

Political (1896) Department.

ORDINARY PRINTED.

G.O., No. 350

Dated 4th June 1896

INDEXED.

[Despatch Abstract.]

IMPORT DUTY.

Approving the proposal of the Travancore Darbar to impose a uniform duty of Rs 90 per candy on all Tinnevely tobacco imported into that State.

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
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FURTHER PAPERS.

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

No. 350, POLITICAL, 4TH JUNE 1896.

GOVERNMENT OF MADRAS.

POLITICAL DEPARTMENT.

READ—the following papers:—

From J. THOMSON, Esq., British Resident in Travancore and Cochin, to the Chief Secretary to Government, dated Trivandrum, 27th September 1895, Ref. on C. No. 2865.

I have the honour to submit, for the orders of Government, the accompanying copy of a letter, No. P. 914, dated 19th instant, from the Diwan of Travancore, in which he proposes to equalize the duty now levied on tobacco imported into the State.

2. At present, a duty of Rs. 90 a candy is imposed on all Jaffna and Coimbatore tobacco, but of Rs. 130 or Rs. 60 a candy on Tinnevelly tobacco according as it is dry or confected. It is now proposed to levy a uniform duty of Rs. 90 a candy on the Tinnevelly article also, whether dry or confected.

3. The reason for the proposed change is fully explained in the Diwan's letter, and its result will practically be to shut out all import of confected tobacco, causing a slight diminution in the income from this source. The finances of the State can, however, well afford to bear such a diminution and the removal of the existing inducement for fraud or evasion of duty is a laudable object. The proposal has, therefore, my support.

4. In the Interportal Trade Convention of 1865, it was stipulated that duty on dry and confected tobacco should not exceed Rs. 120 and Rs. 85 a candy, respectively, but the Diwan's letter shows that since then there have been several changes. I beg, therefore, that the sanction of the Government of India may be obtained to the proposal of the Darbar.

ENCLOSURE.

From the Diwan of Travancore, to the British Resident in Travancore and Cochin, dated Trivandrum, 19th September 1895, No. P.D.-914.

Tobacco, as you are doubtless aware, is one of our important sources of revenue. Being an article of general consumption, though not a necessary of life, it yields a large income (about ten lakhs per annum) without anything like corresponding pressure on the consumers.

2. Three varieties of the leaf, called after the places of importation Coimbatore, Jaffna and Tinnevelly, are consumed in the country. The last (Tinnevelly) variety is imported in two forms—dry or kalameni and wet or confected.

3. Formerly the article was one of strict State monopoly. In the year 1038, the monopoly was abolished and an import duty was substituted with certain restrictions as to routes of importation, quantity of each consignment and the like. The following was the duty levied on each of the four kinds of tobacco imported:—

- | | |
|----------------------------------|--|
| (1) Jaffna—Rs. 190 per candy. | (3) Tinnevelly, dry—Rs. 250 per candy. |
| (2) Coimbatore—Rs. 65 per candy. | (4) Tinnevelly, confected—Rs. 140 per candy. |

4. These duties have subsequently been revised and modified from time to time as will be seen from the following table—

Years.	Jaffna.	Coimbatore.	Tinnevelly, dry.	Tinnevelly, confected.
	Rs.	Rs.	Rs.	Rs.
1039	140	65	180	100
1040	120	40	120	85
1044	110	..	110	..
1053	..	..	120	60
1056	90	30	..	..
1059	..	..	150	..
1084	..	..	130	..
1067	..	90	..	..

and at present they stand thus:—

- (1) Jaffna—Rs. 90 per candy. (3) Tinnevely, dry—Rs. 130 per candy.
(2) Coimbatore—Rs. 90 per candy. (4) Tinnevely, confectioned—Rs. 60 per candy.

5. The relative duties on Jaffna and Coimbatore tobacco were originally fixed and subsequently adjusted from time to time with reference chiefly to local demand and facilities for smuggling. The consumption of Coimbatore tobacco was formerly confined to a few taluks bordering on Cochin, and the effective guarding of the frontier against illicit importation was not deemed practicable. Hence the low duty levied on the Coimbatore leaf. The area of consumption—or I should rather say licit consumption—gradually extended and the frontier preventive establishment was also improved and strengthened, so that it was found at once necessary and feasible to equalize the duties on these two kinds of tobacco (*vide* G.O., No. 339, dated 28th May 1892).

6. The relative duties on the two forms of the Tinnevely leaf imported have been determined with reference to the ratio between the weight of a given quantity of dry tobacco and that of the same after confection. From enquiries and experiments made at different times the ratio has been found to vary from 1 to $2\frac{1}{2}$ to 1 to 3.

