

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.	A74	<u>Press</u> <u>Mis.</u>
Dated	6-7	1-3-1861.

Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
1st March 1861.*

No. 6. Read the following letter from W. GREY, Esq., Secretary to the Government of India (Home Department), to J. D. BOURDILLON, Esq., Secretary to the Government of Fort Saint George, dated Fort William, 13th February 1861, No. 316:—

SIR,

1. I am directed to forward for the information of His Excellency the Governor in Council, the accompanying copy of a correspondence with the Government of Bengal, and of a Notification issued on this date reducing the Customs Duty on Rum imported into the Bengal Presidency to Rupees 2-4

per imperial Gallon London Proof, and I am directed to state that the President in Council authorizes the Government of Madras to make a corresponding reduction of duty upon Rum imported into the Madras Presidency if it should be thought advisable to do so.

2. The excise duty upon Rum manufactured in Bengal after the European method has also been reduced from 3 Rupees to 2-4 the Gallon, but this part of the measure is not, it is believed, applicable to the Madras Presidency.

From W. S. SETON-KARR, Esq., Officiating Secretary to the Government of Bengal, to W. GREY, Esq., Secretary to the Government of India, No. 32 A, dated 19th January 1861.

SIR,

1. I am directed to acknowledge the Under Secretary Lord H. U. Browne's letter No. 1,671, of the 4th of last September, forwarding, for the Lieutenant Governor's opinion, a petition addressed to the Legislative Council by certain Proprietors and Lessees of Rum Distilleries in the vicinity of Calcutta and in Jessore, praying for a reduction of the rates of duty imposed upon the manufacture and exportation of Rum.

2. The Memorialists in the first place request, that the duty on the Alcohol in spirits of good quality distilled by the European method may be reduced more nearly to an equality with the duty on country *Doastah*, which is a spirit of inferior quality distilled in the Native way. To place the duty upon the two spirits upon an equality would involve a reduction of duty upon Rum, Brandy, &c., from Rupees 3 to Rupee 1-10-8. The Board of Revenue, who were consulted in the matter of the petition, and a copy of whose letter is enclosed, do not recommend so large a reduction. They recommend a reduction to Rupees 2-4 a gallon. The Lieutenant Governor understands from the Board's letter that they are still in favor of a protective duty on country-made Rum; and therefore he infers that they recommend this reduction only upon Bengal Rum, leaving imported Rum and other spirits at the present duty of Rupees 3 a gallon. They adhere to their former opinion of the advisability of encouraging indigenous produce, under the impression that the existence of Distilleries adds materially to the prosperity of the Districts in which they are established. They refer to the arguments used in the correspondence which passed upon this subject in 1859, and which was communicated to the Government of India with the Secretary's letter No. 2,307, dated September 22nd 1859. No fresh reasons are assigned for their present recommendation, and their former reasons were the usual arguments in favor of the general principle of protection. The Lieutenant Governor disagrees with the Board for the reasons before assigned, namely, the arguments in favor of free trade. He recommends that the duty on country-made and imported Rum should remain as they now are upon an equality. The country Distiller has a natural advantage over the Importer, which there seems no good reason to increase. On this point an extract is given in the margin from a demi-official letter from Mr. Hampton,

"With the exception of Jamaica Rum, which is brought out in small quantities, there is not much difference between the Rum manufactured here and in the West Indies, Isle of France, Demarara, Brazil and other places, and consequently as far as the local consumption of Rum is concerned, the Home manufacture could rather have the advantage than otherwise, inasmuch as it has no insurance or freight to pay which the others have (West India Rum), what is brought for sale in the market is all or very nearly all imported in bottles. Casks are brought out for store use, but are not landed."

the Abkari Superintendent of Calcutta. The object is to draw revenue from the consumer of spirits, not to protect Distillers.

3. But the claim for a general reduction of the duty on spirits imported, as well as on country-made Rum, on the ground of the comparatively less duty charged on the Alcohol in Doastah, is founded on a sounder principle, and appears to the Lieutenant Governor to deserve consideration. If it were a question as between two pure Alcohols, the claim would be irresistible; and so also if it were one between two Alcoholic liquors of equal or similar quality. The fact is that Doastah, being distilled in the Native method is a liquor of inferior quality, and cannot be brought nearly up to London Proof. But its cost price by the gallon is represented somewhat to exceed that of country Rum, without allowing for the difference of Alcoholic strength between the two liquors; and, duty off, the selling price of the two classes of spirits seems to differ little. The two liquors, however, according to the reports of the Department, do not compete with each other practically, the consumers of the one being of quite a different class from the consumers of the other.

