hand, the cost of salt, exclusive of the tax, has been diminished by nearly 50 per cent., owing to the great importation of Liverpool salt now selling at one-half of the price fixed on the salt of the Government manufacture just before that manufacture ceased. They pay no other tax on the necessaries, or even the luxuries, of life, and a Pice more a month would not be felt by the poorest. If the average annual consumption of a man's family be less than six seers a head, he would have to pay less than a Pice a month, and if it be more, it affords a certain sign that the tax is no burden to him.

I very much doubt whether a License Tax on trades and professions by itself would yield anything like the amount which it is proposed to raise, and except in large towns, its collection would be very expensive and vexatious

A House Tax might be substituted for the tax upon salt. It is supposed that there are 8,000,000 houses in the territories under the Government of Bengal. A tax of six Annas a house would therefore give 30 lakhs, and a tax of four Annas a house would give 20 lakhs; but this tax, while it is open to all the objection that can be urged against a Salt Tax, could not be collected, except at a great cost and with an amount of annoyance and petty vexation, which would render it unpopular in the highest degree, and be likely, especially in some of our hill districts, to lead to most serious consequences. The number of houses of a superior class is so very small, absolutely and as compared with the common native cottages, that a higher rate upon such houses, according to their actual or estimated rental, would yield but an inconsiderable sum. I cannot recommend a House Tax.

A Succession Tax on lakhiraj lands would yield a small and uncertain return, and is not suitable for local purposes. It seems properly to be a branch of the Land Revenue, or if raised at all, it might be raised by requiring an official recognition of title to be taken out on stamped paper.

An Octroi Duty is not thought suitable to any town in Bengal.

If an income tax is to be raised, I think it should certainly be imperial and universal. It is a tax which experience has shown to be equally well adapted to the circumstances of all parts of India, and if levied at all, should be levied in all provinces alike. There would be considerable difficulty in reaching, by local legislation, the holders of funded property, and yet it would be most unfair to exempt them. If an income tax be ever resorted to a gain, it will probably be thought expedient to assess it on the prniciples recommended by the Committee which reported on the subject last year.

The only other tax which need be mentioned is a tax on tobacco and pawn, in respect to which I agree generally with Sir John Grant on thinking that a considerable revenue might be raised without much difficulty by licensing the cultivation. But this also is a tax which would chiefly fall on the poorer classes, and Mr. Strachey appears to me to be quite right in saying that, if the poorer classes are to be taxed, "this object can be more easily and economically gained, and with far less vexation to the people, by increasing the existing tax upon salt."

I have the honor,
&c., &c.,
CECIL BEADON.

CAMP MIRZAPORE DISTRICT,
The 8th March 1866.

SIR,

I have had the honor of receiving your confidential communication of the 21st ultimo, requesting my opinion upon a proposition to transfer a portion of the general charges to local account, to be provided for by local taxation, in default of other means of meeting the increasing demands upon the resources of the Empire.

I regret that the time allowed me will admit of only a very brief and summary statement of my views upon the large and complicated questions thus referred for consideration, but any shortcomings in this respect will, I trust, meet with indulgence.

An arrangement of the description suggested has, as you observe, been more than once under consideration, and was actually proposed by Mr. Laing in 1862, though I doubt its having received the acquiescence of the Local Governments. The principle, however, has never, I believe, been objected to; the difficulty has consisted in fairly applying it: a good deal, however, has been effected during the past four years in this direction.

In considering the subject of your reference, the first question to which I would advert is one which underlies the whole subject, that is, either the necessity or the expediency of immediate further taxation.

Assuming the existence of a deficit, the first inquiry would obviously be whether this cannot be met by a reduction of charge, rather than by additional pressure upon the resources of the country.

The revenues of India have increased nominally between 1852-53 and 1865-66 from 29½ to nearly 47 millions, and expenditure from 29 to 47 millions. Of this, the increase under Public Works has beeen from £2,170,000 to £5,888,000, and under Home charges from £2,380,000 to £5,483,000, that is, a net increase under these two heads alone of nearly 7 millions.

Admitting freely the great urgency of a rapid development of public works, I entertain very grave doubts as to the justice or wisdom of throwing the whole burden of this demand upon current revenue, and, when this fails, of meeting the difficulty, not by a reduction of expenditure or a resort to loans, but by additional taxation, which itself fosters the disposition to extravagance.

I attach so much weight to this consideration that, even if reduction of expenditure were really impossible, which I cannot however admit, the expediency of meeting it by further taxation at the present moment would, in my opinion, be more than questionable. A deficit is not without its uses. So long as it is known that Government is in difficulties, economy is regarded as compulsory, and reduction rather than increase of charge becomes the rule. On the other hand, if the idea prevails that the exchequer is flourishing, and that the Government is inclined to be liberal, the pressure is at once withdrawn, and charges progressively increase till they again swamp the revenue. Of this the Government of India has had abundant experience during the

past five years, and, if for no other reason, the relinquishment of the Income Tax has not been without advantage, though it is much to be regretted, if additional taxation is indeed inevitable, that the opportunity was missed of substituting some less obnoxious tax for that unpopular impost, whilst its permanent continuance seemed yet doubtful.

As regards the principle upon which it is proposed to transfer a proportion of the ordinary charges to the Local Governments, I apprehend that the suggested analogy between England and India has no existence ; the circumstances of the two countries and their systems of revenue are radically different, and the duties and responsibilities which attach to the land, and, in England, fall chiefly on the landlord, in India devolve necessarily upon the Government.

But even admitting that additional charges of a particular character, over and above those which have hitherto been provided from the general revenues, might properly be transferred to local funds, the absence of a local legislature, or of any body representing the tax-payers, who could administer the funds, would still leave taxation essentially the act of the general Government, and to designate it by the term "local" in the English sense would obviously be erroneous and productive of misconstruction.

The next point that deserves attention is the principle upon which it is proposed to distribute the additional charge among the several Governments and Administrations. This apparently is by a rateable assessment of four per cent. upon the existing revenue, omitting Customs and Opium, and is calculated to yield a sum about equal to a three per cent. Income Tax, or half as much again as the total existing Local Funds.

It seems to me that this method of distribution is unfair. The area, population, and land revenue of Bengal and the North-Western Provinces are compared in the margin, and to take this amount of land revenue, in any respect, as a guide for further taxation, is, in fact, to say that those who already pay most shall, as a consequence, continue to be taxed the most heavily.

	Area. Sq. miles.	Population.	Land Revenue. Rs.
Bengal	261,388	40,829,000	3,87,50,000
N. W. Provinces	84,370	28,070,000	4,05,00,000

I have no note by me of the present incidence of local taxation, but my impression is that the North-Western Provinces are not behind other Governments in this respect. Attention has been consistently bestowed upon the development of Local Funds for the past four or five years, and the Public Works Department has been relieved to a considerable extent. Nearly 20 lakhs of Rupees are now raised by Local Funds, and if this be doubled, as is now proposed, the pressure will be severely felt.

It seems to me, however, that the produce of the Land Revenue ought not to be taken into account (this in the North-Western Provinces already contributes largely to the Local Funds). It is not desired to tax the agriculturists, and the fairest measure of the capacity of the other classes for further taxation appears to me to be either the present amount of the Abkaree and Stamp Revenue, or the Income Tax—the results in either case do not materially differ—and taking a mean between the two, the incidence of fresh taxation would be as follows, which seems much fairer than that proposed in your letter: —

	Per cent.	Rs.
Oudh	3½	4,20,000
Central Provinces ...	2½	3,00,000
Bengal	35¼	42,30,000
North-Western Provinces..	14½	17,40,000
Punjab	5¼	6,30,000
Madras	15½	18,60,000
Bombay	23½	28,20,000
Total ...	100	1,20,00,000

There is also a manifest propriety in these rates, inasmuch as the larger proportion of the additional burden is thrown upon Bengal and Bombay, the first of which is more lightly taxed as regards land revenue, than other provinces ; while the latter, by its recent extraordinary commercial development and the attendant depreciation in the value of money, is itself a cause of the demand for additional revenue.

I proceed to remark upon the nature of the means by which additional revenue is sought to be imposed, premising that, although I fully admit the many advantages of direct taxation, I am very strongly opposed to it in any form in this country generally, if it can possibly be avoided, believing, as I do, the difficulty of applying it equably, and without the most lamentable oppression, to be, in the present state of native society, all but insuperable.

Holding this opinion, I am satisfied that any indirect tax is preferable to a direct one, and that, however great may be the objections theoretically to an addition to the duty upon salt, such a measure would really be a mercy to the people, and would be so accepted, if it saved them from the evils of direct taxation.

Of the taxes suggested for particular consideration, I am of opinion, after consulting the Board of Revenue and gentlemen of experience, European and Native, that a License Tax might be imposed without any great difficulty, and that, in the course of time, it would be found productive ; the objections to it, which to my mind are conclusive, are those which apply to all direct taxation among an oriental population, and it would at present, I believe, be more injurious to Her Majesty's Government by its unpopularity, than fiscally advantageous.

A House Tax is already in existence for purposes of Police ; it has recently been raised as much as the existing law will permit ; but it is extremely unpopular, and could not safely be increased.

An Octroi Duty on towns has already been willingly and extensively resorted to as a substitute for the unpopular House Tax, and although I think it unsound in principle and objectionable from its liability without constant watchfulness to degenerate into a transit duty, I have readily assented to its introduction wherever it has been asked for, as harmonizing with the general feeling of the people.

Succession Duty on lands, which do not pay revenue, would, in these provinces, produce nothing ; such a duty on property generally would, I think, be useful, but it would take some time before it became profitable.

There is one other measure, which has the concurrence of the Board of Revenue, and would yield eventually a permanent addition of 5 or 6 lakhs to the revenue, and which I recommend as fair alike both to Government and the people : this is the readjustment of the share to be taken by the State in the settlement of the Land Revenue now in progress.

By the present rules, the land is assessed at half assets, and additional cesses are imposed for Public Works, Education, Post Office, and Police, aggregating 5 per cent. upon the *net* revenue. It would greatly simplify both the village and the Government accounts, and be accepted by the people as a boon, if the Government share were fixed at one net amount of 55 per cent. of the gross assets (instead of the 66 or 75 per cent. of the last settlement) in full of all demands—50 per cent. being credited by the Collector to Land Revenue, and the remainder to the several Local Funds, omitting the details entirely from the village and tehseel accounts.

To sum up briefly the conclusions at which I have arrived upon this very important subject, I would express my conviction that further taxation at the present moment is, on all accounts, decidedly inexpedient.

That if reduction of charge is not possible, Public Works, to the extent of any deficit, should be either postponed or carried on by means of loans.

That if further taxation is inevitable, the sense of the people is in favor of indirect rather than direct taxation, and that it is both politic and just to respect that feeling.

That local taxation is being as rapidly developed as circumstances will admit, and that it is highly desirable that it should be introduced gradually, and with the assent and good-will of the people, rather than as a forced contribution to imperial requirements.

As respects the North-Western Provinces, so far as I am at present informed, I believe that it will be possible, without much difficulty, to raise the required amount by a gradual extension of the Octroi Duties, if, on further consideration, immediate additional aid from Local Funds is held to be indispensable; and if this proved insufficient, I should be prepared to introduce a moderate License Tax. In either case, it will be necessary to empower the Local Governments by law to impose these duties with the consent of His Excellency the Governor General in Council.

I would not, however, have it inferred from these remarks that I am favorable to the proposed transfer of charge from general to local account, unless the local liability is very clearly established and admitted.

I have the honor to be,
Sir,
Yours faithfully,
E. DRUMMOND.

LUCKNOW,
The 13th March 1866.

SIR,

Of the four modes of local taxation suggested in your letter of 21st February 1866, I have no hesitation in stating my preference of a License Tax on trades and professions.

A House Tax would yield little, because there are very few towns of any size in Oudh, and it would be felt oppressively, because the town population, except in Lucknow, are very poor, and even in Lucknow, the great majority of the inhabitants have been reduced to poverty by the removal of the Court and the cessation of its great expenditure.

I am very averse to extending the Octroi Duty to fresh places, because it would then be impossible to counteract its natural tendency to become a Transit Duty; nor do I think the rate of duty could be raised in the towns in which it is now levied; and if this were possible, the additional amount thus raised could only be legitimately expended on the towns which contribute it, and could not be made available for the general purposes of Roads, Education, Jails, &c.

A Succession Duty on lands which do not pay revenue is perfectly unobjectionable; but it would yield next to nothing in Oudh where the proportion of land released from revenue in perpetuity, or for a series of lives, is very small indeed.

The License Tax might be graduated from a maximum of Rupees 1000 to a minimum of Rupees 5. The maximum may seem low; but, assuming it to proceed on the principle of taxing incomes at 3 per cent., I much doubt if there are a dozen persons in the province who would thus escape paying 3 per cent. on their incomes derived from trades or professions, and by pitching the maximum, low people would be less alarmed at the introduction of this tax. I have purposely fixed the minimum at Rupees 5, in order to exclude the artizan class. They have suffered greatly during the last two years from the high prices of food, and cannot bear any burden however light. But it would cover all the village money-lenders, and grain merchants, who have been thriving since the establishment of British rule.

The class of the population whom this form of taxation would reach would be the non-agricultural, and it is on them, I think, the burden should fall, as, except for the police and conservancy of towns, where establishments for this purpose are kept up, they contribute nothing to the public revenue; while the landholders, on the other hand, pay 2½ per cent. over and above the Land Revenue for Roads, Schools, and District Post, and have besides to bear the entire cost of Rural Police, while the great proprietors have founded the Canning College at a cost of Rupees 25,000 yearly.

From Rupees 1000 the grades might be—

Rupees.....	500	Rupees.....	25
,, ...	250	,, ...	10
,, ...	100	,, ...	5
,, ...	50		

I very much regret that the extreme pressure of important business that could not be postponed, during the short time that has intervened from the receipt of your letter and the time fixed for my retirement from the province, has prevented my giving the subject the deep consideration it demands.

Should a License Tax on this scale fail to bring in the required amount, I should be disposed to favor a tax on horses and ponies, at say the rate of 4 Rupees per annum on the former, and 1 Rupee on the latter. This tax would not reach the very poor.

I have the honor to be, &c.,
C. WINGFIELD.

P. S.—On the general question of taxation, I venture to offer my opinion in favor of an Income Tax on the plan of Mr. Harington's Draft Bill introduced in 1859, *viz*, that of bringing persons under certain classes at a graduated assessment, leaving them to prove their claim to be rated lower, rather than on the system of the English Act as in the law that has lately expired. It has been shown to be impossible to get the Natives to assess themselves, and the serving of returns causes much annoyance and alarm.

MADRAS,
23rd March 1866.

SIR,

I forward herewith in the form of a Minute my opinion of the character of the suggestions contained in your letter of 21st February, and appended to this Minute you will find the expression of the opinions of the Members of Council. In my letter of 16th March sent by the French Steamer, I communicated the substance of the enclosed Minutes, and this must have arrived, I trust, soon enough to enable you to modify your proposals as regards this Presidency at all events.

I send herewith a Minute on which I have placed on record the opinions as to the best mode of raising a revenue in India, which five years' experience have enabled me to form. They are, in principle, identical with those contained in my letter to Sir Charles Wood, dated 18th May 1865—a copy of which I forwarded to you. Ten months' additional experience has but served to confirm these opinions, and the effect upon the poorer classes of Madras of the imposition of the License Tax as a source of Municipal Revenue has convinced me of the impolicy of the attempt to draw money from the mass of the population by the imposition of *new* taxes.

My Minute, however, is quite sufficient to explain my views, so I will not go into further details.

I have the honor to be,
Your obedient Servant,
W. T. DENISON.

Minute by the HONORABLE *the* PRESIDENT, *dated 20th March* 1866.

It would seem from Mr. Massey's letter that the probable revenue of India will not be sufficient to meet the anticipated demand upon it during the years 1866-67. That the deficit will amount to, at least, one million sterling; and that the causes which have operated to produce this unwelcome result are not of a temporary character. I gather, indeed, from the letter in question, an admission of the fact, that the deficit is due to increased expenditure, and not to diminished receipts.

