

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No.	1418	Press Mis.
Dated	October 20,	1859.

126-127

Not to be folded or roughly handled

*Proceedings of the Madras Government, Revenue Department,
from 5th to 21st October 1859.*

No. 126. Read the following letter from E. MALTBY, Esq. ; to J. D. BOURDILLON, Esq., Revenue Secretary to Government, dated Madras, 15th October 1859.

I have the honor to acknowledge your letter of the 21th Ultimo, requesting me, among other public officers, to give my opinion on the provisions of the Bill "for the licensing of Trades and Professions" for the information of the Government of India.

2. From the tenor of your letter I gather that my opinion is wished for regarding the probable working of the Bill in the Provinces rather than in the Presidency towns where there are large European communities, and that my attention is to be given to the provisions of the Bill more than to the question of whether it is expedient to raise an additional revenue from this particular source.

3. On the subject therefore of the general effect which an Income tax is likely to have on the Native mind I shall be brief in my remarks. The Government are aware that additional taxation of all descriptions must be unpopular, and that the Native towns have always shown an impatience of it. But a tax on the profits of

Board's Proceedings, 27th March 1818. trade is no novelty either in Hindoo law or practice.

In a Minute on the existing Moturfa tax Mr. Walter Elliot, when a Member of the Board of Revenue wrote as follows: "It is an ancient tax declared to be legitimate in old Hindoo books and the verse en Menu which restricts the land tax to $\frac{1}{6}$ of the produce, declares 2 per cent. or $\frac{1}{50}$ to be the proper tax on cattle and the profits of trade, adding that a mere trifle should be taken from the meaner persons who subsist by traffic. There is no doubt therefore that taxes on Income are sanctioned both by ancient Hindoo law and usage."

The abstract equity of a tax on the profits of trade may therefore be admitted by the educated orders, but as I am invited to state my views "fully and freely," I must point out two circumstances which will tend to render the people of this Presidency less willing to bear with temper the introduction of the proposed taxation. The first is a strong feeling that in justice the guilty portion of the empire only should be taxed to meet the expenses entailed by the Mutiny and Rebellion which it is well understood have led to the present Bill. The second

difficulty is that the recent order* of Government for stopping all the remissions hitherto made for waste and other causes in the settlement of the land revenue will unfortunately come into operation in the Current year. As a Member of the Revenue Board I have given my opinion in favor of deferring this order so that it may accompany pace by pace the new Survey Settlement, except in a few Districts where the assessment has already undergone modification. I need therefore only now express a fear that the effect of that order will be to cause discontent in the agricultural classes of some provinces, and this feeling will embarrass the Collectors when introducing an unwelcome tax among the other portion of the community who though styled "Non-agricultural" have many interests in common with the landed proprietors.

4. It is therefore of peculiar importance that the new tax should be so arranged as to make it as little unpopular as possible. This leads to a consideration of the Bill, which though entitled a Bill "for the licensing of Trades and Professions" will in reality introduce a general income tax, exempting only the small Traders whose annual net profits fall below Rupees 66,

and the petty industry of the country, viz. Artificers who work for hire, and labourers, under which category will come private servants, Boatmen, Lascars, &c. It may be here observed that this exemption will sweep away some trifling and vexatious items of the existing Moturfa.

5. The first point which occurs to me is the impossibility of carrying out the intended taxation without large additional establishments to aid the Collectors, since the principle of the Bill is to ascertain the profits of every person who follows a trade or profession before a license is issued, and this enquiry is to be renewed every year. Panchayets would not I consider, be found effective for this purpose to the extent implied in Section IX., as the employment would be an ungracious one, and private persons could not be expected to give up a sufficient portion of their time. Section XI. would eventually strengthen the Collectors' hands

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if it is intended, as I presume, to give salaries to Chowdries, or the headmen of professions by whatever name they may be called, for their services, but as such officers have generally disappeared, this aid would not be immediately available.

The next point is the uneasiness which Sections XII. and XIII. would cause. Independently of the dislike which persons engaged in trade or professional occupations would have to be liable at any time to produce their books and accounts, the Native community would feel that they were continually exposed to accusations of having given in incorrect returns on the part of ill-wishers or informers who sought to extort money from their fears. The alarm thus excited would be increased by the severity of the penalties which might be imposed on them. These penalties might entail absolute ruin and although possibly imposed on erroneous grounds, no appeal could be made.

6. These objections appear to me very grave against the Bill in its present form. If the Native community were consulted I believe that their choice would be that the additional revenue required by Government should be raised by a return to the old transit duties, and by that course the Revenue officers of Government would be saved from direct controversy with the people on the delicate subject of personal taxation. But the unfavorable effect which the revival of Inland duties would have on the prospects of the country seems to forbid that measure, and I would therefore suggest that if a license or income tax is to be introduced the Bill should be recast. The law might make it imperative on all parties to apply to be licensed, denouncing the penalties of the present Bill against every person who after a notified date carried on business without a license or a formal exemption. But

** Perhaps an XVIIIth class assessed at one Rupee should be added to meet the case of the numerous Retail Shops which have been included in the Moturpha.*

after laying down a scale of taxation for persons engaged in trade as in Section VIII. I would propose that the Act should authorize the Collector of Land Revenue, acting on the information at his command, (including the declaration of the party to place each applicant for a License in the class to which he appeared to belong. After the lists were thus prepared if any person appeared, claiming to be put in a lower class, he might then be required to produce his books and answer questions on pain of punishment for false information. On these occasions also amicable arbitration should be encouraged for the purpose of fixing the demand as nearly as possible at 3 per cent. on the trader's profits. This course seems to me on the whole preferable to retaining our Veesabuddy Regulation (IV of 1818) which has not been strictly carried out in practice. The principal risk would be of under-taxation, not of over-taxation, but as the Licenses are to be renewed annually errors of this kind would be gradually rectified, and if, as I believe, the introduction of the Income tax would thus be facilitated, Government would be more than compensated for the risk.