4. Nevertheless it is apparent that the duty now charged upon Rum of Rupees 3 a gallon London Proof is very greatly in excess of the highest duty charged on Doastah 25 below proof, which is Rupee 1, Annas 4, equivalent to Rupee 1-10-8 for proof spirit. The Board are of opinion that the duty on Doastah, which has lately been raised, cannot be raised higher at present. This great difference cannot but tend to discourage the consumption of the better spirit, which it is not an object to do; and on the whole the Lieutenant Governor concurs in the recommendation of the Board to reduce the duty on country Rum to Rupees 2-4 a gallon; provided that the same reduction be made on imported Rum.

5. He is of opinion that it would be better to make this reduction by an executive order of the Government of India than by law; because it may very probably become feasible to increase the duty on Doastah, and whenever that is done, a corresponding increase can be made on Rum and imported spirits.

6. The Petitioners further request that Rum may be allowed to be exported as ship stores, as formerly, free of duty. The majority of the Board are of opinion that this request should be granted. "They observe that under the lighter duty of one Rupee per gallon imposed by Act XXI of 1856, the export of Rum as stores, not only experienced a very considerable fall immediately on enactment of that law, but has since
Gallons. "been gradually decreasing." The figures quoted in the
1856-57 25,326 margin fully support the justice of the Board's remarks.
1857-58... .. 5,701 For these reasons the Lieutenant Governor is in favor of
1858-59 5,251 allowing Rum for stores to be shipped free, and not only
country Rum, but all spirits out of bond. And the
Lieutenant Governor would concede this privilege to all ships trading beyond Indian Ports.

7. The 3rd point for consideration is the prayer of the Petitioners to be allowed to export their Rum to other Indian Ports by payment of the current rate of duty on the actual quantity delivered at such Ports for consumption. The Board consider this request inadmissible. "If duty," they say, "were only to be levied on the quantity actually landed in the casks, there could be no check against the Rum being consumed while in harbour, or being re-landed and smuggled into the market free of duty." But upon this point the Lieutenant Governor does not attach great weight to the objections of the Board, and he thinks that the Petitioners' prayer should be granted. Spirits distilled in a Colony or abroad, and landed at any Indian Port, pay only on the quantity landed. So also the Lieutenant Governor thinks, spirits distilled in India, and then exported to an Indian Port, ought to pay no more; otherwise a differential duty protective of *Foreign* spirits is established.

(True Copy.)

(Signed) H. U. BROWNE,

Under Secy. to the Govt. of India.

From W. GREY, Esq., Secretary to the Government of India (Home Department), to W. S. SETON-KARR, Esq., Officiating Secretary to the Government of Bengal, dated Fort William, 11th February 1861, No. 285.

SIR,

1. I am directed to acknowledge the receipt of your letter No. 32 A, dated the 19th ultimo, reporting on a petition presented to the Legislative Council last August by the Proprietors and Lessees of Rum Distilleries in the neighbourhood of Calcutta and in Jessore, and conveying the recommendation of the Lieutenant Governor that the excise duty on Bengal Rum be reduced to 2 Rupees 4 Annas the imperial gallon, and that the same reduction be also made in the rate of Customs duty levied upon imported Rum.

2. From a return obtained from the Collector of Calcutta, it appears that exclusive of the quantity of Rum supplied to the Commissariat and of the quantity exported to foreign countries (which are unaffected by the duty), the quantity of Rum passed from the Bengal Distilleries was

In 1858-59 224,225 gallons

In 1859-60 143,563 "

and in the first eight months of 1860-61 only 30,562 gallons. The increase of duty from 1 Rupee to 3 Rupees the gallon took effect in January 1860.

3. In the 4th paragraph of your letter it is observed that the duty at present charged upon Rum, namely 3 Rupees a gallon, is very greatly in excess of the duty charged on Native manufactured spirit 25 below proof, the highest duty on the latter being 1 Rupee 4 Annas a gallon, equal to Rupee 1-10-8 per gallon of proof spirit. It is stated in the same paragraph that the Board are of opinion that the duty on Native manufactured spirit, which has lately been raised, cannot be raised higher at present, and this the President in Council believes to be the case.