2. That such would be the case might freely be inferred from the general rise of price throughout India. From what I have learned of the state of India generally, I cannot but imagine that the causes which have led to this steady increase in prices are in no way local or temporary in their character.

3. The demand for the produce of India is steadily increasing, and while the improved means of communication will operate here, as elsewhere, to stimulate production, and thereby keep down prices, the increased demand for labor must operate to raise wages, and thus compel Government to add to the pay of the soldiery, the Police, and, indeed, of all the subordinate agents of Government: an addition will thus be made to the annual expenditure, to an extent which the proposed expedient of a transfer of charge from the general to the local Government will in no way meet.

4. Under such circumstances, I think it would be wiser on the part of the Government to face the difficulty boldly, and to devise some scheme by which the probable annual increase of charge may be met by an equivalent increase of revenue, than to have recourse to expedients like those suggested in Mr. Massey's letter, which can only be looked upon as palliatives, when applied to remedy an evil which has its origin so deeply seated.

5. It is perfectly true that the proportion of local to imperial expenditure is very much less in India than it is in England, but repeated experience has shown that nothing can be more fallacious, or so likely to lead to fatal mistakes, than attempts to apply rules, deduced from the experience of one country to the state of another country, and in India especially, where society has been so long, and is still in a state of stagnation, any change is looked upon with suspicion, and changes in the form of the monetary burthens imposed upon the people, with more suspicion than any other.

6. Mr. Massey wishes to raise the sum of one million through the agency of the Local Government, and in order to this, he proposes to transfer a portion of the outlay, which is now defrayed from the "General Revenue," to the different Presidencies and Governments, with instructions to provide for the payment of the same out of funds raised locally. The items of expenditure, portions of which, if not the whole, are to be charged against the local revenues, are—

1*st*.—Education.
2*nd*.—Police.
3*rd*.—District Jails.
4*th*.—Public Works.
5*th*.—Repairs and maintenance of roads and bridges;

and the following are pointed out as sources of revenue which might be best appropriated to such a purpose:—

1.—A License Tax on Trades and Professions.
2.—A House Tax.
3.—An Octroi Duty in Towns.
4.—A Succession Duty on lands which do not pay Revenue.

7. The Government of Madras has, for several years past, been doing its best to provide for local charges out of funds specially and locally raised. It has passed an Act empowering the inhabitants of villages in rural districts to raise, by local rates, the money required to enable them to claim from the Government a corresponding grant-in-aid for what may be termed "Village Schools," and under this enactment, upwards of 100 schools have been established. It has just passed an Act, by which provision is made for the construction and maintenance of district roads, a compulsory rate, analogous to a highway rate, being levied for that purpose.

8. It has provided in different localities, for the levy of rates on house property, and it has handed over to Municipal bodies the power of imposing a "*License Tax*" on trade and professions, from which two sources, a portion of the expense of maintaining the Town Police will be defrayed.

9. It has notified to the Secretary of State its wish to carry out all "remunerative" public works, such as irrigation schemes, &c., by means of borrowed capital, the payment of interest upon which, and the gradual repayment of the capital, being provided for out of the profits of these undertakings.

10. To these schemes, however, which the Government is quite prepared to extend as opportunity serves, two, out of the four sources of revenue proposed by Mr. Massey, have been appropriated. The third, "*an Octroi Duty at the entrance to towns*," is a very objectionable mode of raising money, as it places in the hands of a low class of agents a power which they are peculiarly liable to abuse. It is also a purely Municipal Tax, and can only be in justice applied to defray the cost of local institutions.

11. The fourth, "*a Succession Duty*," would, if limited as proposed, produce a very trifling revenue, not exceeding in this Presidency above £500 per annum.

12. In addition to the objections stated above, I may say that, in my opinion, it would be specially unwise to press upon the people of India the adoption of principles, well understood and cherished in England, but the advantages of which are not recognizable by the Native mind, coupled, as the application of these principles would be, with a direct demand upon the pockets of the people.

(Signed) W. T. DENISON.

Minute by the Honorable H. D. Phillips, *dated 21st March* 1866.

The plans proposed in Mr. Massey's communication to the President are clearly open to the objections raised in the President's Minute, and cannot, I feel satisfied, be now carried out in this Presidency. At the time the Bills of our two Municipal Acts were under consideration, it occurred to me, and I stated in Council, that I feared we might be making a sort of wholesale appropriation of what would, at some future date, be wanted for the taxation purposes of the Supreme Government; but as these Acts have since received the assent of the Governor General, and are at present in legal operation, it seems to me to be scarcely practicable to meet Mr. Massey's suggestions, unless we take the retrograde step of repealing Madras Acts IX and X of 1865, with the sole view of re-imposing, as part of a general system, what has already been imposed to meet the exigencies of the Madras Presidency. I do not hesitate, under these circumstances, to signify my concurrence in the remarks which the President has above recorded.

(Signed) H. D. PHILLIPS.

Minute by the Honorable T. Pycroft, *dated 21st March* 1866.

I certainly concur in the opinion of my honorable colleagues that, in this Presidency, local taxation for local objects, and in relief of imperial exchequer, has, for the present at least, fully reached its limits, and that it would not be safe, nor indeed practicable, to carry it further.

(Signed) T. PYCROFT.

Minute by the Honorable *the* President, *dated 23rd March* 1866.

I wish, before I leave *India*, to place on record the opinions which five years' experience and observation have led me to form on the subject of the financial system best adapted to supply the wants of Government, with the minimum of pressure and discomfort to the people.

2. As a necessary preface to these, I must call attention to the character and habits of the Indian community, as these have a marked and special influence upon the character of the taxation which may, without undue pressure upon the people, produce the greatest results.

3. It seems to me that too little attention has been paid to the difference of race, and that it has been assumed, too hastily, that the same motives act, *in the same manner*, upon the Englishman and the Hindoo.

4. Now the Indian, though there are of course differences arising partly from local circumstances and partly from race, is, as a rule, a bigotted follower of the practices of his forefathers. Nothing is more striking than the identity of many of the practices which come daily under my notice, with those which are described in the earliest books of the Old Testament.

5. Moses and Job describe a state of society, and habits and practices, which are identical with those which may be seen daily in India. And though I do not go so far as to say that the Native of India would at once reject a novelty on the ground of its difference from what his parents had practised, I can safely affirm that there are more difficulties to encounter, and more prejudices to overcome, in the introduction of any novel practice into India, than into any other country which I have visited.

6. Then, again, as to habits and their action upon the different modes of raising revenue.

7. The Native is, as his forefathers were before him, fond of external glitter and show; he covers himself, his wife and his children, with jewels and ornaments of every kind; if he cannot afford silver he makes use of brass; if he can get gold, he replaces his silver ornaments with others of gold, and adds to these precious stones when he has the means of purchasing them; it is no

uncommon thing to see a man, with but a cloth round his loins, working in the field having a silver belt round his waist worth 50 or 60 Rupees. An enormous amount of capital is shut up in this way. I am aware that it is said that this habit has been produced by oppression, that jewels are valuable and of small bulk, and can be easily secreted or carried off; but this argument proves too much.

8. If a man were in constant fear of being plundered, he would not be keen of exhibiting his wealth on his person; he would, as indeed is frequently done, bury the money which he may have got, and parade his poverty instead of his wealth; but, generally speaking, his desire of display prevails over his caution, and this forms a very marked feature in his character.

9. The effect produced by shutting up so much capital is to raise the value of coin, that is of the only circulating medium of the country, and to enhance the interest of money. The ordinary rate of interest upon loans with average security varies from 12 to 20 per cent. per annum, while advances upon personal security are made, in small sums, at the rate of one Anna in the Rupee per month or 6¼ per cent. per month, equal to 75 per cent. per annum; any system of taxation, therefore, which requires payments at fixed periods, may become, to a poor man, excessively onerous, and of course to the rich man, who is making 75 per cent. for his money, it is most irksome to be deprived of an article which he is able to turn to good account as an usurer.

10. The climate renders clothes a superfluity; the great mass of the people are contented with a single cotton cloth about four yards in length, and of these they consume three or four in the course of the year.

11. Their habits are simple, the food they consume is the product of the soil, so that the imported articles upon which the Natives pay duty are, comparatively to the population, few, and of small value, so that the Customs Revenue can never be large.

12. It may be inferred, from what I have said above, that there are peculiar difficulties in adding to the revenue of India. The sources to which European communities resort with wonderous effect are very soon exhausted in India. A system of direct taxation, whether upon property or income, will not produce any *large* returns, though it would fill up the existing gap in the revenue. Under such circumstances, the Government will act wisely to look to the existing sources of revenue and to ascertain whether these cannot be better managed and made more productive.

These sources are—

1.—Land.
2.—Assessed Taxes.
3.—Customs.
4.—Salt. } Monopolies.
5.—Opium. }
6.—Stamps.

and the produce of each of these may be estimated roughly as follows :—

1*st.*—Land	£19,440,244
2*nd.*—Assessed Taxes	1,706,000
3*rd.*—Customs	2,610,393
4*th.*—Salt	4,534,698
5*th.*—Opium	6,359,270
6*th.*—Stamps	1,604,482
Total ...	36,315,087

Of this total the land yields more than half, and the monopolies more than a fourth; in fact, from these two sources, we derive five-sixths of our revenue.

13. It is then to these that we should look, if we wish to add to our means.

14. One of these monopolies, opium, is confessedly very uncertain in its produce. The Government is in fact, in dealing with opium, speculating as a merchant, and must run the same risk. This, however, is not the case with the salt monopoly; here we deal with our own subjects, impose upon them what is practically a poll tax, without any of the evils which attach to a direct demand upon each individual.

15. To the Land and to the Salt Revenue, we may, therefore, look with some confidence, as a means of increasing our revenue.

16. I will now go a little more into detail as regards the Land Revenue.

17. The following Table shows the population of the different Presidencies and Governments, the Land Revenue of each, and the amount of this when divided by the population :—

	Population.	Land Revenue.	Amount paid by each Inhabitant.
			s. *d.*
Bengal	40,853,000	4,670,796	2 3
Madras	23,301,700	4,831,402	4 1
Bombay	12,038,113	3,075,534	5 1
North-West Provinces	30,250,000	4,909,803	3 2
Punjab	15,467,800	1,952,699	2 6

18. The Land Revenue of Madras amounts to £4,831,402, which is equivalent to 4*s.* 1*d.* per head of the population, while that of Bengal does not exceed 2*s.* 3*d.* per head.

19. Whence is this very marked difference? May it not be traced at all events in great measure to the difference of the land tenure?

20. In Madras a very large proportion of the land is held directly from the Government, which stands to the ryot in the relation of landlord; whereas, in Bengal, the land has been to a great extent granted to Zemindars at a fixed and low assessment, under the idea that, by so doing, the foundation was being laid for a landed aristocracy, the members of which would have a special interest in the improvement of their estates. This was, in my opinion, one of those adaptations of English ideas and habits to the circumstances of India which have proved such signal failures.

21. Under this tenure the Land Revenue of Bengal, which ought at least to have been as flourishing as that of Madras, only amounts to £4,670,796, instead of upwards of 8 millions, and has remained for years and must remain nearly a fixture. As regards the improvement of the country, all I can say is that, in the zemindaries of Madras, the land is worse cultivated as a rule, and the ryots are poorer and more miserable than they are on the ryotwary lands.

22. I do not, however, wish to enter upon the vexed question of the land tenure. The Government may be pledged to continue to the Zemindars, under the "Permanent Settlement" of Lord Cornwallis, all the advantages which they at present possess. I deprecate as most injurious to the people and to the Government the extension of the system *of a permanent money assessment* to Madras or to any part of India where it is not already in existence.

23. Under the different Princes who governed portions of the territory now forming the Presidency of Madras, different modes of levying the Land Revenue were practised. The amount paid by the ryot was arbitrarily determined by Native officials, and, of course, every species of rascality was practised. Latterly the Government with a view to the establishment of something like principle and system, and of obviating, as much as possible, the risk of fraud being practised on the ryot, established a "Revenue Survey" for the purpose, in the first place, of determining the actual area of land under cultivation, and, in the second place, of settling the amount of the *permanent money assessment* to be paid by each occupier of land.

24. This Revenue Survey has been in progress for some years. I have been, however, so dissatisfied with the mode in which the work has been executed that I have proposed a complete change in the administration of the Department, my object being to secure the actual determination of the amount of the crop or series of crops yielded by the land, and the actual market value of those crops on an average of years.

25. I have been, ever since my arrival at Madras, attempting to procure evidence on these two points. I have made experiments myself, have procured them to be made by others, and the result has been a conviction that the Officers of the Revenue Survey have been working for the purpose of bringing out results in accordance with a foregone conclusion ; that the actual amount of the crops has been under-rated ; the prices of produce put too low ; that deductions have been made from the amount of the crop, and the value of it based upon purely arbitrary assumptions ; indeed, in issuing instructions to the Survey Department, the Government, without considering the rise of price which had already taken place, or looking to the probable continuance of that rise, acted upon the assumption that all the land was too heavily assessed, and that the principal object of the Survey was to lower the total assessment, while it equalized the distribution of the charge.

26. The actual result has been a reduction of the rent per acre, though there has been a rise in the value of the crop, to the extent of from 75 to 100 per cent.

27. It is true that the Land Revenue has increased, but this is due to the fact that the Survey has shown that the ryots had occupied, in many instances, 30 or 40 per cent. of land in addition to that shown in their leases for which they paid no assessment, but which has now been paid for, while the rise in the price of produce has induced many to bring fresh portions of waste into cultivation.

28. Prices have risen within the last 12 years, as I said above, from 75 to 100 per cent., and the Government ought certainly, as inheriting a well-established claim to a given portion of the crop, to have derived some *direct* benefit from this enhancement in value ; but it has not done so ; in many instances the commutation rate is the same as it was 30 years ago, that is, the Government does not receive one-half of its dues. Looking to the state of things which exists, I am prepared to make the following suggestions :—

1*st*.—That the permanency of any settlement of assessment by the Revenue Survey should only apply to the *grain rental*.

2*nd*.—That the commutation rate should be determined, from time to time, on an average of the prices for a given period of years (say 10).

3*rd*.—That the proportion of the net crop to be taken by the Government should be determined after a careful consideration of the Returns of crops and prices sent in by the Collector.

4*th*.—That the water supplied by the Government from the rivers by means of anicuts and channels should be charged for according to its value, as tested by the amount and value of the crop.

29. I propose to make the corn rent permanent, for the express purpose of giving a semblance of finality to the transaction, and of giving to the ryot a precise knowledge of the amount he has to pay so long as the commutation rate remains the same, while he is encouraged to improve his system of cultivation by securing to himself any increase of produce. I retain for the Government the advantage certain to accrue from the steady rise of prices, which is further secured by the second proposal.

30. As to No. 3 there are differences of opinion ; some say that the Government ought to have one-half of the net crop ; others would be content with one-third. I am inclined, therefore, to leave it undetermined for the present, and to decide it by direct experiment.

31. There are also marked differences of opinion as to No. 4. Colonel Baird Smith and others, basing their recommendation upon the practice of the Government in Northern Italy, proposed to sell the water for irrigation by measure ; but when this was found to be impracticable, they proposed to charge one uniform sum per acre, as a water rate, upon the assumption, I suppose, that about an equal amount of water is required for every description of soil, and every kind of crop. They wished the Government to look upon the water as a species of manure which it had for sale at a fixed rate.

32. The arrangement proposed was, however, based upon a tissue of fallacies and forced analogies.

33. In the first place, every description of soil requires its own proportion of water, and the same may be said for every description of crop So that by charging, as the Government is now doing, a fixed rate per acre without reference to soil or crop, it is doing that which it was the object of the arrangement to avoid ; one man is made to pay more than the value of the water, while another pays much less. Then, again, there is not the least analogy between the Governments of India and those of Northern Italy in their relation to the persons who purchase the water. In Italy the Government makes the dams or anicuts, and the main channels of distribution, and charges as much for the water as the land-*owner* is willing to pay; it has no interest in the land, and cannot therefore claim any share of the crop resulting from the application of the water : this is left to the land-owner, who, having purchased the water from the Government, distributes it to his tenants, and receives from them a payment proportionate to the benefit they have derived from the application of the water.

