M.R.O. 14—10,000—21-4-22.

MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No. 1477 Press —MIS.

105-106

Dated 31—10 18 59

Not to be folded or roughly handled

No. 103. Read the following letter From G. N. TAYLOR, Esq., Inám Commissioner; to J. D. BOURDILLON, Esq., Secretary to Government, Revenue Department, Fort Saint George, dated Masulipatam, 22nd October 1859.

The free public discussion which the principle of the Bill for licensing Trades and Professions has undergone, has been directed almost exclusively to a consideration of its provisions as affecting the interests of European Merchants and Professional men residing at the Presidency Towns; little has been said regarding the probable effect of the measure upon the country at large, and few practical objections have been taken to it, on the score of Native character and feeling. In submitting the few remarks, which in reply to the invitation of the Government, I have to offer on the subject, I propose to take up the question chiefly in the latter point of view.

2. A tax on the profits of Trades and Professions is undoubtedly sound in principle; and being in its nature familiar to the people of this country, it would be more acceptable generally, and therefore more expedient, than taxation in some other form, foreign to their habits and customs, and consequently distasteful as an innovation. I believe the Vissabaddi tax of the Ceded Districts to be as cheerfully paid as any tax could be, and that its extension to other Districts would cause less dissatisfaction than the levy of an impost, more perfect in theory, but to which the people are unaccustomed. Perhaps the strongest objection to the Vissabaddi, and one which applies with still greater force to the Moturpha tax, is the fact of its falling upon the petty trader and the struggling artizan, while it allows the rich to go free. But the object of the proposed Bill is exactly the reverse of this. It reaches the wealthy, and exempts that large body of the industrial classes, whose profits only suffice for a bare subsistence. In this point of view, as regards the Presidency of Madras at least, it substitutes a positive advantage for a positive evil. It is still a tax upon industry, but the tax has shifted its incidence from the poor to the rich. Its practical application will scarcely extend beyond the large Towns of each District, thousands of villages will be relieved from the petty exactions in a hundred different forms made under cover of the Moturpha; and the useful and industrious community of weavers, by whom that tax is mainly contributed, will rise from their present depressed condition to comparative comfort and wealth.

3. The character of the machinery which would necessarily be employed for the collection of the proposed tax, would be no worse than that which is already in operation for all fiscal purposes. It is not possible to provide checks which will prevent absolutely the evils of oppression and corruption, but these evils may be modified by clear and certain rules of application, and simplicity in arrangement of details.

4. Having said so much, I have said all which, in my opinion, can be urged in favor of the Bill as it now stands. The result of the consideration which I have been able to give to its general provisions, is the conviction that considerable modification is desirable before it passes into Law. First of all, I recognize considerable force in the objection, that the Bill is not in fact, what its title professes it to be. It is not a licensing Bill in the ordinary acceptation of the term; it taxes the income derived from every Trade and Profession, but not the profession itself. A license pre-supposes uniformity of payment for each particular class of Trade or Profession; a tax of this description, would be easy and certain of collection, but in the present financial circumstances of India it would be clearly insufficient for the wants of Government. It is admitted that the exigencies of the State demand a general contribution from all classes of the people for the purposes of Government: a tax ought therefore, I conceive, to be so contrived as to fall not upon one class only, but upon each and all the several sources of private revenue. Landholders should be exempted on the ground both of justice and policy: they already pay to the Government, even in Bengal, a very large proportion of the rent derived from the land, and any additional taxation in their case, would fall upon the Ryots, who are sufficiently burdened. But I see no grounds for the exemption of holders of realized property, whether in the shape of houses and other tenements, or of Government securities; with respect to the former, a separate house tax might be devised, to which all houses in towns above a certain value should be subjected; and in regard to the latter, the amount of these investments is readily ascertained and forms a most legitimate object of taxation; and will probably be found to comprise the realized profits of many of the wealthiest landholders.

5. I am therefore in favor of an Income tax, which shall be general in its application, and include all realized property, except that derived from the land and not invested in Government securities, as well as all incomes derived from trades and professions and salaries enjoyed in the public service. It seems to me desirable that the measure, to be satisfactory and generally well received, should be complete; and that to exclude the holders of realized property on the present occasion, will increase the difficulty of reaching this favored class hereafter. I think that the machinery to be employed, should be of a less complicated and inquisitorial nature than that provided on the Bill: I deprecate the stringency of Section XII. which declares that a person knowingly giving false returns of profits is liable to the penalties provided for perjury; because this provision necessarily vests the collecting officers with immense power of oppression, in regard to a question which admits only of vague specification; I consider the preparation and publication of a general list in the manner described in Sections XIV. and XV. to be unnecessary for the object in view, and, coupled with the absence of all provision for ensuring secrecy of the contents of Tradesmen's books, calculated to prove highly distasteful from the exposure which it entails of each person's private concerns; and I think that Sections XVI. and XVII. of the Bill are unnecessarily restrictive and arbitrary: the limit of the period of appeal to 15 days might be extended without inconvenience to the Government officers, and with justice to the tax payers.