4. It is clear that the very great difference at present existing between the duty on country Rum and the duty on Native manufactured spirit has tended materially to discourage the consumption of the former, and admitting that it is not expedient at present to impose a further increase of duty on the inferior spirit, the only alternative is to lower the duty on Rum distilled in the country after the European fashion to a point at which the two kinds of spirit may have a better chance of competing on terms of equality, allowing for the difference in strength and quality between the two articles.

5. But the Lieutenant Governor is of opinion that if the duty on Rum distilled in the country is reduced, an equal reduction should be made in the duty levied upon imported Rum, the quality of the two being nearly the same, and there being no good reason for favoring the one at the expense of the other. In this view the President in Council entirely agrees, and he assents accordingly to the recommendation contained in your letter in regard to the reduction of duty upon both foreign and country Rum. I am desired to forward the draft of a Notification which will be published in the next *Gazette* directing the reduction of the Customs Duty, on Rum imported into Bengal to 2 Rupees 4 Annas a gallon, and I am to request that in the same *Gazette* the Lieutenant Governor will notify the reduction in the excise duty on Rum distilled in the country.

6. With regard to the question whether Rum should be allowed to be exported as ships' stores free of duty, I am directed to state that the President in Council is willing to adopt the opinion of the majority of the Board and of the Lieutenant Governor, and to sanction the shipment of Rum as ships' stores free of duty on vessels clearing for foreign ports, that is for all ports not included in the interport system of India. The President in Council concurs with the Lieutenant Governor in thinking that the rule on this point should be applicable to foreign spirits shipped out of bond, as well as to country Rum.

7. On the last point discussed in your letter, the President in Council is of opinion that the preferable and safer course will be to require payment of duty at the port of import on the quantity shipped, less a fixed rate of allowance for wastage. I am desired to request that if the Lieutenant Governor considers the rate of allowance proposed by the Board to be fair, a copy of paragraphs 10 and 11 of the Board's letter may be communicated to the Governments of Madras and Bombay, and to the Commissioner of Pegu and the Tenasserim Provinces.

4 *Proceedings of the Madras Government, Revenue Department,*
1st March 1861.

From H. L. DAMPIER, Esq., Officiating Secretary to the Board of Revenue, to the Secretary to the Government of Bengal, dated Fort William, 6th November 1860, No. 588.

SIR,

H. Stainforth, }
W. J. Allen } Esqs.
and
A. Grote, }

1. I am directed by the Board of Revenue to acknowledge the receipt of your letter No. 2,365, and in reply to offer the following remarks, for the consideration of His Honor the Lieutenant Governor, on the subject of the Petition presented by the Proprietors of Rum Distilleries.

2. The Petitioners represent that the Excise duty of Rupees 3 per gallon, L. P., imposed on Rum under Act XXIII of 1860 has had the effect of closing all the Indian markets to them, and that they will be compelled to shut up the whole of their Distilleries. They complain of the difference between the duty levied on Rum, and that imposed on spirits distilled after the Native method (being respectively Rupees 3 per imperial gallon, L. P., and Rupee 1-4 per imperial gallon, 25 per cent. below L. P.); they show that these rates give a protection of Rupee 1-5-4 per imperial gallon, L. P., to the Native made spirits; they urge that, looking to the fact that Rum is by far the most wholesome of the two articles, the rates of duty, if differential at all, should rather be in favor of it, and they pray that a reduction may be made on the duty so as at least to place Rum on the same footing as the Native-made spirit.

3. The Lieutenant Governor is aware that when the raising of the duty on Rum as well as on Native-made spirits was under discussion, the Board were called upon to give their opinion on the subject. After giving to it the fullest consideration, they came to the conclusion that Rupees 2-4 per imperial gallon, L. P., was the highest rate of duty which it would be safe to impose on Rum. Referring to the proposition to fix the rate as high as 3 Rupees per gallon, L. P., the views of the Board were expressed as follows in Mr. Secretary Thompson's letter 296 of the 15th July 1859: "As a fiscal proceeding there may possibly be no injury to Government interests. Other considerations, however, enter into the question, and the one which seems to the Board to press most strongly against any higher rate than the one suggested by them, viz., Rupees 2-4 per imperial gallon, is the fear that such would close to the country manufacture the local market and lead eventually to its total discontinuance. In a financial point of view such an abolition might entail no loss of revenue; for what was sacrificed in excise, might be made up by larger importations and proportionate increase in the Customs receipts, but the Board adhere to the opinion of the advisability of encouraging the indigenous produce under the impression that the existence of Distilleries adds materially to the prosperity of the Districts in which they are established." The views of the Board and the grounds on which they were founded were so fully expressed in that letter that it is unnecessary to repeat them here. The grounds on which the present high rate was preferred to that which they proposed, were not communicated to the Board; but I am directed to state that nothing has yet come to their knowledge which leads them to alter the opinion which they then held.