34. In India the Government is, in most instances, land-owner, and is fairly entitled to the profit which accrues both to the constructor of the dam and the retailer of the water.

35. In this Presidency the value to the ryot of a full supply of water for one crop varies from 3 or 4 Rupees per acre to 8 or 10 Rupees. If more than a certain charge is made, the owner of the poor land is forced either to throw it up, or cultivate it at a loss, while the owner of the rich land pockets the whole of the difference between the actual rate and the amount he would have to pay under the ordinary form of assessment.

36. The object of the Government should be to draw from the tenant such a rent as would leave to the latter a fair and full return for interest of capital, cost of cultivation, and profit. I do not consider that it is in any way called upon, or, indeed, that it is in any way justified, in attempting to relieve the agriculturist from this, the fair rent of his land, in order that he may walk about with a silver belt around his waste, or under the idea that it may be possible to draw something out of him by some form of indirect taxation. The whole theory of Government in India is based upon the supposition that Government is the *original owner* of the land. It has parted with many of its rights in respect to this, by gift and otherwise, but the theory holds good, and it would be most unwise to do anything which might invalidate its claim.

37. I believe that, by adopting the principle sketched out in the four proposals stated above, the Land Revenue of Madras would be largely increased. I am also of opinion that, by a judicious application of this principle to all those parts of the territory of India where the zemindary system, or the *permanent settlement* has not dried up the principal sources of revenue, land might be made to pay as large an assessment as is now paid in Madras. Of course this enhancement of rent must be gradual, but in course of a few years, I see no reason why three or four millions might not be added to the Land Revenue.

38. Salt, too, might bear an increase of price, which would bring the rate, throughout India, to an equality with that paid in Bengal.

39. The amount of the Poll Tax levied as Salt Duty is about 1*s*. 1*d*. in Bengal, 8½*d*. in Madras, 7½*d*. in Bombay, 4½*d*. in the North-West Provinces, and 9½ in the Punjab ; by bringing up this, gradually, to the Bengal standard, the following addition would be made to the Salt Revenue :—

	£	*d*.	*s*.
Madras...	436,906	7	6
Bombay...	275,873	8	5
North-West.....	1,633,804	3	4
Punjab.....	225,572	1	8
Total...	2,572,156	0	11

40. I may observe that the Zemindars, under the permanent settlement, do, in point of fact, contribute *nothing* directly to the revenue. They are, on the contrary, recipients of a large amount of public money.

41. The Government made them a present of one-third of the whole Land Revenue of the country on condition of collecting it, that is, they paid to the Zemindar 33 per cent. for doing that which they could have done for about 10 or 12 per cent.; they, in fact, made him a present of 20 per cent. of the existing Land Revenue, and they also handed him over the whole of the land which was then waste, but which is now cultivated or cultivable. Besides all this, as the settlement was styled permanent, they made a further present to the Zemindar of all the money which would have poured into the Government Treasury from the rise of price of produce. In return for all this the Zemindar gives what? nothing, or next to nothing.

42. I cannot think that these people should be allowed to evade the liabilities of their position. It may be that the Government cannot break the bargain which it has so ruinously made with them, but it ought to look for modes in which they may be compelled to contribute their fair share towards the expenses of Government. Here the Government has passed an Act empowering it to levy a rate on zemindary as well as other lands for the maintenance of local roads; but as a further means of reaching the Zemindars, I should strongly recommend the re-imposition of the Income Tax. It is a tax to which few objections have been made, it is one which reaches the class which contributes to such a trifling extent to the revenue, and gradually the machinery may be made more and more perfect, so as, at the same time, to increase the receipts and diminish the pressure upon the honest portion of the community.

(Signed) W. T. DENISON.

LAHORE,
The 30th May 1866.

SIR,

I have the honor to acknowledge the receipt of your letters of the 20th February and 2nd May respectively, calling for my opinion on the subject of imposing additional taxes to relieve the Imperial Revenue of charges of a local character, to the former of which I should not have delayed so long in replying, had I not been under the impression that the further consideration of the matter had been for the present set aside.

The taxes to which you have especially drawn attention, as likely to prove suitable, and therefore entitled to particular consideration, are the following:—

1.—A License Tax on Trades and Professions.
2.—A House Tax.
3.—An Octroi Duty on Towns.
4.—A Succession Duty on land not paying Revenue.

Of these, the 3rd is already in force in this province to the full extent to which, I think, it can be prudently enforced; and the first, you are aware, was introduced in a limited form simultaneously with the Income Tax, but was, after a brief period, discontinued by order of the Supreme Government. This last tax (that on artizans and traders, &c.) yielded about Rupees 8,32,000 per annum; and I have no doubt that, by arrangements more or less modified, it might be made to yield even a larger amount without serious pressure or difficulty.

On the two remaining taxes above referred to, the opinions of this Government were fully communicated in a letter, No 146, dated 18th February 1859, in which Sir John Lawrence, then Lieutenant Governor, intimated that, after consulting the highest Officers in this province, he way of opinion that (No. 4) a Succession Duty on land not paying revenue, as well as on real property other than land, and on hereditary pensions, might be levied with facility, and prove in every way suitable as being a tax quite in accordance with the feelings of the people. While as regards (No. 2), a House Tax, he could not recommend its imposition, save in the form of a license fee on shop-keepers, merchants, and bankers, being of opinion that it would prove an exceedingly unpopular tax, and one difficult of collection. My own opinions, expressed as Financial Commissioner, will be found amongst the enclosures of that letter.

Besides the above, the following additional sources of income, which were pointed out in that letter, are still, in my opinion, well worthy of consideration:—

1.—A license fee on marriages.

2.—A duty on trade crossing our North-Western Frontier into British Territory.

The former of these is entirely in keeping with the usages of the people, and though not now levied by Government, a fee is still very generally paid at weddings to the head landholder, or other party who is in a position to receive it. While, as regards the latter, I can perceive no valid reason why a duty, which was rigidly levied under former Governments, should not be demanded under ours, which affords such vastly increased facilities and protection to the trade entering these provinces. I deem it right, however, to state that when as Financial Commissioner I mooted this point, in a demi-official form, to the most prominent of our frontier Officers, some of the best informed of these altogether objected to the imposition of frontier duty.

By letters of this Office, No. 469, dated 28th April 1859, and No. 999, dated 19th July 1860, a license fee or tax on sale of tobacco was further recommended, and this matter was for a time under the serious consideration of the Supreme Government, though it was ultimately dropped. It was roughly estimated that from this source an income of about three lacs of Rupees per annum might probably be derived in the Punjab; but it would be for the Supreme Government to determine whether this item of revenue, and that resulting from a duty on imports across the frontier, would be most appropriately regarded as a contribution to the Imperial Treasury, or to the funds available for local purposes.

In addition to the foregoing, it was not long ago suggested to me by the Deputy Commissioner of Gujeranwala, one of our principal grazing districts, that there is hardly any class which has benefitted and prospered so largely under our rule, while paying so little to Government in return, as the possessors of large flocks and herds; and he suggested that a tax upon Ghee or melted butter, the form in which the produce of the dairy is in this country mainly employed as an article of merchandize, would, in his district and in others similarly circumstanced, be a most appropriate one. In this opinion I am disposed entirely to concur with him, but the proposal is one which has not hitherto been fully considered or discussed.

On the whole, I have no hesitation in expressing my opinion that the sum indicated by you (£113,887, or Rupees 11,38,870 per annum) may, without any serious difficulty or pressure, be raised in this province, in addition to what is derived from existing sources; provided the mode of effecting this be left to local determination, and the authority requisite for carrying out the measure be conferred. There is at the present time apparent in some parts of the Punjab a very decided desire on the part of the leaders amongst the people to co-operate with the Officers of Government in such matters, as an instance of which, I may mention that a sum of Rupees 10,000 per annum has lately been voluntarily contributed by the inhabitants of the Syâlkôt District in the form of a payment of one Anna per household per annum for the establishment and maintenance of Dispensaries, and support of Native Medical Practitioners, while in that and several other districts, considerable sums have been subscribed for educational purposes, as from time to time reported to Government.

I attribute this entirely to the fact that of late years greater use than heretofore has been made of the more prominent individuals amongst the native community in the internal administration of our towns and of our rural districts. Not only have Municipal Committees and Honorary Magistrates been appointed to a very considerable extent, but a class of Police Officers, named Zaildars, elected out of the people, and drawing small emoluments in the shape of "Inams," has been created in many districts, while a class of general referees, under the various designations of Chaudhri, Panch, &c., have been chosen to preside over smaller tracts, and in the Umritsur Division, a single responsible representative, or head Lambardar, has been appointed, at revision of settlement, in each village, exercising a general control over the other Lambardars, and receiving a somewhat larger emolument than they. Results, in my opinion, of a most salutary and conspicuous character are now springing from this organization, more especially where we have com-

menced from the bottom of the tree, in fixing responsibilities and the exercise of authority, by creating a single representative man in each village. Being of opinion then that the co-operation of the people themselves may be, and to a considerable extent has been secured, even in the matter of self-taxation, by showing them that we look to them, I earnestly hope that in carrying out such arrangements as may now be determined on, we may be allowed to take the leaders amongst the people largely into our confidence, and that no uniform tax for all parts may be prescribed. The objects to be provided for being local,the arrangements for providing funds should, in my opinion, be entirely localized also, so that I would desire to see a large discretion left to the local authorities everywhere, acting, of course, under the general supervision and guidance of Government.

The objects to which you have, in your letter, stated that the proceeds of any new taxes will be applicable are the following :—

Education.	Public Works.
Police.	Repairs and maintenance of roads and bridges.
District Jails.	

To the last of these, I would add the words " and General Conservancy," and I would add to the list of heads—" The establishment and maintenance of Hospitals and Dispensaries," as in the Bombay and Sindh Acts. I think it also well deserving of consideration whether to this heading might not appropriately be added the words " or other public charities." The Municipality of Delhi have lately solicited permission to tax themselves for the support of aged and helpless females who are in a state of destitution, and I believe that, if the relief of distress were included amongst the objects for which local provision may legitimately be made, a very salutary effect would be produced in more ways than one.

I have, &c.,
(Signed) D. F. McLEOD,
Lieutenant Governor.

MINUTE *by* HIS EXCELLENCY *the* GOVERNOR, *dated* 15*th November* 1866, *on* MR. MASSEY'S *letter of* 21*st February* 1866.

When Mr. Massey wrote in February last, it was considered necessary to make permanent provision for an addition of, at least, one million sterling to the existing revenue of India.

2. If a million was needed then, more must surely be needed now. Opium and Customs will both yield less than we expected, and there are other great sources of income which will, I fear, fall below, while some items of expenditure will certainly exceed the calculations made a few months ago.

3. Moreover, our present estimate of expenditure is a minimum one. It is useless to conceal from ourselves the unquestionable fact that, whatever room there may be for a well directed economy in some departments, our expenditure, as a whole, is increasing, and must increase.

4. Thus while, I believe, there is still much field for the exertions of a Military Finance Commission, it is certain that the pay of our Sepoy Regiments must be revised and raised. Prices are permanently rising all over India, and when the unskilled day labourer is getting double the wages he did ten years ago, it will not be possible to keep our Sepoys' pay at the old standard. Compensation for high prices of grain has frequently during the past three years been so high as at some stations almost to double the standard rate of Sepoys pay ; yet for all this the married Sepoy at many stations is almost starving. Already we hear of Madras Sepoys plundering, instead of defending, the grain bazaars, and this not from disaffection, but from hunger. Even if we punish the offenders by disbandment, we shall not be able to prevent a recurrence of the offence, nor of the reckless feeling of insubordination which prompts it, unless we enable the Sepoy to live on his pay.

5. Nor is the case of a married European Soldier better. What has been done of late years to improve his position has not kept pace with the steady increase of prices, and, though we are improving his quarters, it is not generally possible for a married private to live in as much comfort now as it was some years ago.

6. The same is the case with large classes of Government servants in almost every department of the Administration. All but the best paid are becoming discontented ; many to the extent of being demoralized by the present inadequacy of their salaries ; and I see during the past four years a serious falling off in the *morale* of all classes of the public service, as clearly marked as was the general improvement during the twenty preceding years.

7. It is simply folly to shut our eyes to these facts, or to imagine that we can meet the exigencies of a general rise of prices, joined to the growing wants of an Administration which daily becomes more complex and expensive by such an expedient as docking a few menials or clerks here and there. No saving so effected has ever yet repaid the cost of the agency employed to revise and cut down the salaries. The plain fact is, that our old agency was a very simple and comparatively inexpensive one. As the country prospers new wants are created—judicial, sanitary, military, educational, and many others ; some more or less imperative, but all so pressing, in one way or another, that no Government can long refuse to satisfy them. I can foresee nothing short of the disasters of a great war and its attendant desolation which can permanently bring down prices, or arrest the growth of public expenditure caused by the rising prices and increasing wants, which are the sure consequences, if not the natural marks, of a long continued period of peace and prosperity.

8. Then let us contemplate the millions which are needed to house our English Soldiers properly, and to defend our harbours and coasts in these days of steamer transports and armour-clad ocean-going monitors, and I think we must be satisfied that we should be prepared for annually increasing public expenditure.

9. We cannot any longer " rub on" as we have been doing for the past four years. A gigantic effort was made after the mutiny to bring down our expenditure, to increase our income, and thus as the phrase was, " to choke the deficit," which for years had been the chronic disease of our financial system. The effort was very successful, but it was suddenly relaxed, and we are now no safer from bankruptcy than we were when Mr. Laing left us, though we have had a period of peace and prosperity quite unexampled in India.

10. Meantime we have paid off but little debt—we have invested but little capital in reproductive works—we are not financially better prepared for a surely recurrent period of war than we were in 1862.

11. These are some of my reasons for fearing that Mr. Massey has hardly estimated the deficit bequeathed to him by his predecessors at its full amount.

12. However, Mr. Massey proposes to meet the present immediate deficit, which he estimates at about one million sterling, by local funds to the aggregate amount of about £1,200,000 for all India, to be raised in rateable proportions in the several divisions of the Empire, and to be applied in relief of a corresponding amount of charge for local services, which are now borne by the Imperial Revenue.

13. To this new local taxation he would add the old local taxes, estimated at about two millions for all India.

14. From this aggregate sum he would meet the charge for—

1.—Education.
2.—Police.
3.—District Jails.
4.—Public Works.
5.—Repairs and maintenance of Roads and Bridges.

15. As to the taxes by which ways and means are to be provided, Mr. Massey proposes that a discretion be allowed to local Administrations to suit local peculiarities, but the following taxes are specially named as eligible for adoption :—

1.—License Tax on Trades and Professions.
2.—House Tax.
3.—Octroi Duties in Towns.
4.—Succession Duty on lands which pay no Revenue.

16. In considering these proposals, I would first point out that the scheme now proposed to us has little, in common with previous projects of Mr. James Wilson and Mr. Laing, for leaving to local Administrations a certain amount of freedom in the imposition and disbursement of local taxes.

17. Both those Financiers proposed to make over to local Administrations certain items or portions of existing Imperial taxation, together with a corresponding amount of existing liability for charges which are now Imperial, but which might be regarded in some respects as local wants, and then to give powers to the local Government within certain limits if they required more income for such purposes to obtain it either by nursing the old taxes or by imposing new ones.

18. If, for example, road repairs were to be localized, Mr. Laing's plan would have been to select items of taxation not essentially Imperial in their character—say, for example, Tolls and one per cent. of the Income Tax – to a corresponding amount, and to transfer the management of such taxes to the local Government, together with the liability to meet the road repair charges. He would then have conceded to the local Government, with this new liability, some of the powers of the Government of India in dealing with such taxes, or imposing new ones for that specific purpose; and he would have said, "If you want more money you must either husband better than heretofore these old sources of income which we make over to you, or you must devise new sources."

19. It is clear that a plan of this kind contains many elements of success which are wanting in the scheme now before us. No local Administration could well complain if it got made over to its own management existing sources of income about equal to the burden thrown upon it.

20. But the case is far different when the liability is made over, not only without any slice of Imperial taxation to meet the charge, but with an order to apply to Imperial purposes funds heretofore recognized as appropriated to local purposes.