6. I therefore share, to a great extent, in the objections that have been generally urged by the opponents of the Bill in its present form. The tax which it provides would be unequal, because it is exclusive, and all classes would not contribute in proportion to their ability; it would be uncertain, because the principle of taxation is not distinctly set forth, so that every person may know at once what he has to pay, and because the amount to be paid would vary every year, not only with reference to the circumstances of the payer, but according to the caprice of the tax-gatherer; and it would be obnoxious and burdensome to that particular class of the community which, in the present state of the country, requires the greatest protection and encouragement. The last objection follows of course from the other two; a tax upon industry may be cheerfully borne if it affects all classes alike, or in proportion to their means; but if precarious incomes alone are taxed, while realized property escapes, discontent and disaffection are the result. The motive to deception and concealment is aggravated by a sense of injustice, and the attempts to avoid exposure of real profits, will be productive of the worst moral results.

7. This point has been well put by one of the Native officers* attached to the Inám Commission, from all of whom opinions were invited, to use his own words; "I submit that the inquisitorial nature of the machinery proposed "to be employed is a very serious objection to the enactment of the "Bill, I mean an objection even more essentially *Native* than European in its character. If "reluctance is manifested by the European Trader and Merchant to let his transactions "be known to others, that reluctance is a hundred-fold greater on the part of his "Native brother. People otherwise most intimate, will not carry their intimacy to such a "length as freely to confide the secret of their real profits to each other. It can be well "conceived, therefore, how extremely unpopular a scheme of taxation would be which forced "an exposure of the amount of these profits to the whole world and to Government; attempts "at deception will no doubt be made by colored or false accounts of income, though they may "not always be successful, and the demoralizing effects of such attempts need not be dwelt "on here."

**M. Sadasivam Pillay.*

8. It must be admitted, however, that in point of fact there would be fewer untaxed incomes under the proposed Bill, than might at first sight appear; all Saúkárs and money lenders will be included as coming under the definition of persons carrying on a trade or profession having for its object the prospect of gain. The Bill wisely exempts small Incomes and Pensions granted by Government and very properly includes the salaries of Public servants which absorb a considerable portion of the income of the country; this liability to taxation, however, should protect the officers of Government from any reduction of salaries, dependent

Proceedings of the Madras Government, Revenue Department, from 22d to 31st October 1859.

upon the financial necessities of the State alone, and irrespective of the requirements of the officer.

9. If as I have ventured to recommend the Bill should be modified and converted into an Income tax, distinct and varying rates of taxation will be desirable with reference to the various sources of private income. Realized incomes are capable of bearing a much higher rate than incomes derived from the precarious profits of trade, or those which depend entirely upon the life of persons engaged in the several professions.

10. The opinions which I have been able to collect from the Deputy Collectors are generally in unison with my own, in regard to the principle of the Bill; none except the officer from whom I have quoted above, are decidedly opposed to it, and the majority recommend a modification of its more arbitrary provisions.

11. I will conclude by a brief quotation of the opinion of my Special Assistant C. Rungacharlu who has entered more fully into the subject than any other.

"Independently of the general clamour which every new tax must raise, I am inclined "to think that the justice of a Trade and Profession tax will commend itself to the Native commu"nity who have been so long accustomed to it, no less than to Englishmen who pay it in the "shape of Income tax in their own country. The Vissabaddi tax upon the profits of trade is "still in force in the Ceded Districts, though in the other Districts of this Presidency the less "justifiable tax of Moturpha on the profits of persons exercising manual arts and professions "has alone been retained. Under the previous Governments, persons of all professions and "trades had to contribute their quota of taxation equally with the cultivators of land."

"In a country like India, where capital and all sorts of skilled labor and professions enjoy "a monopoly, the profits of trade and professions, must be the least objectionable objects of "taxation to meet the present exigencies of the State; provided the tax is so moderate that it "can neither check the spirit of industry, or frugal saving to any material extent; but will have "the effect of restraining wasteful expenditure."