4. The prayer of the Petition for equalizing the rates of duty on the Alcohol contained in each class of spirit should be met, the Board think, rather by a reduction of the present duty on Rum than by raising that on country spirit which will not, they believe, at present bear higher taxation. In drawing the comparison between the rates of duty paid by each, the Petitioners have not noticed the Distillery fee, six Pies per gallon, which is levied on country spirits, and from which Rum is free. It has yet to be proved that the spirit distilled in Sudder Distilleries is unwholesome as the Petitioners represent that it is.

5. As regards ships' stores, Mr. Grote observes that the Petitioners are not quite correct when they say that Rum so shipped was free of duty; such shipments were chargeable with duty, but were allowed to be made like shipments for exportation, under bond. The privilege was withdrawn when the duty on Rum was raised in 1856, for it was found that it had been abused and that much of the Rum shipped as stores found its way back into town and interfered with the consumption of Rum which had paid Excise duty. The difficulty of preventing such smuggling, should the privilege in question be restored, now that the duty on store has been so much enhanced, will be obvious.

Proceedings of the Madras Government, Revenue Department, 5
1st March 1861.

6. Mr. Sconce's arguments in favor of the Petitioners' prayer keep (Mr. Grote adds), in view, only the consumption during the interport voyage. He admits the liability to duty of all Rum consumed within Port limits which is all that it is the object of the Act to tax. Practically, but little duty paid Rum, Mr. Grote believes, is consumed after a vessel has obtained Port Clearance.

7. The majority of the Board, Messrs. Stainforth and Allen, desire me to express their opinion that a duty of Rupees 3 per gallon of Rum exported as "Stores," if it has not already stopped such export, must do so at no distant period.

8. In proof of the correctness of this opinion, they beg to draw attention to the prices of West Indian Rum quoted on the margin from the *Economist* of the 11th of August last, which appear to show conclusively that rather than pay a duty of Rupees 3 per gallon, ships coming from Europe and other parts of the world will invariably bring out such Rum as they may require for use in Port, and on their return voyage, or use clandestinely Rum taken on Board duty free as Cargo, accounting for the deficiency by assertion of leakage.

Spirits, Rum duty	s.	d.	per gallon.
Jamaica, per gallon, bond:—	10	2	
15 to 25 O. P.	3	2 @ 3	6 "
30 to 35	3	9 "	4 6 "
Fine marks	5	0 "	6 0 "
Demerara proof	1	10 "	1 11 "
Leeward, Island	1	6 "	1 7 "
East India	1	5 "	1 6 "
Foreign	1	4 "	1 5 "

9. Indeed they observe that, under the lighter duty of 1 Rupee per gallon imposed by Act XXI of 1856, the export of Rum as Stores not only experienced a very considerable fall immediately on enactment of that law, but has since been gradually decreasing. They think it clear, from the figures quoted, that a duty of even 1 Rupee per gallon must prevent the export of Bengal Rum as Stores to any extent

Exported as Stores.	Gallons.
1856-57	25,326
1857-58	5,704
1858-59	5,251

so long as the prices of West Indian Rum, the more palatable liquor, remain so low on Rum exported as Cargo continues to be exported duty free. In fact it seems to them perfectly impracticable to obtain any revenue from Rum to be exported as Stores on vessels clearing for Port, other than Indian, and they would allow Rum to be shipped as Stores duty free on such vessels under proper restrictions which will prevent unauthorized re-lands. Coasting vessels in England, they remark, are not allowed to ship Stores duty free.

10. The Petitioners farther complain that no allowance is made for the leakage of Rum during a voyage from one Indian Port to another and that the duty is levied on the full quantity shipped, which is sometimes as much as 20 per cent. above the quantity which is landed in the cask; and they pray that duty be levied on the actual quantity found in the cask when landed. The attention of the Board has lately been drawn to this subject. They concur with the Petitioners that duty should be levied on the quantity which passes into the market and on no more; but it is obvious that the mode of levying the duty desired by the Petitioners is inadmissible. If duty were only to be levied on the quantity actually landed in the casks, beyond the good faith of the parties concerned, there could be no check against the Rum being consumed while the Ship was in harbour, or being re-landed and smuggled into the market free of duty.