7. Formerly, there was little local demand for dry tobacco; and neither the dealers nor consumers knew, or cared to learn, the art of confection. The importation was in consequence practically confined to the confectioned article (*vide* marginal table). In course of time, however, the importers (who it may be noted in passing have always formed a close ring) learned the process of confection, and found that it was paying to bring in the dry leaf and confection it in the country after payment of duty.

The result was a steady rise in the import of kalameni (dry) tobacco. From 39 candies in 1050 it rose to 179, 1,016 and 1,739 in 1051, 1052 and 1053, respectively, the corresponding figures for the confectioned leaf being 3,806, 3,463, 1,580 and 377 candies.

8. This sudden and pronounced turn in the trade naturally attracted attention and led to a re-adjustment of the duties in 1053 (*vide* paragraph 4). The duty on confectioned tobacco was reduced from Rs. 85 to Rs. 60, while that on the dry leaf was raised from Rs. 110 to Rs. 120. This seems to have taken the wind somewhat out of the sails of the importer of the dry leaf, for we find that in 1054, the kalameni (dry) fell from 1,739 to 942 candies, while the confectioned leaf rose from 377 to 2,204 candies. As the ratio between the

duties was still favourable to the dry leaf (*vide* paragraph 6), the latter held its own and again threatened to supplant the other variety. It became necessary, therefore, to re-adjust the duties again, and accordingly the duty on dry leaf was raised from Rs. 120 to Rs. 150 in 1059.

9. This last adjustment, which could not reasonably be regarded as having handicapped either article as against the other, was expected to maintain the stability of the relative volumes of the imports. But another trick of the trade, which was probably not wholly unknown to the importers before, now came into full play. These importers, who, as already indicated, constitute a sort of non-competing and profit-sharing corporation, established a confectioning factory at Panagudi near the frontier. Here the article is subjected to a show of confection and the imperfectly-confectioned tobacco is brought in and passed off for purposes of duty as fully confectioned stuff by hoodwinking or buying off the Customs and Bankshall subordinates. This device led to a fall in the quantity of dry tobacco imported; and assuming that it was due to the disproportion between the duties on the two kinds of the article, the duty on the dry leaf was reduced from Rs. 150 to Rs. 130 in 1063. The reduction, however, had no effect (*vide* figures given in the margin) and the relative proportion of the volumes of the two kinds of tobacco has never returned to the standard from which it deflected in 1059.

Years.	Quantity imported.	
	Confectioned. CANDIES.	Dry. CANDIES.
1060	2,629	470
1061	2,856	363
1062	3,019	286
1063	3,227	250
1064	3,178	213
1065	2,949	280
1066	2,883	226
1067	3,044	210
1068	3,077	204
1069	2,987	180

10. The most efficient, if it were only possible, remedy against the evil is to insist upon proper confection, and treat all imperfectly-confectioned tobacco as dry for purposes of duty. But it is extremely difficult to prescribe a safe and workable standard for gauging the degree of confection. To detect fraud each bale has to be subjected to a minute expert examination—a procedure inquisitorial and, I fancy, open to abuse.

11. The art of confection being simple and inexpensive and known to dealers and possibly also to consumers, and the chief material used in confection (jaggery) being a staple produce of the country, it appears to me that the necessity for retaining the distinction between raw and

manufactured article for purposes of duty no longer exists, and the soundest policy under the circumstances would be to equalize the duty on the two forms of tobacco. This will at once destroy all motive for fraud or evasion of duty besides creating an industry which, on account of the differential duties, is now partially, at any rate, kept out of the country.

12. As the equalization of duty will practically annihilate the import of confectioned tobacco, the new (common) duty should obviously be the one now levied on the dry leaf. The consumer will not be affected by the change, though the importers, who, by combination and skilful manoeuvre, have been driving a fat trade, may have only reduced profits.

13. There are, however, other considerations which should be taken into account in determining the new duty.

14. Formerly, each variety of the leaf had its own fixed range or area of consumption. Jaffna and Coimbatore articles were confined to the Quilon and Kottayam divisions, the Tinnevely leaf being used exclusively in the Padmanabhapuram and almost so in the Trivandrum division. Of late, however, the first two varieties have found their way in South Travancore, and owing, it is said, to their superior flavour or pungency, they are slowly but steadily beating the Tinnevely leaf in the race. It does not seem to be easy to determine with any degree of precision the relative "utilities" of the several varieties—in other words, the extent to which a specified quantity of each would meet the demand of the consumers; but such information as is available seems to indicate that, judged by the above standard, the Tinnevely leaf cannot claim superiority over the other two varieties, and might, if weighted with a heavier duty, be gradually driven out of the market.