21. For example, a community has been allowed to tax itself for education and water supply. It has required no small amount of argument, explanation, and, so to speak, education of the local community, to persuade them that it is wise to tax themselves in order to have their children taught, or to get a sufficient supply of good drinking water. But at length the point is carried by some zealous and intelligent official,—a local tax is imposed, and the community begins to pay, always with more or less misgiving as to whether there may not be some truth in the insinuations of radical objectors that the whole thing is merely a trick of Government to increase taxation, and that the local benefits promised in return for the local taxation will never be realized.

22. This, I am well assured, is the present state of feeling more or less prevalent in many of the local tax-paying communities in all parts of India; and such doubts as to the good faith of Government are not unreasonable, nor likely to be entirely eradicated, without a few years' practical experience that the new taxes will be really and honestly applied to the local purpose for which they were originally imposed.

23. I need not point out how wide-spread will be the dissatisfaction, and how general the distrust, of Government's fair dealing which will be created if the local tax-payer now finds that the tax which he asked should be imposed upon him to support a school for his children, or to furnish water for his household, is swept into the Government Treasury to pay for Police, or to build a District Jail, or a bridge, in some neighbouring town in which the tax-payer has no interest.

24. No rules that I can think of can prevent this kind of thing happening under the scheme before us to an extent quite sufficient to disgust with the very name of local taxation not only the tax-payers, but the zealous and meritorious public Officers who have heretofore exerted themselves to impose local taxes, and who will naturally feel dishonored and degraded if the promises under which they induced the local community to tax itself are not rigidly and honorably observed.

25. There are also legal objections from which I see no escape. I will instance the district from where I am writing, Poona. Primary Education, Police, and District Jails, are needed as much, or perhaps more, here than in most other parts of the country, and there are some local funds; but a very small amount of the latter are by law available for such purposes as Education, Police, and District Jails. Some of the funds are levied under the Municipal Act for water supply, scavenging, &c.; others under Toll and Ferry Acts for the maintenance of ferries and repairs of roads; and the law in both cases forbids any application of such funds to pay for Education, Police, and Jails.

26. There is only one condition, as it appears to me, under which the scheme before us can be worked without serious injury to our name for good faith, and without a far greater amount of unpopularity than could possibly be caused by the most sweeping measure of general taxation.

27. This condition is, that the existing deficit in the Imperial income as compared with the expenditure, which Mr. Massey calculates at about £1,200,000, should be first supplied by an Imperial tax sufficiently productive to meet the immediate wants of the year; and this having been done, Mr. Massey's scheme might then be introduced with the additional feature of a transfer from Imperial to Local taxes sufficient in amount to meet the enhanced liability now to be thrown on the Local Funds, which would thenceforward have to support such charges as Mr. Massey proposes.

28. It appears to me that the exact resource we require, both as regards character and amount, is to be found in the re-imposition of the Income Tax.

29. It seems to have been forgotten at the time the Income Tax was remitted last year that it never was any part of Mr. James Wilson's original scheme of that tax, and could have been no part of any promise, direct or implied, made by the Government which first imposed it, that the one per cent. which was to be devoted to roads, canals, and other reproductive public works, under Clause 3 of Act XXXII of 1860 (the Income Tax Act), should ever be remitted.

30 A reference to the Income Tax Act itself, as well as to what passed in Council when the tax was first imposed, will clearly show that the tax as imposed was meant to consist of two parts—1st, a variable tax, originally fixed at 3 per cent. on incomes, which percentage it was intended should be raised or lowered as the general exigencies of the Empire required, and which might, if the state of finances should ever permit, be entirely remitted; and 2ndly, a permanent tax of one per cent., which was to be at the disposal of local Administration, and to be expended on roads, canals, and other reproductive public works, within the area which paid the tax. (*Vide* Sections 190 to 194 of the Act). This portion of the tax it was never intended should be remitted. It was always to be kept up, not only to meet the charges to which it was applicable, but in order to maintain the machinery of the tax, so that at any moment of exigence, after a temporary remission, the other portion of the tax, applicable in aid of the general finances, might be re-imposed without agitation, discussion, or trouble. This is not stated in so many words in the Act itself, but I know it was the intention of its framer; and but for his premature death would have been stated with abundant clearness before the Act expired.

31. I refer to this distinction not with a view to revive discussion as to what has been done, and is now beyond recall, but as indicating a fundamental characteristic which may be usefully retained in any future scheme of taxation.

32. Whatever may have been the original value of the argument for giving up the Income Tax, founded on any supposed unconditional promise that it should lapse at the end of five years, that argument can apply no longer. The Income Tax has been given up, not only the variable 3 per cent, the amount and duration of which was to depend on the general exigencies of the Imperial finances, but the 1 per cent. under Clause 3rd, which was intended as a permanent provision for the execution of local public works. The Government has honestly tried its best to get on with the old established resources of public income, and has signally failed. It is now not only a pauper Government, unable to pay properly its Judges, its Soldiers, or its Civil employés,—to make its highways, or other needful public works,—but it is rapidly drifting towards bankruptcy, with cash reserves so low that it is constantly pressed for a few hundred thousand pounds, and tempted to meddle with its Paper Currency, or to borrow to supply its current and unavoid-

able expenses ; and this at a time when the rapidity of the general progress of the country towards a higher prosperity is more marked than at any former period of authentic history, and when the tax-paying powers of the country are greater than ever.

33. Apart from the asserted pledge to try and do without the Income Tax at the end of the first five years, and which pledge, if ever given unconditionally, has certainly been amply redeemed, the arguments against the Income Tax may be summed up in—

1*st*.—Its unproductiveness.
2*nd*.—Its inequality.
3*rd*.—Its tendency to encourage fraud.
4*th*.—Its unpopularity ; and
5*th*.—The handle it affords for oppression.

34. *First*.—As to its unproductiveness, it has been clearly shown by experience while it existed that the Income Tax will at least give all that the Indian Finance Minister immediately requires. It appears to have yielded in five years a gross income of about 8 millions sterling, and a net revenue of £ 7,642,000, after deducting all expenses. This is at the rate of more than a million and a half per annum.

35. But it is notorious that while the Income Tax existed it was very imperfectly assessed. I know but of one district in all this Presidency in which, according to the judgment of our fiscal Officers, the first assessments of Income Tax were thoroughly made and the tax fully imposed to the extent prescribed in the Act, and little was subsequently done, on any system, to raise the tax to its full legal amount, except at the Presidency Town, and even there imperfectly. It became apparent, soon after the tax was imposed, that the Imperial finances were recovering, and that Government had got in the tax as then assessed, as much as was immediately needed. There was a general desire, which Government rather encouraged, to avoid the unpopularity of rigid assessments, and but little effort was in many districts made to enforce the full liabilities under the Act. In some districts the assessments first made were continued almost unchanged during the whole five years, except when appealed against, though it is notorious that the incomes of traders and professional men were at the time generally increasing throughout the whole country.

36. I feel assured, therefore, that the yield of the Income Tax, while it lasted, gives but a very imperfect idea of what it might be made to yield now, if fully assessed and collected. It is, I believe, an undoubted fact that it was not till after the tax had been in operation for several years that any thing like a complete assessment was attained even in England.

37. *Secondly*.—As to its inequality, it is, perhaps, sufficient to say, that a tax on incomes has no pretension to be in this respect a perfect tax, but it has hitherto been found impossible in England to name any alternative tax which should be more free from the reproach of inequality. The difficulty is one of annual discussion in England, and if a new tax of some kind is, as it appears to be, an inevitable necessity in India, we may reasonably accept that tax which in England is regarded, with all its faults, as being least open to objection on this score. It is the only general tax which effectually reaches the wealthy mercantile classes of our large towns.

38. *Thirdly*.—I believe the tendency of this particular tax to encourage fraud has been much over-rated. The taxes which are not open to fraudulent evasion are very few, and all the most productive are, we know, constantly evaded whenever it is worth the tax-payer's while to do so, even in the countries where the science of taxation is most advanced. There are very few taxes, however, which, like the Income Tax, admit of such evasions being subsequently found out and brought under tax.

39. *Fourthly*.—As to its unpopularity, this also is a fault which it shares with almost every productive tax that has ever been invented. But it is, I believe, generally admitted that the actual unpopularity of the Income Tax in India proved in practice to be much less than was expected, and that it gradually lessened to such a degree that there was little popular desire for its remission. As regards the great commercial emporium of Bombay, I can speak with confidence. All men were, of course, glad to escape it, but its remission was not expected, and few wealthy communities, probably, were ever so surprised in such a matter, as were the merchants and professional men of Bombay, when the unlooked for remission of the tax was announced. It is also certain that much of such objection as existed to the tax might have been obviated by a less cumbrous mode of assessment and levy.

40. *Fifthly*.—So as regards the opening the tax affords for petty oppression. This objection has, I am convinced, been greatly over-rated. The minimum of taxable income speedily became generally well known, and the lowest income liable was found to be above the level of the poor and ignorant classes, who are most exposed to be the victims of petty oppression and official extortion. Demand of the tax long preceded payment, and there was ample time for appeal and remonstrance in all the forms of which Natives so readily avail themselves.

41. The result of much inquiry has been that in this part of India, whatever Government may have lost by the illicit connivance of corrupt officials, there has been very little oppression by means of threats to tax those not legally liable to tax. The rich may have unjustly escaped, but the poor have not been subject to illegal extortion.

42. One unexpected result to which most Officers who have had much to do with the Income Tax in India testify, is the general indifference of the Native community to the publication of the sum at which they are assessed. It was supposed that objections to such publicity would be stronger in India than in England, but the reverse proved to be generally the case in a very marked degree, and this removed one great means by which the tax-payers in England are liable to annoyance.

43. In recommending the re-imposition of the Income Tax, I would not be understood as recommending the re-enactment of Act XXXII of 1860 as it stands. The mode of assessing and levying the tax under that Act was unnecessarily cumbrous, and often vexatious.

44. In any new measure of the kind it might be left optional to the tax-payer to follow the English system of declaring his own income, but, as a general rule, Natives would probably prefer to be classed according to their reputed income, with liberty to produce proof if they wished, that they had been classed too highly, and, if they desired it, to have the proof received under the seal of official secrecy.

45. But much latitude might be left to local Governments. The principle of the tax, so much per cent. on such and such sources of income, should be laid down, and the local Governments should be invited to suggest the details of the enactment necessary to give effect to the principle.

46. I may remark that, whatever the objections to an Income Tax, they would be multiplied manifold against any general scheme for raising at once a million, or million and a half, by any other new tax or taxes.

47. No one estimates more highly than I do the wisdom of the latitude which Mr. Massey proposes to allow local Administrations in their choice of taxes, but time and deliberation is an essential element to the success of any such plan ; and an order to raise at once almost as much as the Income Tax yielded, by the imposition of any new tax which may commend itself to the judgment or fancy of the local Administration for the time being, is sure in some, if not many, provinces to cause more inequality, fraud, unpopularity, and oppression, than were ever alleged against the Income Tax, and to be, on the whole, much less productive.

48. Both Government and tax-payers know the worst of the Income Tax, and we know that we can make it now much less obnoxious than it was from 1860 to 1865. This is more than can be said of any other new tax or taxes which are likely to afford the required amount of revenue.

49. Let us suppose the Income Tax re-imposed, and either that or some other existing taxes which yield the requisite amount made over to local Administrations to meet such charges of Education, Police, Local Jails, and Public Works, as now fall on the Imperial Exchequer. Mr. Massey's plan may then, I think, be carried out with great advantage, and the local administrations may be told that if they require to spend more on such objects they may find the means for themselves by a better administration of the old local taxes, or by the imposition of new ones.

50. The success of the system will depend, of course, greatly on the judgment of the local Administrations, but more especially on the manner in which effect is given to the expressed intention of the Government of India to leave much latitude to the local Governments in the selection of taxes for imposition and the on application of their proceeds.

51. I have a very few remarks to make on the taxes to which Mr. Massey specially directs our attention.

1.—*License Tax on Trades and Professions.*

52. This I regard as a very useful, unobjectionable, and almost necessary supplement to an Income Tax, and I would follow out Mr. James Wilson's original plan by making it the Income Tax for the lower orders, embracing all artizans and petty traders, leaving the Income Tax proper to lay under contribution the higher classes of traders, merchants, and professional men, who may be reasonably expected to keep some sort of accounts or returns of their annual income.

53. It will be well that the Government of India should lay down the general principles which it is intended should regulate the incidence of the tax, such, for instance, as the maximum percentage which the License Tax should form on supposed earnings or incomes, allowing proof that such income did not reach a certain specified minimum of earnings to form a title to exemption from taxation.

2.—*House Tax.*

54. Similar general principles should be laid down with regard to this tax also.

3.—*Octroi Duties.*

55. To these I must express a very strong objection. They are generally popular with the larger traders as favoring monopoly, and keeping down petty trade ; with men of property, who do not much feel them, and infinitely prefer them to any tax on property, such as House or Income Tax ; and with officials, who find them productive and easy of collection, and do not see the mischief they do. But they are oppressive to the poor, especially to the small trader, and form a serious check to the natural growth of commerce. They are better than no source of public income at all, and this, I believe, is the best that can be said of them. They are least objectionable in their simplest form, as they approach the character of tolls requiring little examination, or detention of goods.

4.—*A Succession Duty on lands which do not pay Revenue.*

56. This has been already anticipated in this Presidency by our Summary Settlement of Inam lands, and the proceeds form an item of Imperial Revenue ; no addition, therefore, from such a source in this Presidency seems possible. But the income thus derived is precisely one of those items which might appropriately be made over to Local Funds, to enable them to bear a certain amount of Imperial charge similarly transferred.

57. A general Succession Duty on all property would, I believe, be a just and productive tax. It should first be tried in the Presidency Towns, and might be extended.

58. I will briefly refer to what this Government has already done lately to increase our Local Funds.

59. It had become painfully apparent in the years of financial pressure succeeding the mutiny that, inadequate as were the existing made roads in this Presidency to carry the present traffic of the country, the annual grants for repairs were still more inadequate to keep the existing roads in working order. Thus a large portion of what appeared on paper as road-making was really the repairing, or rather the reconstruction of roads never thoroughly made, nor kept in repair, and speedily worn out by excessive traffic.

60. Tolls were consequently imposed wherever the nature of the country permitted of their effectual levy. This was done not because we thought tolls the best, or even in most cases a good, mode of providing for repairs, but as the only practical means to which we could at the time obtain sanction, and as being a degree better than having no repair money at all.

Tolls	6,32,000
Ferries	89,000
	7,21,000

61. The Tolls and Ferries are this year estimated to give rather less than seven and a quarter lacs. Of this about five lacs are probably new revenue derived from tolls imposed within the last two or three years.

62. I would strongly recommend as a means of raising funds for road repairs a Cart or Wheel Tax, such as is levied at the Presidency Town, leaving tolls only to be levied on good made-roads over mountain passes, or on bridges over rivers unfordable in the rains. I believe the Wheel Tax would be much more productive and less unpopular than frequent tolls.

63. During the past two years much has been done, mainly by the intelligent energy of Mr. Ellis, while Revenue Commissioner of the Northern Division, to introduce generally the One Anna Cess, a far less objectionable—I may say an entirely unobjectionable—mode of raising funds in rural districts for roads and education. I need not now describe the vicissitudes of this tax, originally suggested by Sir George Wingate, many years ago, in the Southern Maratha Country. It is sufficient to say that the tax consists of a cess paid with the land tax at the rate of one Anna on every Rupee of Government Land Revenue. The proceeds go to form a Local Fund for making and repairing roads, and maintaining primary schools in the districts where it is levied.

64. This reaches every cultivator who pays land tax to Government.

65. It is intended that the trading and artizan classes should be brought under contribution by a light classified tax on trades and professions, somewhat similar to the License Tax, which has been already discussed. This will not be quite as effectual a tax, nor so uniform in its pressure, as the tax on the cultivators, but it is equitable and useful as far as it goes, and will form a fairly effectual instrument for the taxation of the trading and artizan classes in villages and the smaller country towns. In the larger towns its action will be incomplete unless the higher classes of the commercial community are reached by something more like an Income Tax. This tax on traders has as yet only been introduced into Sind, but a proposal for its extension throughout the Presidency has been for some time before the Government of India.