He afterwards points out the theoretical soundness of the argument that an income tax should extend to all descriptions of property and should be applied in greater proportion to realize property than to any other, and he concludes with the following remark:

"It is desirable that Government, while retaining the power of extending the tax, should "restrict it for the present to towns and places where trade and professions likely to come "under taxation, exist to any appreciable extent, extending it to other places only as necessity "may arise. This will greatly restrict the sphere of the oppression of the tax-gatherers. The "present system of fixing the total amount of tax, and leaving its apportionment to the tax payers "themselves can also be advantageously adopted in small towns, and the tax once imposed "may run for five instead of one year, allowing remissions if necessary in individual hard "cases."

No. 104. ORDER THEREON, 31st October 1859, No. 1476.

Ordered to lie over.

(Signed) J. D. BOURDILLON,
Secretary to Government.

Masulipatam

3

Memo:

Mr. G. N. Taylor has the honor to request that the name of M. Sadasivam Pillay may be entered in the Margin to Para 7 of Mr. Taylor's letter to Government 7722 dt. Instant on the Bill for licensing Traders & Professions as the name appears to have been inadvertently omitted in the fair copy.

Masulipatam
24th October 1859.

To The Secretary to Government
Revenue Department
Fort Saint George

Madrapatam
22d October 1859.

From

G. N. Taylor Esqme.

To

J. F. Bourdillon Esqr.
Secretary to Government
Revenue Department
Fort Saint George

Sir,

The free public discussion which the principle of the Bill for licensing Trades and Professions has undergone, has been directed almost exclusively to a consideration of its Provisions as affecting the interests of European Merchants and professional men residing at the Presidency Town; little has been said regarding the probable effect of the measure upon the Country at large, and few practical objections have been taken to it, on the score of Native Character and feeling. In submitting the few remarks, which in reply to the Invitation of the Government, I am to offer on the subject, I propose to take up the question chiefly in the latter point of view.

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depressed Condition to Comparative Comfort and wealth.

3. The character of the Machinery which would necessarily be employed for the Collection of the proposed tax, would be no worse than that which is already in operation for all fiscal purposes. It is not possible to provide checks which will prevent absolutely the evils of oppression and Corruption, but these evils may be modified by clear and Certain Rules of application, and simplicity in arrangement of details.

4. Having said so much, I have said all which, in my opinion, can be urged in favor of the Bill as it now stands. The result of the Consideration which the Madras Government has been able to give to its General provisions is the Conviction that Considerable modification is desirable before it is passed into Law. First of all, I recognize Considerable force in the objection, that the Bill is not in fact, what its title professes it to be. It is not a licensing Bill in the ordinary acceptation of the term; it taxes the income derived from every trade and profession, but not the profession itself. A license presupposes the permit of payment for each particular Class of Trade or Profession; a Tax of this description, would be easy and Certain of Collection, but in the present financial circumstances of India it would be clearly insufficient for the wants of Government. It is admitted that the exigencies of the State demand.

demand a general contribution from all classes of the people for the purposes of Government & tax ought therefore, I conceive, to be so contrived as to fall, not upon one class only, but upon each and all the several sources of private Revenue. Landholders should be exempted on the ground both of justice and Policy: they already pay to the Government, even in Bengal, a very large proportion of the rent derived from the land, and any additional taxation written case, would fall upon the Ryots, who are sufficiently burdened. But I see no grounds for the exemption of holders of realized property, whether in the shape of Houses and other Investments, or of Government securities; with respect to the former, a separate House tax might be devised, to which all Houses in Towns above a certain value should be subjected, and in regard to the latter, the amount of these Investments is readily ascertained and forms a most legitimate object of taxation, and will probably be found to comprise the realized profits of many of the wealthiest Landholders.

5 I am therefore in favor of an income tax, which shall be general in its application, and include all realized property, except that derived from the land and not invested in Government Securities, as well as all Incomes derived from trades & professions and Salaries enjoyed in the public Service. It seems to me desirable that the measure,

to be satisfactory and generally well received should be complete; and that to exclude the holders of realized property on the present occasion, will increase the difficulty of reaching this favored class hereafter. I think that the machinery to be employed, should be of a less Complicated and inquisitorial nature than that provided in the Bill: I deprecate the stringency of Section XII which declares that a person knowingly giving a false return of profits is liable to the penalties provided for perjury - because this provision necessarily vests the Collecting officers with immense power of oppression, in regard to a question which admits only of vague Specification; I consider the preparation and publication of a general list in the manner described in Sections XIV & XV to be unnecessary for the object in view, and coupled with the absence of all provision for ensuring Secrecy of the Contents of Assessment Books, calculated to prove highly distasteful from the exposure which it entails of each person's private Concerns; and I think that Sections XVI & XVII of the Bill are unnecessarily restrictive and arbitrary: the limit of the period of appeal to 15 days might be extended without inconvenience to the Government officers, and with justice to the tax payers.