15. These considerations lead to the conclusion that it would be inexpedient to impose on the Tinnevely tobacco a higher duty than is levied on the other kinds, viz., Rs. 90 per candy.

16. The imposition of a uniform duty of Rs. 90 per candy on the Tinnevely tobacco may, I am afraid, lead to an immediate fall in the receipts from this source, the measure of the loss being the quantity of dry leaf contained in the Tinnevely tobacco now imported multiplied by the difference between the present duty (Rs. 130) on the dry leaf and the proposed uniform duty of Rs. 90. One of these factors is indeterminable and it is therefore impossible to gauge or forecast the possible sacrifice of revenue. But against this may be off-set the probable increase in consumption due to the lightening of the burden and the moral effects of removing an inducement for evasion of duty.

17. His Highness' Government therefore propose to impose a uniform duty of Rs. 90 on Tinnevely tobacco, raw and manufactured, and thus place all kinds of tobacco brought into the country on the same footing in the matter of duty. To be on the safe side, it is proposed to try the measure at first tentatively for three years, to be confirmed or modified as the result may warrant.

18. The proposal, as you will doubtless see, really involves a reduction of duty; but as there is apparently an enhancement of duty on the confectioned leaf, and as the maximum duty leviable on this kind of tobacco under the Interportal Trade Convention is Rs. 85, I shall be obliged by your kindly obtaining the approval of the Madras Government to the above proposal.

From the Resident in Travancore and Cochin, dated 14th January and 27th April 1896, Nos. 11 and 1270, respectively.

G.O., No. 1911, Revenue, dated 16th May 1896.

Read—again G.O., Mis. No. 335, dated 23rd January 1896, referring to the Board of Revenue (Separate Revenue), for remarks, endorsement of the Political Department, No. 2479, dated 18th October 1895, referring to the Revenue Department, for remarks, letter from the Resident in Travancore and Cochin, dated 27th September 1895, Ref. on C. No. 2865.

Read—also the following paper:—

Proceedings of the Board of Revenue (Separate Revenue), Mis. No. 1515, dated 13th April 1896.

Read—the following papers:—

G.O., Mis. No. 335, Revenue, dated 23rd January 1896, and Board's reference thereon, dated 1st February 1896, to the Collector of Tinnevely, for remarks.

Letter from the Collector of Tinnevely, Disposal No. 140-Sep. of 1896, dated 3rd April 1896, replying to the above reference.

I have the honour to reply to Board's reference on Government Register No. 121 of 1896, dated 1st February last, on the proposal of the Travancore Darbar to levy a uniform rate of duty of Rs. 90 per candy on the two kinds of tobacco imported from this district.

2. It will be seen from the Diwan's letter (herewith returned) that there are two kinds of tobacco, dry and confected, imported into Travancore from this district. It is proposed by the Darbar to equalize duty on both kinds of tobacco in order to prevent smuggling and evasion of duty.

3. It should now be considered whether the above proposal will, in any way, affect the confecting industry carried on by British subjects in this district. On making enquiries in that direction, I learn that no local interest is affected thereby as the confecting of tobacco for use in Travancore is now in the hands of Travancore subjects at Panagudi near the frontier, and as the tobacco confected in other parts of this district is consumed only in this district and not imported into Travancore.

4. Under these circumstances, I see no objection to the Darbar's proposal to charge a uniform rate of Rs. 90 per candy on both kinds of tobacco.

Resolution—Mis. No. 1515, dated 13th April 1896.

The Collector's report read above is submitted to Government with reference to G.O., Mis. No. 335, dated 23rd January 1896.

2. The Board concurs in the Collector's opinion that there is no objection to the proposal of the Travancore Government to levy a uniform rate of Rs. 90 per candy on both kinds of tobacco imported from Tinnevely into Travancore. The duty on the dry leaf, which is expected to be the only kind of tobacco that will be imported from Tinnevely, will be lower than that fixed in the Trade Convention of 1865 by Rs. 30, though the rate will be slightly (Rs. 5) higher than the stipulated rate on the confected tobacco, which will practically cease to be imported after the change of rates.

(True Extract.)

(Signed) EDMUND MILLETT,
Assistant Secretary.

To the Secretary to Government, Revenue Department.
Copy to the Collector of Tinnevely.

Order—Mis. No. 1911, Revenue, dated 16th May 1896.

Transferred to the Political Department with an expression of concurrence in the Board's remarks.