66. The One Anna Cess has hitherto, except in Sind, been only partially introduced, owing to its having been supposed that its levy might be considered incompatible with the assurances given to the cultivators from time to time when the survey assessment was introduced, that such assessment should for the term of the settlement (generally 30 years) be the limit of taxation on the land. I do not share in this view of the pledge given by Government at the settlement, which I consider applied, and was understood by the cultivators to apply, only to Government land tax, and did not extend to taxation for other than Government purposes But the scruple has prevented the levy of the One Anna Cess in most districts newly settled before 1862, including the greater part of Poona, Nuggur, Sholapoor, and Sattara Collectorates, and the Southern Maratha Country. The Tax is, however, estimated to yield more than 10½ lacs in the current year, exclusive of Sind, which will probably yield with the License Tax 2½ lacs more, making up at least 13 lacs of Rupees for the whole Presidency, and the total income from this source will, for some years to come, annually increase as the old 30 years' settlements fall in.

Estimated Collections.	
Anna Cess for 1866-67, exclusive of Sind, appropriated to Roads	7,63,000
To Education	2,96,000
Total ..	10,59,000

67. Out of Sind much of this contribution is made without any separate legislative sanction, and it is very desirable that a Draft Bill now before the Government of India, which will place the levy of the tax under legal sanction, and secure its appropriation for the benefit of the districts which pay it, should at once be passed into law.

68. It must always be borne in mind that this taxation is not available for the general purposes of the State, but is pledged to make and maintain local roads and local schools, and, if not so appropriated, is clearly opposed to the terms of the 30 years' settlement.

69. Some relief has been afforded to the Imperial Exchequer by the extension of Municipalities, which provide for a considerable amount of road-making, police, public works, and

other charges, which formerly, if provided for at all, appeared as Imperial charges. But the relief thus afforded, though considerable in the aggregate, is rarely, except in the Island of Bombay, sufficiently distinct to be separately shown.

70. Enough, however, has probably been already stated to show that a considerable amount of local taxation has been imposed during the past two or three years, which, if not quite answering Mr. Massey's object in relieving his Budget of old Imperial charges, has certainly greatly diminished the prospective pressure on it, which would otherwise have been inevitable, to meet the growing local need for roads, education, and public works.

71. Having now submitted my opinion on Mr. Massey's plan for relieving the Imperial finances by casting a part of the present Imperial charges on Local Funds, I would venture a few remarks on the general subject of bringing the Imperial finances to an equilibrium by either reducing Imperial outlay or increasing Imperial income.

Army.

72. The Army is, and always must be in India, the heaviest item in the public expenditure. At present, including Stores and Transport charges, and pensions here and in England, our Indian Military expenditure cannot well be taken at less than 16 millions out of a total of 46; and this does not include the cost of Barrack improvements, and other similar portions of our Public Works charges, which will cost us at least another 2 millions per annum for many years to come.

73. This might not be considered excessive, if we got for it an Army which we generally felt was thoroughly effective. But how far does any one who knows our Indian Army consider its present condition as at all satisfactory? Can we rely on keeping up our present European force under all contingencies? Can we safely reduce it, even to meet a temporary emergency? Can we safely concentrate it without danger of serious alarm and possible disturbance in denuded provinces or stations? Where our European force is inadequate have we any, and what, Native Troops so armed and organized that we can, as in former days, use them to fill up gaps in our European line, and to take the same duty as Europeans, either against or alongside European, Turco-Egyptian, or Franco-Algerian Troops? Unless we can answer these and similar questions in the affirmative, can we say that the state of our Army is at all satisfactory?

74. I can only speak of my own knowledge and experience. From the time of my first arrival in the country, 32 years ago, I have had greater opportunities of knowing our Indian Army well than often fall to the lot of men who are not in its ranks, and I must confess my own conviction that the condition of the Indian Army has seldom in my time been, on the whole, so little satisfactory as at present. While its cost is large for a merely Peace Establishment, when compared with the whole State income, many portions of the Army are obviously and notoriously inefficient, and it is not, as a whole, adapted for safe or speedy expansion to a War Establishment.

75. We have ample good material, both European and Native; and in case of need I should hope that, as has happened before in India and elsewhere, it might be moulded into an efficient shape, but not, I fear, without some preliminary startling disasters sufficient to rouse us to a sense of the extreme danger of any foreign power in India which has not at command a really efficient and easily expansible Army.

76. This is not the place, even if space permitted, to glance at the measures of reconstruction needed to make the Indian Army answer this description. I would only here state my conviction that we do not at present get an adequate return for nearly one-third of our whole public expenditure, and that there is no more ample field than our Indian Military expenditure affords for a wise economy, not in the way of reducing total expenditure, but in getting our money's worth for our money.

Public Works.

77. Second in the list, as regards the extent of the charge, come Public Works, the large aggregate amount of which is a frequent source of congratulation when we speak of the good

Estimated at £5,770,000 for all India in 1866-67

deeds of the Indian Government, while the comparative smallness of the result, when looked at in detail, is the theme of almost universal complaint and disappointment. The causes of this disproportion are not difficult to trace.

78. Let us suppose that in France the central administration of roads and bridges, in addition to its own present herculean labours, took upon itself not merely a general but a very minute control over, and interference in, the construction and working of the whole Railway system—that it took cognizance of all municipal, communal, and parochial expenditure on roads, bridges, and public works, which could by any possibility affect any work on which Imperial money was expended—that it undertook the construction and repair of all Light-houses, Government Docks and Harbour works—of all Imperial Government Houses, Public Offices, and Courts of Justice—of Jails, Police Offices, and Lockups—of all Government Colleges, Hospitals, and Schools—of Government Ordnance and other Factories and Mints—of Tanks, Canals, and all works of internal navigation and irrigation—of Dams to control rivers, or to keep out the sea—of Barracks, Fortifications, and Military works and their furniture, and that of all public buildings—of every thing, in short, in which public money can be expended on construction or repair with building materials or machinery on land, together with the general management of all Government forests and firewood reserves.

79. If we can imagine the highly organized "Bureau des Ponts and desChaussees" at Paris thus multiplying its own labours and responsibilities by taking upon itself a great part of the administrative labours of the Ministries of the Interior and Finance, and largely encroaching on the Departments of War and Public Instruction, we may imagine that there would be even more room than there was ten years ago for the complaints of the slow progress of all public improvements in France, owing to the "tedious official routine" and the multitude of departmental siftings which every project has to undergo; and if it could still be said that "the great roads in France are in general in tolerable condition," it would probably be still more true than it is now that "no epithet can convey an idea of the wretched state of the cross-roads in almost every Department. Full of hollows encumbered with stones, or inundated with water, they receive hardly any repair, but are abandoned year after year to the effects of the weather." It might, perhaps, still be added that "notwithstanding the little done by Government to favor locomotion, the traffic on roads increased ten-fold in the 30 years between 1811 and 1841," but the French Public Works Department would, probably, not always get much credit for materially aiding this development of traffic.

See, for instance, the strictures on the French system up to 1855 in the article "France" in the Encyclopedæa Brittanica, volume 10, page 244.

80. But let us try to imagine that this monstrous extension of the labors and responsibilities of one centralized Department was not confined to compact centralized France, but extended to all Europe, except Russia and Scandinavia, and that everything on which public money was to be spent in building or repairing, or in machinery on land, the improvement or defence of Cork or Portsmouth Harbour, or of the Bosphorous, the fittings of the Enfield Factory, or the Royal Mint, as well as a Custom House at Gibraltar, a High School or Barrack at Warsaw, and a road over the Balkan, had to be referred to a Department residing part of the year at Paris, and the rest at a remote watering place in the Highlands.

81. Add that the central authority required all costly projects to be laid before it many months—often twelve—before the work could be fairly begun, and this in a country where the climate and other circumstances render three years more than the average tenure of any one office by an Engineer: thus, as nearly as possible, insuring that the Officer who designed a large work should hardly ever complete it, and that the man to design and the man to execute should be generally different persons.

82. Let us further suppose that the great Central Department exercised its control not in a general way, but with such minuteness that the Government of Holland, Italy, or Turkey was strictly forbidden to plant an avenue of trees on a great public road over a scorching plain,—to

build a traveller's rest-house on a great trunk road through a German forest, or over a Swiss Alp,—to deviate in the slightest essential particular from approved standard plans of barracks, which were always being changed by the central authority, or to undertake any works whatever costing more than £1000 without that authority's previous sanction and approval.

83. Let us further imagine that before giving such approval the Ministry at Madrid, or Vienna, had to furnish explanations, often involving long correspondence, as to why their Engineers had spent £200 on a shed for railway third class travellers—why they put road metal to the breadth of twenty instead of only sixteen feet; why they put kerb-stones to keep the road metal from spreading out—and why in attempting to restore a supply of firewood on the burning plains of Andalusia they deviated from the system which had been found so efficacious in the Government forests of the Carpathians, or Poland.

84. Add that difference of professional opinion on such points not unfrequently ended in a severe censure to the local Government for official misbehaviour, that if the Government thus censured ventured to support its arguments by any appeal to the professional qualifications and opportunities of its own Engineer advisers, as compared with those of the central Authority, it was gravely reminded that the orders were not those of a Minister, but of the Imperial Council, and that the objections to the Imperial plan of rest-house building, or road-making, or accounting for bricks and mortar, partook of the sin of disloyalty to the Imperial Government.

85. If any sytem so extravagant can be imagined as existing in Europe, it would give a very faint idea of the system which for some years past we have attempted to work in India. I say faint because the imperfect means of communication in India, the much greater need of public works, the poverty and ignorance of large masses of the people, and their lack of active public spirit, the want of a sufficiently large body of trained Engineers, and many other causes, render the case of India much worse than that of Europe. Imperfect however as is the parallel, it may help us to understand why our Indian Public Works' expenditure, which looks so large in the Budget, is really so inadequate to the wants of the country—why so little result is got for so much money spent—why all that is spent is really so little in proportion to the vast work to be done—and why so much of the time and ingenuity of every one connected with the subordinate administrations in this Department is devoted not to getting Public Works done, but to reconciling the modicum of work effected with the difficult, and often almost impossible, conditions imposed by distant control.

86. The fact that the Public Work expenditure, large as it seems, is not really adequate to the wants of the country, however well it may be applied, forbids the hope of any reduction in the total of the Budget under the heads now entered as Public Works; but a great economy might be effected, and the money spent would go much further, if the superintendence of the Public Works were so far decentralized as to make the control of the Government of India almost entirely financial.

87. A fixed sum should be assigned annually to each Administration as is now done in the preliminary assignments in October, on which each Government prepares its Budget; and the local Governments should be left to spend this sum to the best advantage, with no further condition than, perhaps, a stipulation that a certain proportion should be devoted to certain great heads of really Imperial importance; such, for instance, as Military shelter or defence. Each Administration should state annually, as soon as possible after the close of the working season, what it had done with its assignment, how many miles of road had been made and where, and what permanent buildings had been erected; but as to all details, the Government of India should take it for granted that the professional advisers and Executive Officers of the local Governments are competent to decide every ordinary point regarding common roads, buildings, and other works, and the Government of India should content itself with the assurance that if something might be gained in point of ultimate perfection by sending the plans many hundreds or thousands of miles to be revised by Officers under the Government of India, much more would assuredly be lost in delays and in a diminution of the work ultimately done.

88. At present all the preliminary details regarding any costly work, however simple, are gone over twice, or oftener, and the expenditure on the establishments necessary for this repeated examination of details must be something enormous. In place of these establishments, the Government of India should employ the best Officers in every Department as Travelling Inspectors to report, in the first instance, to the local Governments, and ultimately to the Government of India, on the comparative merits of every kind of public work in every part of the empire.

89. Every province has some peculiar excellence of its own: the barracks of one, the roads, the bridges, the anicuts, the canals, the architecture, the masonry of others, are the best of their kind in India; one province prides itself on the cheapness of its works, another on their durability; and a frequent personal inspection and criticism of all by selected Officers, who did not confine their observations to one province, but who saw and personally examined all they discussed, would speedily do more to raise the general standard of public works, and to ensure better results for the expenditure than ages of paper sifting by accomplished clerks in a Central Office.

90. I would, once for all, disclaim anything like a personal application of the opinions I have ventured to submit. I know no more accomplished or high-minded body of public servants than are to be found in the Indian Public Works Officers. The Government of India has, as it ought to have, under its immediate orders some of the ablest and best, and, speaking generally, no faulty system was ever worked with greater consideration and courtesy, or with a more single eye to the good of the public service. But the system is radically bad, and can be no more redeemed by an exemplary body of officials than that which has just centralized Austria into political paralysis. To revert to our old parallels, let us remember that Bengal is larger and more populous than either France or the old Austrian Empire, and probably not poorer than Austria; that Madras is much bigger and twice as populous as European Turkey; and that probably the most ardent centralizer in a French bureau would shrink from any proposal to manage the roads and bridges of the Ottoman Empire from Paris as a centre, though that would be a light task compared with what is now attempted in India.

91. There is one considerable branch of Public Works expenditure which ought never to appear as a debit to revenue, *viz.*, expenditure on works of irrigation. To this extent nothing but action, on principles which have been long since almost universally acknowledged, is needed to relieve the Public Works Budget from a very heavy burden, while it would ensure the rapid completion of works, which must add greatly to the general revenue. There are, probably, few unprejudiced men who now feel any doubt as to its being sound economy for Government to borrow at 5 per cent. for the execution of works of irrigation, even should our attempts to get them executed by private enterprize fail; nor has any reasonable man, I believe, any doubt that before a single million could be expended by Government on well selected works of irrigation the interest of the money earliest laid out would begin to be covered.

92. The same remarks apply with almost equal force to the great trunk communications of the country. On our present system, and at our present rate of progress, it will take centuries to connect the great capital towns of India by means of common bridged roads. But an annual expenditure not larger than what is now laid out in making trunk roads, if devoted to guarantee interest on railway outlay, would complete the net-work of railways in ten years.

93. I would add that experience strengthens my conviction as to the soundness of the views so ably stated by Mr. Maine in his Minute on Irrigation, published about two years ago, as to the wisdom of an intimate association of Government with private enterprize in all great public works, especially those which have some of the essential characteristics of a monopoly. The guaranteed Railway system secures many of the objects of such association. If any apparently better system can be devised, let it by all means be tried; but, till a better system can be proved possible, I would advocate an extension of such guarantees.

94. While on this subject it may be well to bear in mind that no systematic attempt has yet been made to obtain Indian capital for such works. All our existing schemes are framed to meet

the peculiarities of the English Stock Exchange. I trust the plan lately proposed by Mr. Erskine, or any other which may be considered better adapted to draw out Indian capital, may have a trial.

95. On the expenditure which is directly productive, I would say a very few words.

Opium.

96. Under this head we spend one and three quarter millions to obtain from Opium a revenue of six and three quarter millions sterling. Every year's observation confirms me in the belief, which I have often before expressed, that the disregard of all sound maxims of Political Economy, which is shown by our maintenance of the Government monopoly and manufacture in Bengal, joined to our neglect of the plainest dictates of prudence in keeping up the present excessive price of Malwa Opium Passes in Western India, must rapidly ensure the decline and final extinction of this branch of revenue.

Opium.

Estimated Receipts for 1866-67	... ...	£ 8,500,000
Expenditure for ditto	... ...	1,762,000
		£ 6,738,000

97. It is not many years since the production of Opium in China itself was supposed to be impossible. We now know that it is an extensive and annually increasing article of Chinese agriculture ; in like manner a very few years ago the idea of an export of Opium from the Persian Gulf was ridiculed, and I am now assured that the export has of late so greatly increased that it is expected before long to afford freight sufficient for an occasional separate steamer direct from the Persian Gulf to China.

98. We have in India two opposite systems of taxing Opium—one the fee or passport system, in force in Western India, which is not at variance with the laws of Political Economy, and which promises to afford the largest possible revenue for the longest possible time, provided we do not stimulate production in other countries by pitching the tax on passports too high. It involves little expenditure for establishment, and is not obnoxious to the moral objections which are urged against the system of Government manufacture in Bengal.