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7. This point has been well put by Mr Sadasivam Pillay one of the Native Officers attached to the Main Commission, from all of whose opinions we are invited to use his own words. "I submit that the Inquisitorial nature "of the Machinery proposed to be employed "is a very serious objection to the enactment "of the Bill, I mean an objection even more "essentially native than European "in its character - If reluctance is "manifested by the European Trader and

"and Merchant to let his transactions be "known to others, that reluctance is a hundred "fold greater on the part of his Native Brother. "People otherwise most intimately will not "carry their intimacy to such a length "as freely to confide the secret of their "real profits to each other. It can be "well conceived, therefore, how extremely "unpopular a scheme of taxation would "be which forced an exposure of the known "of these profits to the whole world and "Government - attempts at deception will "no doubt be made by Colored or false "Accounts of Income, though they may "not always be successful, and the de- "moralizing effects of such attempts "need not be dwelt on here"

8 It must be admitted, however, that in point of fact there would be fewer untaxed incomes under the proposed Bill, than might at first sight appear; All Landlords and many Traders will be included as coming under the definition of persons carrying on a trade or profession having for its object the prospect of gain - The Bill wisely exempts small Incomes and Pensions granted by Government and very properly includes the salaries of Public Servants which absorb a considerable portion of the Income of the Country - this liability to taxation, however, should protect the Officers of Government from any reduction of salaries dependent upon the financial necessities of the State alone, and irrespective of

the requirements of the Officer—

9. If as I have ventured to recommend the Bill should be modified and converted into an Income tax—distinct and varying rates of taxation will be desirable with reference to the various sources of private income—Realized incomes are capable of bearing a much higher rate than Incomes derived from the precarious profits of Trade, or those which depend entirely upon the life of persons engaged in the several professions.

10. The opinions which I have been able to Collect from the Deputy Collectors are generally in unison with my own—in regard to the principle of the Bill—those except. the Officer from whom I have quoted alone are decidedly opposed to it, and the majority recommend a modification of it more extensive provisions.

11. I will conclude by a brief Quotation of the opinion of my Special Assistant D Runga Charlu who has entered more fully into the subject than any other—

"Independently of the general clamour "which every new tax must raise. I am "inclined to think that the justice of a "trade and profession tax will commend "itself to the Native Community who "have been so long accustomed to it, no "less than to Englishmen who pay it in "the shape of Income tax in their own "Country. The 1/2 p.a add. tax upon the "profits of Trade is still in force "in the Ceded Districts, though in the

other

"other Districts of this Presidency the sup- "posititious tax of Motuphas on the profits "of persons exercising manual arts and pro- "fessions has alone been retained. Under "the previous Governments, persons of all "professions and Trades had to Contribute "their quota of taxation equally with the "Cultivators of land".

"In a Country like India, where "Capital and all sorts of skilled Labor and "professions enjoy a Monopoly, the profits "of Trade and Professions, must be the least "objectionable objects of taxation to meet "the present exigencies of the State; pro- "vided the tax is so moderate that it "can neither check the Spirit of industry, "or frugal saving to any material extent; "but will have the effect of restraining "wasteful extravagance".

He afterwards points out the theoretical correctness of the argument that an Income tax should extend to all descrip- tions of Property and should be applied in greater proportion to realized property than to any other—and he concludes with the following remarks—

"It is desirable that Government, while "retaining the power of extending the tax, "should restrict it for the present to towns "and places where Trade and professions "likely to come under taxation, exist to "any appreciable extent, extending it to the "places only as necessity may arise.

"This will greatly restrict the sphere
"of the oppression of the tax-gatherers.
"The present system of fixing the
"total amount of tax, and leaving its
"apportionment to the tax payers
"themselves can also be advantageously
"adopted in small Towns, and the
"tax once imposed may run for the
"ensuing year, allowing remissions
"in case of any individual hard
"cases."

I have the honor to be
Sir
Your most obdt Servant

[illegible]

1476

No. 1476

Ordered to lie over

Fort St. Geo.
31st October 1859

Revenue 1859 Dept.
Pros. of Govt. 31st October.
No. 1965

To

The Secretary to
Govt
Revue Dept.

Copy in a letter to C
dated 10th Dec. 1859 No. 70

R/22 Oct 59
Rec'd 26 Oct.
No. 1476. 31st Oct.
Report of Mr.
Taylor on the
Petition praying
Trades Regulations
Nattwar order

No. 103 & 104