2. The sanction of the Government of India appears to be unnecessary.

(True Extract.)

(Signed) LIONEL DAVIDSON,
Ag. Under Secy. to Government.

To the Political Department.
" Board of Revenue (Separate Revenue).

ORDER—No. 350, Political, dated 4th June 1896.

The following telegram will be despatched to the Resident in Travancore and Cochin:—

305. Your 2865, 27th September 1895. Proposal Travancore Darbar to impose uniform duty of rupees ninety per candy on all Tinnevely tobacco approved.

(True Extract.)

J. F. PRICE,
Chief Secretary.

To the Resident in Travancore and Cochin.
" Revenue Department.

Gobt. of {1896} Madras.
POLITICAL.

Issued

Recd.

Encl.

G.O., No. 350, 4th June 1896.

JUNE.

Import Duty.

Approving the proposal of the Travancore Darbar to impose a uniform duty of Rs. 90 per candy on all Tinnevely tobacco imported into that State.

[9,000-23-1]

Current No. 75

Local DEPARTMENT.

From Asst in Sec.

No. 11

Dated 14. 1. 96.

Received 18. 1. 96.

Enclosures —

SUBJECT.

Requesting that Govt. will be pleased to pass early order on Asst's Report C.W. 2865 A 17. 9. 95 on the subject of equalizing the rates of duty on tobacco imported into Travancore.

Asst 20. 1. 96, W. 152.

Referred to Law Dept.

This current was 'looped' by the R.D.

[6
9
2,000-1-1]

to head only

Current No. 607

Post DEPARTMENT.

From Report in J.C.

No. 1270.

Dated 27. 4. 96.

Received 4. 5. 96.

Enclosures -

SUBJECT.

Reporting that the Swain's
request that reference is the equaliza-
tion of the rates of duty on tobacco
imported into Travancore may be
disposed of as early as practically

subt 954 of 6th margin.
Refd to Rev Dep't.

This current too was 'logged'
by the Rev Dep't.

S.R.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

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Read again G.O.No.335 Mis., dated 23rd January 1896, referring to the Board of Revenue, (Separate Revenue) for remarks, Endorsement of the Political Department, No.2479, dated 18th October 1895, referring to the Revenue Department for remarks, letter from the Resident in Travancore and Cochin, dated 27th September 1895, Ref.on G.No.2865.

Read also Proceedings of the Board of Revenue, Separate Revenue, dated 13th April 1896, No.1515 Mis.

Order thereon, No.1911 Mis., d/16th May 1896.

Transferred to the Political Department with an expression of concurrence in the Board's remarks.

2. The sanction of the Government of India appears to be unnecessary.

(True Extract)

done Davidson
15/5

Ag.Under Secretary to Government.

To

The Political Deptt., with Encls.

The Board of Revenue, S.R.

Govt. of {1896} Madras.
REVENUE.

To
The Political Deptt.

Dated
Recd. 19/5/96
Recd 21/5/96

Encl. 1

Mis. G.O., 16th May 1896, No. 1911
R.

SUBJECT.

Transferring to the Pol. Deptt.
with an expression of concurrence in
the Board's remarks, B.P.re: the
equalization of duty on the two kinds
of Tinnevely tobacco imported into
Travancore.

C. No. 1342 of 1895 - (A)
- C. No. 75 of 1896 - (Q)
- C. No. 677 of 1896 - (A)

Order No. 350. 24 June 1896

The following telegram will
be despatched to the Reside. in
Travancore & Cochin
305" Gm 2865 x 27 Sept 1895 x
Proposal Travancore Darbar to
impose uniform duty 10000 of
rupers 40 per candy on all
Tinnevely tobacco approved x

C.S.
3.6.96

4/6/96

Reside in T. & C. }
Revenue Dept. } Dupd
19/6/96

Note Please see original of
Rev. No. 335 and
1911 - In Reside. has
16.5 96. Sent reminders, asking
for early order

First copy sent to Press.

Returned for signature.

Despatched in print.

Read again G.O. No.
1896

DATED

CURRENT No.

ENCLOSURE TO C. No.

ORDER OF GOVERNMENT

LETTER OF GOVERNMENT

SENT WITH THIS

PAPERS NOT FILLED UP, BEING MEANT FOR DISPATCH
IN ORIGINAL

N.B. -

A = Print in full.
B = Not to be printed.
P = Print abstract only.
Q = Print heading only.

NUMBER OF COPIES
REQUIRED. { Order complete.
Letter only.
Order complete with Letter.

S. 6

5-5-00

17.7.07

20/7/00

24/2/21 B. II

15-4-21

28-9-22 nu