99. The other system in force in Bengal is not only obnoxious to all the objections, economical or moral, which do not apply to the Western mode of taxation, but is certain, sooner or later, to be ruined by the often proved impossibility of conducting any manufacture by Government monopoly on such sound commercial principles as to compete with commercial success in a free foreign market which has other sources of supply.

100. I would earnestly commend this subject to the attention of the Finance Minister, not merely with a view to save the large expenditure on establishments and capital, which the Government manufacture in Bengal requires, but in the hope of bringing the production and taxation of Opium into a sound natural condition, such as may leave the Government revenue from it nothing to fear save the inevitable results of competing production in countries over which the Indian Government has no control.

101. Omitting expenditure which, like that on Stamps and Post Office, might, with some increase of immediate charge and better arrangements, be made much more productive and useful than at present, I would beg attention to the charge for Electric Telegraphs, and would observe that no one practically acquainted with the present working of the Government Telegraph can doubt that, instead of being a dead loss of nearly a quarter of a million, the practical monopoly which Government enjoy on so many lines would yield, in private hands, a very considerable addition to the resources of the State.

Telegraph.

Estimated Expenditure for 1866-67	£ 406,000
Estimated Receipts for 1866-67	,, 184,000
Deficit	£ 222,000

102. It would be out of place here to discuss the numerous causes which contribute to render, what ought to be a source of revenue, such a heavy charge to the State ; but I have no doubt that a Commission of Inquiry, assisted by at least one practical man well acquainted with the working of Telegraphic lines in Europe, but unconnected with Indian Telegraphs, would in a very few months enable Government to ascertain the true causes of the present heavy loss to the State, though, probably, some time must elapse before the lines and other apparatus, and the establishments, can be sufficiently improved to enable them to yield as much as they would in private hands.

103. Under the head of receipts, I have but two observations to make.

Land Revenue.

104. The first applies to the Land Revenue more particularly of this Presidency.

105. Under the system of late years in force the land revenue of Bombay has been steadily increasing along with, though not as rapidly as, the improvement which has taken place in the general condition of agriculture. The earliest settlements made under the present system 30 years ago are now falling in, and the question whether the new settlements shall be declared permanent must, under late orders from the Secretary of State, necessarily arise.

106. It is, however, a subject for grave consideration whether the application of Lord Canning's Rules, permitting the redemption of the land tax at the new rates in the re-settled districts, would not be a far safer plan, both as regards Government and the cultivators.

107. As regards Government, because, while no possible loss of present revenue can accrue if the sums received in redemption of land tax be invested, as provided in the Rules, in the purchase of Government Securities, there can be no doubt that the creation of so much absolute private property in land will greatly enhance the value of all other lands, even of those on which the land tax is not redeemed, and Government will retain the right of periodically raising the assessment on unredeemed lands in proportion as the value of produce rises with improved means of communication, or with changes in the value of money.

108. The cases in which the right of redemption of the land tax will be claimed are not likely to be numerous. If one in twenty of the tax-payers were to redeem all his land tax, the diminution of Government Land Revenue at one-twentieth of the present amount would only be one million sterling in all India, while a corresponding amount would be practically wiped off the public debt by investment in Government Securities. But many years must elapse before the redemption could be expected to reach this amount, while at the same time every cultivator would have at command the means of securing himself against any agricultural improvements he may have made, being taxed at the periodical revisions of assessment.

109. To the cultivator, on the other hand, the option of redemption has this advantage over a permanent settlement that, while it enables him to secure from taxation any improvements he may make on land of which he has redeemed the land tax, it still leaves him free on his unredeemed land from the possibility of loss owing to a fall in prices.

110. The cultivators hereabouts are well aware that 60 years ago prices were much higher than they are now ; that 20 years ago they were much lower than now ; and that though a further gradual increase of prices may now be reasonably expected, yet the contrary result is by no means improbable, and many of them do not by any means regard with favor a proposal to fix them for ever, even to their present most favorable rents.

111. I have ascertained by inquiry from many intelligent cultivators that they would actually prefer the present system of 30 years' leases, with power to redeem the land tax on particular fields, to any permanent settlement we could offer them.

Customs.

112. As regards Customs, I believe Mr. Massey has before him a plan for following out our English system, by placing on the free list all articles which yield a very small amount of revenue, and by abolishing the greater part of the Export duties. I would only beg to express my strong conviction as to the beneficial financial results which are likely to follow both measures.

H. B. E. FRERE.

15th November 1866.

MEMORANDUM.

1. The principles on which these proposals are based, may be summed up as follows:—That so far as it is found practicable, the entire responsibility of managing the local revenues and expenditure, should be placed on the local Governments. This change should be made by degrees so as to avoid all risk of confusion in the public accounts, and so as to educate the local officers in matters of financial administration. That it is by no means necessary, or even desirable, to strive at first after any great theoretical refinement in the adjustment of the relative claims of the various provinces to participate in the revenues. The measure should be carried out in a practical manner, on the basis of the existing actual expenditure; so that when any specific charge is made over to a local administration, sufficient revenue should at the same time be provided to meet the actual charge, without attempting to enquire too closely how far the distribution of the elements of charge and of income are alike in different provinces. Neither in such an adjustment, would it be rigorously necessary to make the transfer of any minor item of income involve the transfer of the corresponding charge. Where the charge is really the cost of collection of the revenue, the position is quite different from the case in which, coincident with some administrative outlay, a contingent minor source of income is created.

2. The end to be aimed at, would be to divest the Central Government of all detailed concern with those items of expenditure which pertain to branches of the administration, the details of which it cannot in fact control. Thus the financial position of the central authority might by degrees be brought to assimilate generally to that of the United States' Central Government; though of course a power of supervision and control of a general nature, must continue to be exercised over the finances of the separate local administrations under a despotic Government like that of India, which has no existence in the case of democratic America.

3. This change is of a different character, and of a much more organic character, than has hitherto been sanctioned by the Government of India in the suggestions made with its consent as to the transfer of local charges to Local Governments. The idea commonly taken up till now has been to assign certain existing charges to the Local Governments, leaving it to them to find from local sources the means of meeting such charges, and so absolutely relieving the central finances to the extent of the transfer. It is not difficult to understand that such a method of dealing with the question has not been received with any enthusiasm by the Local Governments. The present proposal is, not only to transfer charge, but at the same time Revenue also to meet the charge, it being understood that such transfers are final, and that the Government of India will thenceforth attend to no claims for additional funds to meet increased expenditure under the heads of charge transferred; and that all such increases must be met from the expansion of the revenue transferred, or from additional local taxes. The question of the expediency of adding to the sums now available for local expenditure by means of local taxation, is left to be dealt with, as the occasion may arise, altogether separately.

4. The first object has been to select, for the series of charges now to be transferred to the local authorities, those items of expenditure which, being least susceptible of control by the Government of India, give, as a whole, an amount of such dimensions as will not be difficult to manage, and yet will be of sufficient importance to indicate that the measure is intended to be a reality, and a step towards a more complete transfer of the financial administration to the Local Governments.

5. Taking the civil estimates first, it seems the most convenient method of proceeding, to transfer a few entire grants, or sections of grants, in preference to selecting special items from several grants. It would lead to much trouble in the accounts if the miscellaneous and variable charges under all the heads of service, were eliminated and dealt with distinctly from the fixed charges. By adopting the plan suggested, no change whatever in the system of account will be called for; the only alteration will be, that certain sections of the grants for various purposes will be provided in a special manner.

6. The only exception to this rule is made in dealing with the head 'Miscellaneous' which, as its designation implies, is rather an incongruous collection of charges. Among these would be retained, for transfer to local management, all those items which could reasonably be termed local. The distiction may readily be made, and cannot lead to any practical difficulty, and the residue, not regarded as local, could easily be classed under some of the other main heads of charge.

7. Statement No. I, annexed, shows in a tabular form the transfers of civil charges proposed in the present illustrative scheme.

8. The most important of the civil charges which it is suggested to transfer, is the entire cost of 'Jails,' subordinate to 'Law and Justice.'

The charges for "Registration" and "Tulubana," also under 'Law and Justice,' follow. These are met from special fees credited under the head of "Law and Justice."

To set off against the above charges, a transfer of the entire revenue under 'Law and Justice' is also proposed.

Under "Education," the "Miscellaneous" charges are proposed to be transferred, with a corresponding transfer of the whole revenue credited under "Education."

Next follows the whole of the charges under "Medical Services," excepting the fixed "Medical Establishments" and "Chemical Examiners."

The entire charge under "Stationery and Printing" is also taken.

Under "Police" the charges met by contributions from local sources are transferred, including the Railway Police. Against this is set off the whole receipts under "Police."

9. Besides the above, it is proposed to transfer a portion of the charges for the collection of the Land revenue, and of an Income Tax and License Tax, which, for the sake of illustration, it has been supposed may form parts of the available resources of the State. On the hypothesis that a portion of the revenues under the heads just named is assigned to the local revenues to make up a sum sufficient to cover the general charges which would be transferred, the propriety of transferring a corresponding portion of the cost of collection seems apparent.

10. Under the designation of charges of collection of the land revenue, are not included the cost of the Revenue Survey or Settlement, as these items of outlay are exceptional and liable to vary greatly. On the other hand, the charge under "Allowances to village Officers," is included, because it is a permanent set off against the land revenue of the general nature of the charge for collection. This item principally affects Bombay. A separate Statement No. 5, shows the result of including all deductions from the land revenue among the charges, a share of which are to be borne by the provincial funds.

11. The whole amount of these transfers from the civil charges, taking the figures of the estimates for 1867-68, would be £1,569,900. Besides this, a transfer of about equal amount is proposed from the Public Works charges; but this will more conveniently be noticed after an explanation of the proposed transfers of revenue.

12. Statement No. 2 shows the proposed transfers of Revenue in the illustrative scheme.

13. The first and principal transfer of revenue is a portion of the land Revenue, which it is proposed to fix at one-sixteenth or one anna in the Rupee. This same rate will govern the proportion of the charges for collection transferred.

14. The transfer of this portion of the land Revenue is considered to be justified by the consideration that the land Revenue is perhaps the best general standard by which to measure many of the claims for public outlay. Particularly this seems to hold good as regards the provision of roads, the whole of the charges for which it will be seen hereafter are supposed to be transferred to local management. It is mainly to the agricultural interests that good roads are of importance. India being essentially an agricultural country, and its wealth depending so greatly on the possibility of its produce being exported with profit, the construction of roads is of the first necessity for general prosperity. It may be said, with a close approximation to the truth, that the original outlay on the first production of almost all Indian exportable staples is so small, that their ultimate cost is almost entirely dependent on the cost of their transport from the place of production to the coast. Admitting fully that a suitable burden should be put on the commercial classes to secure their contributing to the payment for such works, still it can hardly be disputed that a greatly preponderating claim lies against the agricultural classes, which, it may be considered, is met by such a transfer in their behalf from the Land Revenue, as is proposed.

15. To accomplish such a change in the system of dealing with the expenditure and income as is contemplated, it becomes essential to assign a large sum to the Local Governments from some

sources of imperial income; and, on the whole, the Land Revenue seems one of the items with which it is best to deal in a first preliminary measure. Of the other large items of revenue, the only one which has a fairly equable local incidence, seems to be "Abkaree." But the present scheme purposely abstains from touching this, because it seems likely to be capable of being made hereafter a fair set off against the charges for "Police," to meet which the Abkaree duties were, it is believed, first raised.

16. The income under "Stamps" is at the present time very uncertain, and it is therefore not a suitable item to deal with. The revenues under Customs, Opium, and Salt, are all very exceptional, and have no direct relation to local resources or requirements.

17. The next item of revenue supposed to be taken is a share taken at one-fourth of the assumed Income Tax and License Tax. The figures are for illustration assumed on the best data that were available.

18. It has been suggested that a definite share of these taxes shall be assigned to the Local Governments, with a corresponding portion of the charges of collection in order to give to the Local Authorities a direct interest in working the taxation of this sort in the most profitable manner. There is reason to think that this principle of sharing the revenues between the central and local authorities, is one which might generally be found useful in practice, not only on such grounds of economy as have just been noticed, but also as giving a means of creating distinct local revenues without the introduction of new forms of taxation, and without the action of separate tax-gathering establishments, both of which necessities must arise under any other system, and both of which are, if possible, to be avoided.

19. As a development of the same plan, it might be suggested that the Local Governments should be enjoined to give to the localities where the Income Tax and License Tax were raised, a specific portion of the share of those taxes which would be made over to the local revenues.

20. A somewhat similar system might perhaps be adopted hereafter with respect to the Abkaree Revenues. It would be a question for consideration how far the Local Governments might in such a manner be authorized to make a special increase of existing taxation for local purposes, should it be found necessary, without any important change of financial system or disturbance of public opinion, by the introduction of any strange form of taxation. The additional cesses already levied in many parts of India in connexion with the regular land Revenue, may be noticed as affording illustrations of such a mode of proceeding, by means of which valuable resources for local improvements of various sorts have been furnished without exciting any complaint from the country.

21. It seems right to require hereafter that, wherever a ratable increase of the land Revenue is levied for local purposes by means of the general revenue establishments, a ratable share of the cost of those establishments shall be borne by the local fund created. It is not wholesome that the charge for collection should rest with one party, while the advantage of the increased revenue is all with another. Under the existing system, such matters might fairly be regarded as complications not of sufficient practical value to be worth enforcing. But to establish a thorough and satisfactory local financial administration, the whole force of the strict principles of economy must be brought to bear, and what, under other circumstances, might seem trifling, then becomes important.

22. It is next proposed to transfer the whole of the receipts under the following heads:—

"Law and Justice,"
"Police,"
"Education,"
Also all "Miscellaneous,"

excepting items of a financial nature.

23. Also all the income under "Public Works," excepting that derived from Irrigation Works.

24. The aggregate of these items of revenue on the estimate of 1867-68 is £2,765,300, which, after providing for the civil charges before detailed, will leave a residue of £1,195,400 applicable to Public Works. Statement No. 3 shows the proposed transfers of Public Works charges.

25. The first and most important item of expenditure, under Public Works proposed for transfer, is "Roads." The whole of the outlay under this head, both for New Works and Repairs, would, under this scheme, be placed under the Local Governments, to be met for the future from the revenue assigned as above explained. No grants would hereafter be made in the regular Public Works Budget for this class of works, unless under circumstances of an extraordinary nature, or, in the case of the backward provinces, which called for special aid from the general resources of the State.

26. The importance of taking a step in this direction, by which the general revenues shall no longer be saddled with the constantly increasing charges for road construction and maintenance, has long been felt by the Government of India. It is quite obvious that the Central Government cannot with propriety undertake to provide for the maintenance of roads all over India. Such a burden must sooner or later be made to fall on local resources, aided by some contribution from the general revenues. The proposal now made, by which one-sixteenth of the Land Revenue shall be assigned in aid of road construction, and the miscellaneous civil charges, seems to offer a satisfactory means of facing this serious difficulty.

27. It would be a part of this proposal to declare that, after such an arrangement had been concluded, the Government of India for the future divested itself of all responsibility for providing funds for roads in any part of the country. That if anywhere additional funds were needed, they must be obtained by local taxation, and that it seemed probable that an additional cess, not exceeding one Anna in the Rupee on the land Revenue, would yield an income likely, for some considerable period at all events, to meet all possible requirements.

28. All provinces of India being thus placed on a common footing, there would seem to be no sort of reason why Bengal should not be called upon to contribute an additional cess for road construction, notwithstanding the permanent settlement of the revenue. A cess of one Anna in the Rupee would give nearly £240,000, which, added to the sum likely to be available for roads under the scheme now suggested, namely, £200,000, would give an aggregate of £440,000 which should be a full provision for the wants of Bengal, exclusive of the other sources of special income which it already possesses.

29. It does not follow that the full extent of the additional special road cess should at once be levied; for all that is desirable is, that wants felt to be of real importance should be met; and an increase of available means, far within what has been mentioned as a maximum, would doubtless give great additional freedom to the operations of the Road Department.