7. With respect to all Handicraftsmen, Weavers, Masons, &c., it appears to me that on their applications for Licenses, they had better be assessed according to the present Moturpha system. So much enquiry has been made with a view to place this revenue on a proper footing that ample materials would be found in the public records for arranging scales of taxation for the different occupations, even if we had not the practical experience of the past 50 years to aid as a guide. The chowdries, or heads of the castes, would assist in arranging the individual artificers in their proper classes, and as all persons working for hire are to be exempted, and as the new tax will extend to all artificers, two of the complaints which have been urged against the present Moturpha, viz. its partiality and petty vexatiousness will be remedied.

8. The arrangements which I have thus proposed are certainly open to the objection that they do not proceed upon one clear and uniform system and depart in some degree from the principle of an Income tax such as is in force in England. But I would submit with deference that the Bill itself is a mixture of a license and an Income tax, thus showing the difficulty which is found in dealing with the numerous and comparatively petty classes of traders in this country. The chief objects of my arrangements are, 1st, to facilitate the introduction of an Income tax among the trading and banking part of the community; and 2ndly, to make the more prosperous classes of artificers contribute to the public revenue without bringing the complicated machinery

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of an Income tax, as managed in wealthy England, to bear upon them. If these objects are attained some want of uniformity of process may be considered of little moment.

9. There are some parts of the Bill which would have led me to offer further remarks if I had been engaged on a formal discussion of its details, but on this occasion it is desirable that I should be brief and confine myself to the leading points. I will therefore only remark that dealers in salt, especially the carriers of that highly taxed article, such as Bringarries, &c, should in policy be exempted from taxation under this Bill. But details of this description are probably intended to be provided for in the subsidiary rules to be published, under Section XXXI. by the Governor General in Council.

10. In conclusion, I beg to recommend that on the new Act being brought into force, Government should issue a proclamation, pointing out that by Hindu Law and usage the profits of trade have been always subject to taxation, and that it is only equitable that traders and professional persons who enjoy the benefits of our Government and have been relieved from many taxes (town, transit, and hawlut duties, sea custom duties on the coasting trade, special duties on tobacco, betle, &c.,) should contribute to the wants of the State. Sir Thomas Munro was of opinion that the people would cheerfully bear a war tax if relieved from it in times of peace, and though I have always felt some doubts on this point, it certainly appears to me that the introduction of the proposed Income tax would be easier if Government were able to proclaim that it is not intended to be permanent.

No. 127.

ORDER THEREON, 20th October 1859, No. 1418.

Ordered to lie over.

(Signed) J. D. BOURDILLON,

Secretary to Government.

To

J. D. Bourdillon Esq.

Revenue Secretary

Sir

I have the honor to acknowledge your letter of the 25th ultimo, requesting me, among other public officers, to give my opinion on the provisions of the Bill for the licensing of Trades and Professions for the information of the Government of India.

2. From the tenor of your letter I gather that my opinion is wished for regarding the probable working of the Bill in the Provinces rather than in the Presidency towns where there are large European Communities, and that my attention is to be given to the provisions of the Bill more than to the question of whether it is expedient to raise an additional revenue from this particular source.

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taxation of all descriptions must be unpopular,
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the profits of trade is no novelty either in
Hindu Law or practice. In a Minute on the
existing Motorfa tax Mr Walter Elliot, who
a Member of the Board of Revenue wrote
as follows. "It is an ancient tax declared to
be legitimate in old Hindu Books and the
verse in Manus which restricts the said tax
to 1/6 of the produce declares 2 per Cent or 1/50 to
be the proper tax on Cattle and the profits
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25 July 1859 No 992

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Bill. The second difficulty is that the recent
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missions hitherto made for waste and other
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will unfortunately come into operation in the
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Artificers who work for hire, Section XXVIII
and labourers, under which
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It may be here observed
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5. The first point which occurs to me is the impossibility of carrying out the intended taxation without large additional establishments to aid the collectors, since the principle of the Bill is to ascertain the profits of every person who follows a trade or profession before a License is issued, and this enquiry is to be renewed every year. Panchayats would not I consider, be found effective for this purpose to the extent implied in Section IX, as the employment would be an ^{one} insignificant, and private persons could not be expected to give up a sufficient portion of their time. Section XI would ⁱⁿ virtually strengthen the collectors hands if it is intended, as I presume, to give salaries to Chowries,

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Madras
15 October 1859

I have the honor to be,
Sir,
Your most obedient servant,
- E. Mather

To
J. P. Bourdillon Esq.
Revenue Secretary
to Government.

Copy in letter to G.
11/10 + Dec 1859. 1859

Revenue 1859. Sept
no. of post 21st Oct 1859.

Sept 1859
from 12th May, 1859

Oct 1859
Oct 1859

Waiting the order
from the B. & C.
for the licensing of
travellers & freight.

11/18. 20th Oct

11/18.
B. & C. to be over.

Oct 1859
1859

10/26 + 127.

With and over.

2.