11. The only safe way of attaining the object desired is by fixing a per centage to be allowed for leakage, which will vary according to the length of the voyage, and this principle the Board have adopted; it is, no doubt, a matter of difficulty to fix what shall be a fair average allowance, as the amount of leakage is affected by the temperature, the make and age of the casks, the weather which the vessel meets with and numerous other causes, but the per centage of 10 or 20 per cent. mentioned by the Petitioners is, in the opinion of the Board, excessive. The cases in which leakage rises so high must be attributable to exceptional causes which need not be considered in fixing the average. Mr. Robinson, one of the Petitioners, informed Mr. Hampton* that

* Letter dated 15th August 1860. Mr. Small, the Accountant, compiled a valuable set of Mercantile Tables for Calcutta, showing the results of shipments of produce to England, under

6 *Proceedings of the Madras Government, Revenue Dep*
1st March 1861.

different rates of cost, exchange, and freight. He collected the results of mar constructed his Tables on their average, so that his figures are worthy of every gives the average wastage of Rum on the voyage to England at 13 per cent." mendation of the Commissioner of Nuddea who had consulted Officers who wer opinion, the Board have lately sanctioned, as a temporary measure, that allowe leakage and wastage at the rate of 2 per cent. for one month and 3½ per cen period. The latter per centage may perhaps be found too low where the Rum for a considerable time, but the Board propose to re-adjust the rates when there data for doing so.

12. The rates for wastag
For a distance above 100 miles, to and from the Mofussil a
but not exceeding 200 miles... 7½ per cent. as will be seen by the Memc
For all distances exceeding 200 ally annexed, but these 1a
miles.... 10 ditto. land rather than water carriag

No. 290.

FORT WILLIAM,
HOME DEPARTMENT.
SEPARATE REVENUE,
The 13th February 1861
NOTIFICATION.

The President in Council is pleased to resolve that from and after this Customs Duty levied upon Rum imported into any Port in the Presidency of Be the rate of 2 Rupees 4 Annas the imperial gallon, the duty to be rateably increase exceeds London Proof.

(Signed) W. GREY,
Secretary to the Govern

No. 7.

ORDER THEREON, 1st March 1861, No. 474.

Referred to the Board of Revenue for report.

(Signed) C. G. MASTER,
Deputy Secretary to

FROM

W. GREY, ESQUIRE,
Secy. to the Govt. of India,

TO

*The Secretary to the Govt.
of Fort St. George.*

SIR,

Dated Fort William, the 13th February, 1861.

COME DEPT.

I AM directed to forward for the information of His Excellency the Governor in Council, the accompanying copy of a correspondence with the Govern-
Letter from Officiating Secretary to the Government of Bengal, No. 32A, dated 19th January, 1861.
Ditto to Ditto, No. 283, dated 11th instant.

ment of Bengal, and of a Notification issued on this date reducing the Customs Duty on Rum imported into the Bengal Presidency to 2-4 per imperial Gallon London Proof, and I am directed to state that the President in Council authorizes the Government of *Madras* to make a corresponding reduction of duty upon Rum imported into the *Madras* Presidency if it should be thought advisable to do so.

2. The excise duty upon Rum manufactured in Bengal after the European method has also been reduced from 3 Rupees to 2-4 the Gallon, but this part of the measure is not, it is believed, applicable to the *Madras* Presidency

I have the honor to be,

SIR,

Your most obedient servant,

[Signature]
Secy. to the Govt. of India.

different rates of cost, exchange, and freight. He collected the results of man

Received 1861 Sept 27.
No. 576 -
for 576 -

from,
the death
of the death of the death;

[illegible]

Towards those relative
 to the reduction of duties
 duty on Rum imported into
 the Bengal Presidency, and
 into the other two Presidencies
 make a corresponding
 reduction of duty on Rum
 imported into the British
 if it should be thought
 advisable to do so -

From the B. & O. Dec. 28th 1868
C. M. 2868

Sept. 14. 1866. Thursday.

With our Orders.

Referred to the Board

of Revenue for report.

Fort St. George, } c/o
1st March 1861 }

13 Copies
To the Board of Rev. Disps - 4