30. It is impossible to urge too strongly the importance of good roads to the agricultural population. So great does this seem to be that it is not too much to say that the direct and immediate profit to this section of the community which would be got by the construction of good roads leading to the chief market towns, consequent on the reduced cost of the transport of their produce to the marts where it was sold, would probably far exceed the contribution of one Anna in the Rupee on the land Revenue paid by them. It was, in a great measure, due to the excellence of its roads that England so early became prominent among the nations of Europe for its superior wealth and industry. Roads and progress are everywhere seen to go on together, and the absence of roads is a certain sign of a backward condition of the people. Among the most powerful of the secondary causes of the intensity of the recent famine in Cuttack was, without question, the want of roads. To this may be attributed, in a great measure, the habitual stagnant condition of trade in Cuttack which lay at the bottom of the sudden failure of the food of the population, and continues to interpose many obstacles to the return of those districts to a healthy condition.

31. Such a development of roads as is quite essential to the true prosperity of India, can only take place through the instrumentality of a distinctly local agency. It is preposterous to think that such affairs can be properly controlled from a Central Department, and the sooner a complete and final transfer of the responsibility for meeting this class of wants to the Local Governments is accomplished—they at the same time being given to understand that their wants shall be supplemented in some such manner as has been indicated—the better will it be for the country at large.

32. The other items of Public Works expenditure proposed for transfer, will call for no special comment. They will include all the minor works of all sorts, excluding Military Works. They will be—

Repairs of Civil buildings;
Miscellaneous works, both new and repairs;
Tools and Plant.

The expenditure excluded is either not local in its character, or is of a special nature which will call for special grants.

33. Military Works call for no remark.

Civil Buildings—original works—will, in most cases, be of a special nature easily provided for under special grants. In the case of the North-Western Provinces an exception has been made by including the charge for new Civil Buildings among those to be transferred. The sum available in the North-Western Provinces, after meeting all other charges, admitted of this being done; and, as was stated in the outset; the proposals now made are intended to be of a practical nature, so as to effect an adjustment between actual charges and actual income, without affecting to deal with theoretical considerations of equality.

Irrigation Works, Embankments, Navigation Works, are also excluded, both new works and repairs. These are all special works which, at all events at the outset, may better be left under the old system of control.

Charges for Public Works Establishments it has also been thought best to leave as at present.

Railway charges are also excluded from the proposals.

34. The aggregate of the Public Works charges, according to the estimate of 1867-68, which it is proposed to transfer to be met by the residue of revenue before stated, amounts to £1,330,900. This is £139,100 in excess of that residue of revenue. The nature of this excess, and the way in which it would practically be dealt with, will next be explained.

In Bengal and Bombay the available revenues assigned would have been slightly in excess of the Public Works charges to be transferred.

In the North-Western Provinces there would be a deficiency of £17,600. This may be held to arise from the extraordinary grant made for new Civil Buildings amounting to £113,700—the average grant of past years not having exceeding £80,000. In this case either a special grant would be given, or the extraordinary grant would be reduced.

In the Punjab there is a deficiency of £39,700, which may be regarded as due to the extraordinary outlay on roads, for which a special grant would have been needed.

In Madras there is also a deficiency of £24,000. This, too, may be regarded as due to extraordinary outlay on roads. But here it has to be noticed that the outlay is for repairs, and not for new works; and further that the charge is nearly 50 per cent in excess of the highest corresponding charge in any other province of India. The Budget grants and corresponding actual charges for road repairs, have long been far higher at Madras than in any province. The only possible ground for this has been, that there were no local funds at Madras to bear such a burden. But now a special road cess of half an Anna in the Rupee on the land Revenue is being levied for road maintenance and construction, which will yield about £130,000. This being the case, the road grant to Madras might properly be reduced henceforth to a sum more similar to that given to the other larger provinces; and if this be admitted, the deficiency in the case of Madras would have been met by a reduction in the road grant from £179,000 to £155,000.

In Oudh there is a deficiency of £7,900 again owing to the large road grant. For the future the assignment of revenue proposed should probably suffice, because the land Revenue is known to be likely to increase largely when the new settlement is finished.

The Central Provinces show a deficiency of £54,400. They would require a special grant to cover the deficiency.

Burmah also shows a deficiency again caused by an extraordinary road grant in 1867-68, and extraordinary work under Miscellaneous for a Lighthouse. This would be met by special grants for these objects.

On the whole, it is only in the Punjab, Central Provinces, and Burmah that any special grants to supplement the assignment of revenues suggested, would have been needed to have provided for the charges that have been proposed for transfer. These three Provinces are quite in a position to call for special assistance; and the extra sums which would have been found necessary under this scheme are not far from what, on general considerations, has, in fact, been assigned for some years past in excess of what otherwise might have been thought their ratable share of the sum available for these classes of Public Works.

35. The above remarks apply to the estimates of 1867-68. But as there is naturally some little fluctuation in the Public Works grants from one year to another, it has been thought desirable to show what has been the actual outlay on the various classes of works referred to, and to place in juxtaposition with these figures the estimate of 1867-68, and what might be regarded as a fair normal grant at the present time. Statement No. 4 shows such a calculation in connexion with the scheme under consideration. Taking as a basis the so-called normal estimated charge, the general results would not be in an important degree different from those deduced from a comparison with the estimate of 1867-68. Special grants would be needed by the Punjab of, say, 4 lakhs or £40,000; by the Central Provinces of 6 lakhs, £60,000; and by Burmah of, say, 1½ lakhs, £15,000, very nearly as before. It may, therefore, be concluded that the scheme would be likely to answer generally, so long as no violent changes took place in the elements of revenue, and on the supposition that an Income Tax and License Tax were in existence and the returns fairly estimated.

36. It is, of course, not very important that extreme accuracy of adjustment should be obtained in setting off elements of revenue against charge in this manner. It must be expected that a little irregularity will occur at first in initiating such a measure, and any important deficiency in any source of revenue could be compensated by a special grant. Such a grant of aid would, however, only be legitimate at the outset of the new arrangement, and should not be given to make good excessive outlay under any circumstances.

37. The first thing that would be required would be the organization of Local Financial Departments, under the Local Governments to which the change was extended. This requirement could apparently be met, by a very small modification of system and practically without additional expense, by transforming the Local Accountant General into a Financial Secretary also. Virtually the local head of the Accounts Department is now the referee of the Local Government on all questions that arise in relation to the finances, the references now being made by letter through one of the Secretariat Offices. If the Accountant General became also Financial Secretary, the references would be made direct; and time and correspondence would be saved.

38. It might be objected that, under this arrangement, the Local Governments would not have the appointment of their Chief Financial Officer in their own hands. This must be admitted. But, for the present at least, it is quite essential for regularity, that the Government of India should have perfect security that the Officer at the head of the Local Finance Offices is properly qualified to discharge his duties, and such qualifications as are necessary could only be obtained by actual experience in the General Account Department.

39. The position of the local Financial Secretary, in fact, would be quite analogous to that of the Public Works Secretary under a Lieutenant-Governor who is appointed by the Government of India from a special class of Officers. It is always the custom to consult the Local Governments before such appointments are made in the Public Works Department, and the arrangement is believed to have worked well in practice: a similar system might be followed in these financial appointments. When the Local Financial Administration had been placed on a perfectly satisfactory self-regulating basis, it would be time enough to consider how the Local Governments might exercise more full discretion in respect to the appointment of the local Financial Secretary.

40. The next step would be the re-distribution of the income and expenditure which is now dealt with under the general name of Local Funds. These so-called Local Funds include, in fact, a considerable income which is truly public revenue in its nature, though applied exclusively under the Local Governments. All this portion of the Local Fund revenues, and the corresponding expenditure which, as a rule, is administered under the direct orders of the Local Government, might conveniently be separated from the remainder, which is collected and disbursed by municipal or other local trusts, in a great measure without Government interference. To the former portion might be given the name "Provincial," the term "Local" being henceforth exclusively applied to the latter portion.

41. Under the arrangement proposed for transferring portions of charge and revenue to the Local Governments, the transferred charges and income would at once pass into the condition of Provincial expenditure and revenue, and would then be exclusively administered by the Local Governments. The Provincial Budget would eventually, when the change of system had been com-

pletely effected, exhibit the whole of the estimated public income and outlay of the province in respect to those items which were not retained under the Central Government.

42. There is some reason to think that the existing Local Fund accounts are not every where in such a condition as to admit of an immediate adoption of this system however. It would be an absolutely essential condition of success in making the proposed changes to place the accounts, of the Provincial revenue and expenditure, on a perfectly sound basis, and to classify all elements of income and charge so as to make the Provincial and Imperial Accounts susceptible of amalgamation for the purpose of exhibiting the aggregate receipts and disbursements of the whole country in a clear manner.

43. Until the Provincial Accounts were thus placed on a perfectly satisfactory footing, some provisional arrangement must be made for dealing with the transferred charges and revenue handed over from the Imperial Accounts. With this object, and further to secure the accounts of the Government of India from all risk of confusion during the transition state of things, it might be desirable, say for one year, that the *form* of the Imperial Accounts should not be changed, nor the system of dealing with expenditure. The Local Government might still, in form, act as though the alteration had not been made. All sanctions before necessary might still be obtained *pro forma*. At the same time it might be understood that the Government of India would not interfere, unless for some very obvious reason, in the detailed application of the assigned revenues to local purposes.

44. To admit of a proper control being exercised over the expenditure transferred, it would suffice for the present for the Local Government to have a subsidiary account prepared, exhibiting the whole estimated new provincial income, and the new provincial expenditure.

45. It would of course follow that any surplus of the assigned revenues remaining after the assigned outlay had been met, would belong absolutely to the Provincial Revenue Fund, and in the future, would be applicable at the discretion of the Local Government to local objects.

46. In the event of the provincial outlay exceeding the income in any year, the difference would have to be made good without fail in the following year; and the Government of India might exercise a discretion in regulating the margin which should be required to be left to meet unforeseen fluctuations of the provincial revenues and charges.

47. Also, it must be understood that in dealing with their provincial revenues, the same finality must be held to attach to appropriations for the main heads of service which is now enforced in dealing with Imperial revenues. Within the major grants, modifications might be made; but the major grants themselves could not be increased, excepting in two ways,—*First*, by the appropriation of ascertained surplus funds existing at the commencement of the financial year to the credit of the Provincial fund, and remaining as a reserve, after the service of the year had been provided for, on the estimates; *Second*, by the special permission of the Government of India in any case of well-established urgency. The application of the reserve balance should not be allowed to degenerate into a practice of making grants during the currency of the year. These limitations on the freedom of public expenditure are imposed on the executive Government in every civilized country, and long experience has shown that they are essential to public economy. A check which is placed on Her Majesty's Government, cannot be deemed unreasonable in the case of any subordinate Government in India.

48. The rules regarding creation of establishments would, for the present, not be altered. But it would be understood that for all but gazetted appointments a reasonable discretion would be freely allowed to Local Governments as regards the heads of service transferred to the Provincial Account.

49. It seems better not to attempt to go in any detail into the sort of changes which would be required in the system of accounts now in force to accommodate them to the suggested alterations of administrative control. There is, however, no reason at all to anticipate any particular difficulty; and so far as the Public Works Accounts are concerned, a combination of imperial and local works is already dealt with under the established system.

SIMLA,
17*th August* 1867.

No. 1.

STATEMENT of proposed transfer of charges based on Estimates of 1867-68.

Provinces.	Total Land Revenue charge, excluding Survey and Settlement.	Total allowances to Village Officers.	Civil charges to be transferred to Provincial Accounts.																Total.
			One-sixteenth charges on two preceding columns.	Income and License Tax, cost of collection at 5 per cent. of receipts.	*Law and Justice.*				*Education, Science and Art.*		*Medical Services.*		Stationery and Printing.	*Miscellaneous.*					
					Jails.		Registration and Tulubana.		Police charges met by contribution, and Railway Police.		Miscellaneous.			Excluding Gene-ral Establish-ments and Che-mical Examiners.		Excluding Finan-cial and certain other charges.			
	£	£	£	£	£		£		£		£		£	£		£			£
Bengal	257,300	.....	16,100	4,300	241,200		30,600		47,900		3,200		38,100	36,600		14,100			432,100
North-Western Provinces	292,100	8,100	18,800	3,300	89,400		26,600		56,800		.....		20,600	25,200		18,000			258,700
Punjab	179,000	2,400	11,400	1,200	50,900		.....		44,900		4,900		13,700	6,400		16,700			150,100
Madras	342,700	39,000	23,800	2,500	86,200		20,200		34,100		7,700		33,900	33,100		33,800			275,300
Bombay	289,200	345,700	39,700	3,200	85,600		23,800		5,800		1,900		38,200	26,700		41,600			266,500
Oudh	66,900	.....	4,200	500	30,800		.....		14,500		500		3,500	5,200		4,400			63,600
Central Provinces	66,800	.....	4,200	500	30,500		.....		14,000		1,100		5,100	2,500		13,100			71,000
Burmah	87,000	.....	5,400	200	27,900		.....		11,500		600		2,600	2,800		1,600			52,600
Total...	.....	.....	123,600	15,700	642,500		101,200		229,500		19,900		155,700	138,500		143,300			1,569,900

No. 2

STATEMENT of proposed transfer of Revenues based on Estimates of 1867-68.

Provinces.	Total Land Revenue.	Total estimated 2 per cent. Income Tax over Rupees 2,000.	Total estimated License Tax below Rupees 2,000.	Revenues to be transferred to Provincial Accounts.								
				One-sixteenth gross Land Revenue.	One-quarter Income Tax.	One-quarter License Tax.	Law and Justice.	Police.	Education.	Miscellaneous, excluding Financial items.	Public Works, excluding Irrigation Income.	Grand Total.
	£	£	£	£	£	£	£	£	£	£	£	£
Bengal	3,831,400	200,000	145,000	239,400	50,000	36,200	223,900	52,600	31,600	42,000	18,500	694,200
North-Western Provinces	4,040,000	170,000	100,000	252,500	42,500	25,000	84,800	55,800	6,900	29,000	28,100	524,600
Punjab	1,915,200	49,000	45,000	119,700	12,200	11,300	58,000	44,900	6,900	16,000	11,600	280,600
Madras	4,305,500	126,000	70,000	269,100	31,500	17,500	73,500	34,100	4,800	19,000	12,600	462,100
Bombay	3,566,900	170,000	90,000	222,900	42,500	22,500	139,000	12,400	9,700	33,100	16,700	498,800
Oudh	1,180,800	21,000	20,000	73,800	5,200	5,000	13,400	14,500	500	2,300	1,000	115,700
Central Provinces	613,600	20,000	18,000	38,400	5,000	4,500	23,700	16,800	100	8,000	3,200	99,700
Burmah	577,500	12,000	10,000	36,100	3,000	2,500	28,200	15,000	400	1,900	2,500	89,600
Total	.....	.....	.....	1,251,900	191,900	124,500	644,500	246,100	60,900	151,300	94,200	2,765,300

No. 3.

STATEMENT showing the Balance of Revenue transferred to Provincial Accounts which would be available for expenditure on Public Works, and the proposed application of it, 1867-68.

Provinces.	Grand total, Civil charges transferred.	Grand total, Revenue transferred.	Balance available for Public Works.	Public Works charges to be transferred.						Revenues in excess of charges.	Charges in excess of Revenue.	Special Grants.
				Roads, new works, and repairs.	Civil Buildings.		Miscellaneous works.	Tools and Plant.	Total Public Works charges transferred.			For what objects needed.
					New works.	Repairs.	New works and Repairs.					
	£.	£.	£.	£.	£	£.	£.	£.	£.	£.	£.	£.
Bengal	432,100	694,200	262,100	193,700	Excluded.	46,500	1,500	8,500	250,200	11,900	.....	.....
North-Western Provinces.	258,700	524,600	265,900	142,800	113,700	15,000	1,800	6,600	279,900	.....	14,000	New Civil buildings.
Punjab	150,100	280,600	130,500	151,700	Excluded.	4,000	5,300	9,200	170,200	.....	39,700	Roads.
Madras	275,300	462,100	186,800	179,300	ditto.	10,200	5,400	15,900	210,800	.....	24,000	Roads.
Bombay	266,500	498,800	232,300	149,200	ditto.	32,800	21,200	20,000	223,200	9,100	.....	.....
Oudh	63,600	115,700	52,100	56,000	ditto.	2,300	.....	1,700	60,000	.....	7,900	Roads.
Central Provinces	71,000	99,700	28,700	74,100	ditto.	3,400	1,000	4,600	83,100	.....	54,400	Roads.
Burmah	52,600	89,600	37,000	39,500	ditto.	4,000	8,000	2,000	53,500	.....	16,500	10,000 roads, 6,500 miscellaneous works.
Total	1,569,900	2,765,300	1,195,400	986,300	113,700	118,200	44,200	68,500	1,330,900	21,000	156,500	

No. 4.

STATEMENT of actuals and estimated Public Works charges compared with the proposed Balance of Revenue available to meet such charges.

PROVINCES.		Public Works charges to be transferred.											Balance of Revenue available for Public Works.	Balance of Revenue in excess of Normal Public Works charge.	Normal Public Works charge in excess of Balance of Revenue.
		Civil Buildings.		Roads.			Miscellaneous Works.			Tools and Plant.	Totals A., B., C., D., & E. columns.				
		New Works.	Repairs.	New Works.	Repairs.	Total.	New Works.	Repairs.	Total.		Average 4 years' actual outlay.	Estimate, 1867-68.	Normal charge.			
		A.	B.			C.			D.	E.						
		£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.	£.
Bengal	Average of 4 years' actual... ...	157,400	48,200	181,600	70,400	252,000	3,200	900	4,100	10,000	Excluding A.					
	Estimate of 1867-68	192,300	46,500	116,700	77,000	193,700	1,000	500	1,500	8,500	314,300	250,200	259,500	262,100	2,600	
	Normal... ...	180,300	47,500	120,000	80,000	200,000	.....	.....	3,000	9,000		Including A.				
North-Western Provinces	Average 4 years ...	74,000	13,900	75,100	63,900	139,000	.....	500	500	10,000	Excluding A.					
	Estimate, 1867-68.	113,700	15,000	65,800	77,000	142,800	1,300	500	1,800	6,600	237,400	279,900	255,000	265,900	10,900	
	Normal... ...	80,000	15,000	75,000	75,000	150,000	.....	.....	1,000	9,000		Excluding A.				£40,500 to be met by special grant for Roads.
Punjab...	Average 4 years ...	32,100	9,000	100,100	71,300	171,400	3,100	500	3,600	10,000	Excluding A.					
	Estimate, 1867-68.	30,900	4,000	72,900	78,800	151,700	3,100	2,200	5,300	9,200	194,000	170,200	171,000	130,500	.....	
	Normal... ...	32,000	8,000	75,000	75,000	150,000	.....	.....	4,000	9,000		Excluding A.				
Madras	Average 4 years ...	75,700	10,700	66,000	106,800	172,800	2,900	1,900	4,800	17,000						
	Estimate, 1867-68.	74,400	10,200	56,500	110,800	179,300	3,000	2,400	5,400	15,900	205,300	198,800	191,000	186,800	.....	4,200
	Normal... ...	75,000	11,000	80,000	80,000	160,000	.....	.....	5,000	15,000		Excluding A.				
Bombay	Average 4 years ...	67,200	23,100	222,800	53,100	275,900	?	5,200	?	15,000						
	Estimate, 1867-68.	110,000	32,800	114,200	35,000	149,200	19,500	1,700	21,200	20,000	?	223,200	230,000	232,300	2,300	
	Normal... ...	75,000	25,000	120,000	60,000	180,000	.....	.....	10,000	15,000		Excluding A.				
Oudh	Average 4 years ...	28,200	2,600	30,300	11,400	41,700	.....	100	100	2,800						
	Estimate, 1867-68.	34,400	2,300	44,000	12,000	56,000	.....	.....	.....	1,700	47,200	60,000	44,600	52,100	.....	2,500
	Normal... ...	32,000	2,500	38,000	12,000	50,000	.....	.....	100	2,000		Excluding A.				
Central Provinces ...	Average 4 years ...	30,500	2,200	73,000	12,700	85,700	400	300	700	6,500						£60,300 to be met by special grant for Roads.
	Estimate, 1867-68.	45,100	3,400	52,800	21,300	74,100	.....	1,000	1,000	4,600	95,100	83,100	89,000	28,700	.....	
	Normal... ...	35,000	3,000	60,000	20,000	80,000	.....	.....	1,000	5,000		Excluding A.				
Burmah	Average 4 years ...	52,500	4,100	19,300	5,800	25,100	?	800	2,400	1,000						£14,500 to be met by special grant for Roads.
	Estimate, 1867-68.	63,000	4,000	31,000	8,500	39,500	7,500	500	8,000	2,000	?	53,500	51,500	37,000	.....	
	Normal... ...	60,000	4,000	30,000	10,000	40,000	.....	.....	5,000	2,500						

No. 5.

STATEMENT showing modifications required to be made, if the share of Net Land Revenue transferred was calculated after making a deduction of all alienations and refunds as well as charges of collection.

Provinces.	Gross Land Revenue.	Deductions from Land Revenue.						Net Land Revenue after all deductions.	One-sixteenth net Land Revenue after all deductions.	One-sixteenth net Land Revenue, as shown in No. 2 Statement.	Reduction of Revenue transferred.	Reduced balance of Revenue after meeting civil charges.		Special grants needed to cover deficiency.
		Charges for collection, omitting Revenue, Survey, and Settlement.	Allowances to Village Officers.	Assignments, Compensations, and Alienations of Revenue.	Refunds of Revenue.	Interest on Refunds.	Total deductions of all sorts.					In excess of Normal Public Works charges.	Less than Normal Public Works charges.	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Bengal	3,831,400	257,300	.....	.....	18,900	3,100	269,300	3,562,100	222,300	223,300	1,000	1,600	.....	...
North-Western Provinces	4,040,000	292,100	8,100	8,100	9,100	...	317,400	3,722,600	232,700	233,700	1,000	9,900	.....	...
Punjab	1,915,200	179,000	2,400	.....	2,700	...	184,100	1,731,100	108,200	108,300	100	...	40,600	40,000
Madras	4,305,500	342,700	39,000	134,200	1,100	...	517,000	3,788,500	236,800	245,300	8,500	...	12,700	15,000
Bombay	3,566,900	286,100	345,700	598,900	14,600	...	1,245,300	2,321,600	145,100	183,200	38,100	...	35,800	40,000
Oudh	1,180,800	66,900	600	.....	900	...	68,400	1,112,400	69,500	69,600	100	...	2,600	...
Central Provinces	613,600	66,800	.....	20,700	...	...	87,500	526,100	32,900	34,200	1,300	...	61,600	60,000
Burmah	577,500	87,000	.....	.....	500	...	87,500	490,000	30,600	30,700	100	...	14,600	15,000

The special grants needed to cover deficiencies, as here shown, could be made by increasing the proportion of net Land Revenue as follows :—Punjab, one Anna five Pies ; Madras, one Anna one Pie ; Bombay, one Anna three Pies ; Central Provinces, two Annas fourteen Pies ; Burmah, one Anna six Pies per Rupee.

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No. 2. ORDER THEREON, 2nd November 1867, No. 485.

Ordered that copy of the above papers be forwarded to the Accountant General, with the request that he will furnish an Analysis of the Charges and Revenues under the general heads proposed to be transferred, showing the items of which they are composed, and stating, in regard to each, his opinion whether they may be considered now to stand at their normal amount, or may be expected to increase or diminish.

2. The Analysis might with advantage be accompanied by a Statement showing, for five years or thereabout, the average amount of the several items of Charges and Revenues concerned.

3. The Government will be glad to receive Mr. Lushington's observations generally on the scheme, and especially on the first two of the points specified in paragraph 14 of the Financial Secretary's letter.

4. Ordered also, that a copy of the paper above recorded be referred to the Board of Revenue for their remarks on the illustrative scheme proposed by the Honorable Mr. Massey, and on the questions raised in the conclusion of the Financial Secretary's letter.

(True Extract).

Chief Secretary.

To the Accountant General.
,, Board of Revenue.

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Circular No. 2823 of 1867.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Accounts.

To The Chief Secretary to the Government of Madras

SIMLA, *the 19th September* 1867.

SIR,

MY letter No. 1211, dated 6th March last, conveyed to you + + the Resolution of the Governor General in Council to transfer to the local accounts certain charges which have, till now, been borne by the revenues of India; the local revenues at the same time being supplemented by the transfer to them of the proceeds of the License Tax. It was stated that this arrangement would be carried out in the coming financial year.

2. The general intentions which led the Government of India to resolve on this measure, were indicated to His Excellency the Gov^r of Madras in Mr. Massey's confidential circular letter of the 21st February 1866. A copy of this letter, and of the replies received to it, are annexed for the information of ~~the~~ His Excellency.

3. It will be seen that Mr. Massey contemplated the transfer from Imperial to Local Funds, of an aggregate charge of one million two hundred thousand pounds for the six chief Governments and Administrations. The heads under which the charges to be transferred stood, were the following:—

Education,
Police,
District Jails,
Public Works, and especially
Repairs of Roads.

4. The responsibility for meeting the transferred charges was to have been placed entirely on the Local Governments and Administrations, which were requested to consider in what manner the necessary amount could best be raised by new taxation. The following taxes were named as specially calling for attention:—

A License Tax on Trades and Professions.
A House Tax.
An Octroi in Towns.
A Succession Duty on lands not paying revenue.

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5. The replies of the Governments and Administrations addressed will be found to indicate a general acknowledgment of the practicability of such a transfer of charges being made, and being met by new local taxation. But there is also a disposition to object to the transfer of charge without a simultaneous transfer of revenue with which to meet the charge.

6. It was under these circumstances that the Government of India caused the issue of my circular of the 6th March above referred to. The sum to be transferred to the local accounts was to have been reduced to £800,000, and a means to provide for the charge was to have been given by the transfer of the proceeds of the License Tax to the local revenues.

7. Since the issue of that circular the whole subject has again been carefully re-considered by Mr. Massey, and he has seen reason somewhat to modify his original views, and at the same time to enlarge the scope of his proposals.

8. It will be my duty now, under the orders of the Governor General in Council, to explain what these enlarged and revised proposals are, and to invite the attention of the Govt of Madras to them. But I am at the same time to explain distinctly that the Government of India has not yet done more than assent to the communication of Mr. Massey's plans to the Local Governments, and that beyond this its opinion is not pledged in any way, or its future course of action fettered. It will naturally depend not a little on the views expressed by the Local Governments as to the main features of these proposals, what conclusion the Governor General in Council may adopt in respect to them. Also in a matter of such importance it will be necessary to ascertain the views of Her Majesty's Government before any final decision is taken.

9. I am first to point out that the general scope of the original proposal put forward was to transfer charge to the local accounts, without any corresponding transfer of revenue, leaving it to the Local Governments to find their own ways and means by new local taxation.

10. Mr. Massey now contemplates a more extensive change, the general principles of which will be found in the accompanying separate memorandum.

11. For the better apprehension of the manner in which such a measure, as is contemplated, might be put into practical operation, the scheme detailed in the memorandum has been drawn up on the basis of the estimates of 1867-68. It must, however, be regarded as illustrative rather than authoritative. Mr. Massey desires that it may be put before the Local Government in this sense, with the express intimation that he reserves his own final opinion on all details until the Local Governments shall have been consulted.

12. This scheme which is now submitted for the criticism of the Local Governments is not to be regarded, either in the extent to which it proposes to go in making transfers of charge or revenue, or as to the particular items that have been selected to be dealt with, or as to the precise arguments and illustrations by which it is supported, as expressing Mr. Massey's exact views in any very defined manner. But it indicates with quite sufficient precision the general conclusions he has adopted, and the general course which he thinks should be followed in giving effect to those conclusions. It appears to him better to present the subject thus, in a form at the same time distinct and specific, and yet open to the freest comment, and, if need be, to the widest revision of detail, for the preliminary review of the Local Governments, and the expression of their opinions on all matters which seem to them to call for remark. He is fully conscious of the necessity for treating a measure of this magnitude, and one which is so essentially framed in the hope of advancing local good government and administrative convenience, not only with caution, but also with the greatest consideration to the wishes of the Local Governments in all matters of detail.

13. Bearing in mind that the principal question of the policy of extending the transfer of charges to the exclusive control of the Local Governments in the manner which has been spoken of, has yet not been accepted by the Governor General in Council, Mr. Massey abstains from offering any remarks on this topic. But I am directed to express the hope that the Govt of Madras will see, in the readiness of the Government of India to assent to the submission of these proposals for the consideration of the Local Governments, evidence of the strong desire of the Government of India to do whatever it is able to do consistently with its sense of duty, in the direction of enlarging the power of independent action of the Local Governments, and of removing all just cause of complaint as to undue interference by the Government of India with local details.

14. Having thus explained at length the nature of these proposals, and the measures which might probably be suitable to admit of their being brought into effect, I am to request that the whole subject may, as early as possible, be considered by the Govt of Madras, and that in reporting for the information of the Governor General in Council the general opinion entertained of the scheme generally, a specific expression of opinion should be given on the following points :—

Does it seem desirable, in the event of these proposals being generally adopted, that the transfer of charge with a corresponding transfer of revenue should be increased; or would the Govt of Madras prefer, in the first instance, that the transfer should be as proposed, or still more limited in amount?

What would be the best detailed scheme for giving effect to such a general proposal in the Madras Treaty ?

Has the Govt of Madras at the present time in view any special sources of income which it thinks could be made available, if required, in aid of such transfers of revenue as have been suggested, or in preference to any of them ?

What is the present amount of the local taxation within the Madras Presidy? What are the main heads under which the income is obtained; and what are the chief purposes to which it is applied? The distinction between what has been termed Provincial and Local Revenue and Charge, should, so far as possible, be maintained in furnishing a reply to this question.

15. As it will be very desirable, in the event of the Government of India and the Secretary of State approving of the adoption of the proposals now put forward, that effect shall be given to them in the coming financial year, I am directed to solicit the favor of a reply as early as is found consistent with the due consideration of the matters that have been discussed in this Despatch.

I have the honor to be,

SIR,

Your most obedient Servant,

Edw Lushington

Secretary to the Government of India.

Financial Department.

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PROCEEDINGS of the MADRAS GOVERNMENT

Read letter from the Secretary of State for India in Council to the Government of India in the Financial Department

(Here enter Circular No. 2823 dy. 19 Sep 1867 - with accompaniments).

Order thereon - 2d November 1867 No. 485.

Ordered that copy of the above papers be forwarded to the Accountant General, with the request that he will furnish an analysis of the Charges and Revenue under the general heads proposed to be transferred, showing the items of which they are composed, and stating in regard to each his opinion whether they may be considered now to stand at their normal amount or may be expected to increase or diminish.

2 The analysis might with

Pres: 21st March Leg. Ds. 1868 42/67

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Accounts.

CIRCULAR No. 2823.

Dated Simla, the 19th September 1867.

Received 2 October

To

The Secretary to the Government of Madras

Sir

I am directed to request that you will furnish an analysis of the Charges and Revenue under the general heads proposed to be transferred, showing the items of which they are composed, and stating in regard to each your opinion whether they may be considered now to stand at their normal amount or may be expected to increase or diminish.

I have the honor to be
Sir
Your most obedient Servant
for Secretary of the Government of India

with advantage be accompanied by a statement shewing for 5 years or thereabout the average amount of the several items of charges and Revenues concerned.

The Government will be glad to receive Mr Lushington's observations generally on the scheme and specially on the first two of the points specified in para 14 of the Financial Secretary's letter

To the Acct General
" Board of Revenue

Financial Department. 57

PROCEEDINGS of the MADRAS GOVERNMENT.

Read Proceedings of the Government of India in the Financial Department.

(Here enter 19 Sept 1867. Circular No 2823)

Order thereon.

4. Ordered also that a copy of the paper above recorded be referred to the Board of Revenue for their remarks on the illustrative scheme proposed by the Honble Mr Massey and on the questions raised in the conclusion of the Financial Secretary's

Secretary's letter.

Board of Revenue.

Finance 1867. Department.

No. 485

PROCEEDINGS OF GOVERNMENT.

Dated 2nd November 1867.

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